



BRIEFING PAPER

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Financial services: contribution to the UK economy

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Summary

This paper provides information on the economic output of the financial services sector and international comparisons; the number of jobs in the sector; statistics on the sector's exports and imports; and the amount of tax it contributes to the Exchequer.

In 2018, the financial services sector **contributed £132 billion to the UK economy**, 6.9% of total economic output. The sector was largest in London, where 49% of the sector's output was generated.

The UK financial services sector was the **seventh largest in the OECD** in 2018 by its proportion of national economic output. Luxembourg's financial service sector was the largest in the OECD, contributing 26% of the country's economic output.

There were **1.1 million financial services jobs** in the UK, 3.1% of all jobs.

Exports of UK financial services were worth £60 billion in 2017 and imports were worth £15 billion, so there was **a surplus in financial services trade of £44 billion**.

43% of financial services exports went to the EU and 34% of financial services imports came from the EU.

The sector contributed **£29 billion in tax** in the UK in 2017/18.

For more information on the **impact of Brexit** on the financial services sector, please see the following Library briefing: [Brexit and financial services](#).

1. Measuring the contribution of the financial sector

Measures of the financial sector usually include the activities of a wide range of firms, including retail banks, building societies, investment banks and hedge funds, and are wider than the activities of financial services firms located in the City and Canary Wharf. Mostly, 'financial services' in this briefing paper are defined as the financial and insurance activities sector, [Standard Industrial Classification Section K](#).

These statistics usually measure the contribution of the financial services and/or related sectors on a stand-alone basis. To some extent they may under-estimate the sector's total contribution to the UK economy. This is because a well-functioning financial sector may have positive "spill-over" effects for other sectors of the economy. For example, it may increase firms' access to credit and therefore help other sectors to grow.

There are a several other sources of information on the financial services sector. City UK represents the interests of the financial services sector in the UK and publishes an annual assessment of the economic impact of the UK financial services sector, most recently in October 2018:

[Key Facts about the UK as an international financial centre 2018](#). The City UK analysis uses different sources and so is not directly comparable to the data used in this paper.

2. Economic output

Economic output is measured by Gross Value Added (GVA) which is similar to GDP but is used to measure the contribution of part of the economy, such as an industry or region.

2.1 Economic output over time

In 2018, financial and insurance services contributed £131.9 billion to the UK economy, 6.9% of the total.

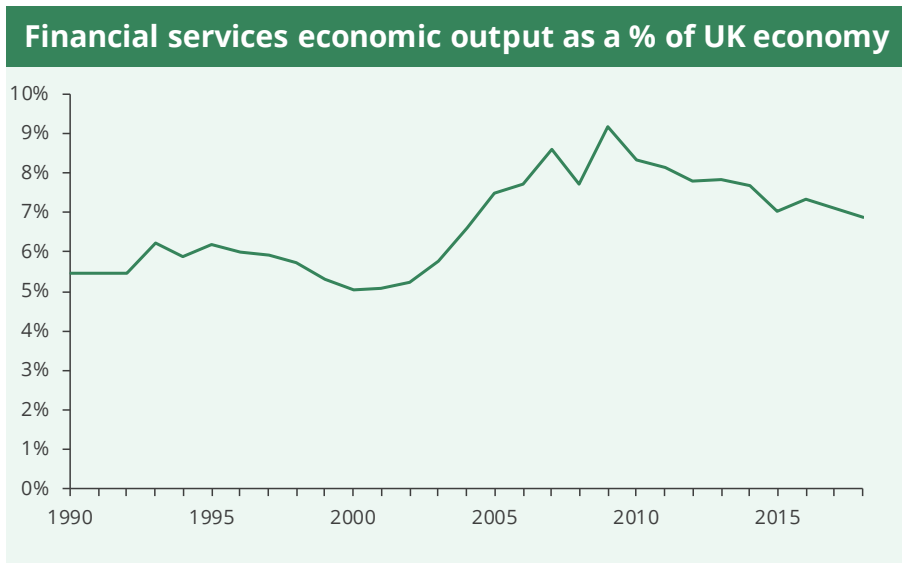
Economic output of the UK finance and insurance industry				
	£ billion, current	£ billion, constant (2015 prices)	Change on previous year (constant)	% of total economy
1990	33.5	62.2	-	5.5%
1991	35.0	63.0	1.3%	5.5%
1992	36.3	61.0	-3.3%	5.5%
1993	43.5	62.7	2.8%	6.2%
1994	43.1	63.1	0.8%	5.9%
1995	47.5	64.3	1.8%	6.2%
1996	49.1	67.2	4.4%	6.0%
1997	50.8	72.2	7.5%	5.9%
1998	51.3	89.4	23.8%	5.7%
1999	48.9	90.9	1.7%	5.3%
2000	49.4	94.8	4.3%	5.1%
2001	51.4	98.6	4.0%	5.1%
2002	55.9	103.2	4.6%	5.3%
2003	65.2	109.9	6.5%	5.8%
2004	78.0	114.8	4.5%	6.6%
2005	93.8	122.7	6.9%	7.5%
2006	101.9	132.3	7.8%	7.7%
2007	119.2	139.1	5.1%	8.6%
2008	110.6	142.0	2.1%	7.7%
2009	128.5	142.0	0.0%	9.2%
2010	119.1	130.7	-7.9%	8.3%
2011	119.5	130.5	-0.2%	8.1%
2012	118.4	133.2	2.0%	7.8%
2013	123.1	130.2	-2.2%	7.8%
2014	126.2	127.9	-1.7%	7.7%
2015	119.1	124.2	-2.9%	7.0%
2016	128.6	128.6	3.5%	7.3%
2017	131.1	128.9	0.2%	7.1%
2018	131.9	126.6	-1.8%	6.9%

Source: ONS, Quarterly National Accounts, Q1 2019, [Low Level Aggregates Table](#)

ONS Series KL90, KKK9, KKP5

Economic output in terms of Gross Value Added (GVA)

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Source: ONS Series KKP5 and KKK9

Financial and insurance activities have grown as a proportion of total economic output since the early 1990s.

There was strong growth during the early 2000s, followed by a steady fall since the recession in 2008 and 2009.

In 2018, the sector contributed 6.9% of the UK economic output, down from the peak of 9.2% in 2009.

2.2 Financial services in the regions and countries of the UK

There is a wide disparity in the financial sector's contribution to the economy across different regions and countries of the UK. London accounted for half of the total UK financial and insurance sector's GVA in 2017.

The financial sector contributed £63.8 billion to London's economy in 2017, 15% of London's total economic output. This is a much higher proportion than in any other part of the UK.

Financial services economic output by UK country & region, 2017			
	£ billions	% of regional output	% of UK financial services
London	63.8	15%	49%
South East	12.1	5%	9%
Scotland	9.2	7%	7%
North West	8.8	5%	7%
South West	7.2	6%	6%
Humber	6.3	5%	5%
East	6.2	4%	5%
West Midlands	5.8	4%	4%
Wales	2.8	5%	2%
East Midlands	2.8	3%	2%
North East	2.3	4%	2%
Northern Ireland	1.7	4%	1%
United Kingdom	129.1	7%	100%

Source: ONS, [Regional Gross Value Added \(balanced\) by industry](#), Dec 2018

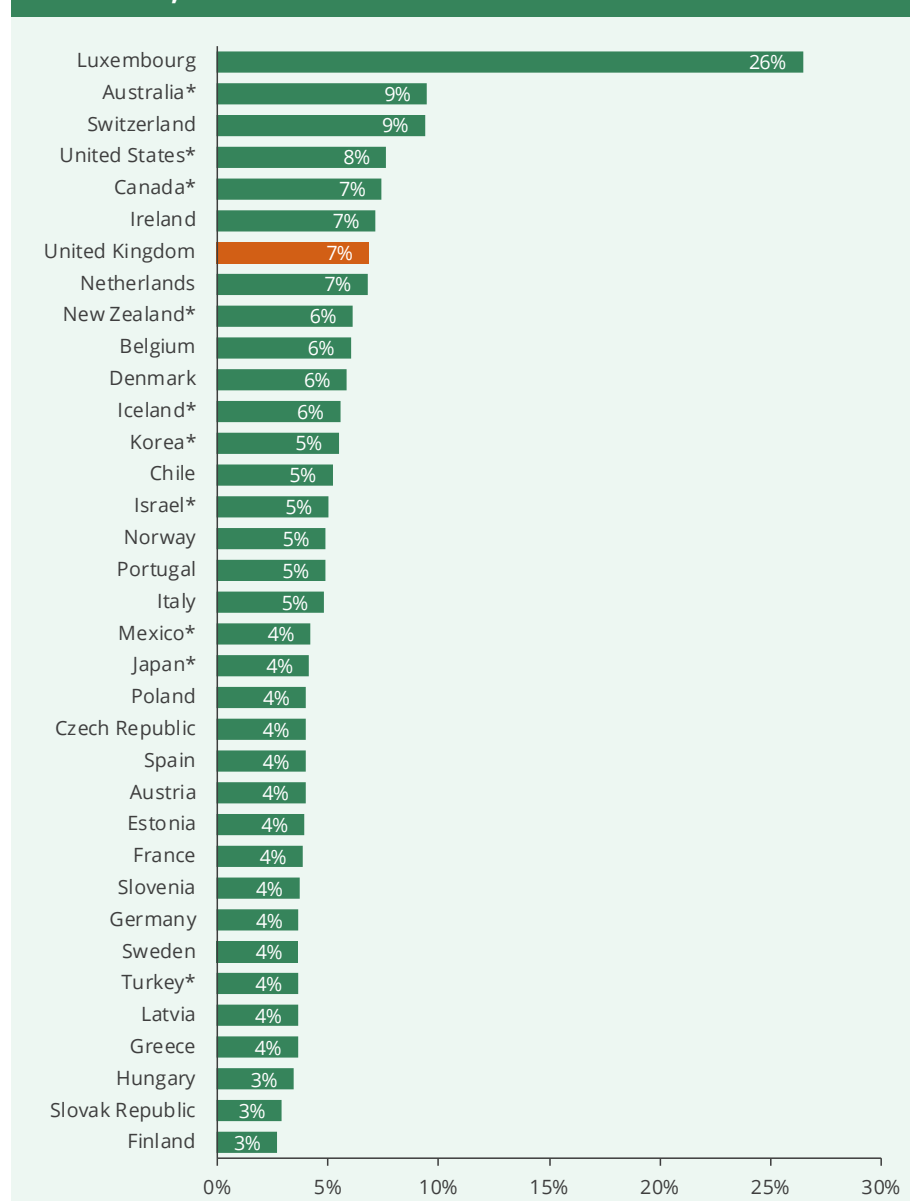
SIC code Section K; Note: UK totals include GVA not assigned to a region/country

2.3 International comparisons

The UK's financial services sector contributed the seventh highest proportion of a country's economic output in the OECD countries, 7% in 2018.¹

Luxembourg's reliance on the financial services is a significant outlier (the sector accounts for 26% of economic output in Luxembourg). This is because Luxembourg's economy is relatively small and many of the major European financial institutions are based there.

Financial services as a % of total economy, OECD countries, 2018



Source: OECD, [Value Added by Activity: Financial Services](#), 2018

*= data for 2017 or most recent date available

¹ OECD, [Value added by activity](#), accessed July 2019, Finance and insurance

3. Jobs in financial services

In Q1 2019, there were 1.1 million jobs in the financial and insurance sector in the UK, 3.1% of all jobs.

The number of jobs in the financial services sector has remained broadly steady over the past few decades, but the proportion of jobs in this industry has fallen by about one percentage point since the early 1990s as the number of jobs in the whole economy has grown.

Jobs in the UK financial services sector, Q1 each year		
	Thousand jobs	% of all jobs
1982	874	3.4%
...		
1992	1,113	4.0%
...		
2002	1,203	4.0%
2003	1,191	3.9%
2004	1,174	3.8%
2005	1,177	3.8%
2006	1,159	3.7%
2007	1,174	3.7%
2008	1,201	3.7%
2009	1,206	3.8%
2010	1,107	3.5%
2011	1,129	3.6%
2012	1,155	3.6%
2013	1,139	3.5%
2014	1,124	3.4%
2015	1,117	3.3%
2016	1,119	3.3%
2017	1,116	3.2%
2018	1,122	3.2%
2019	1,116	3.1%

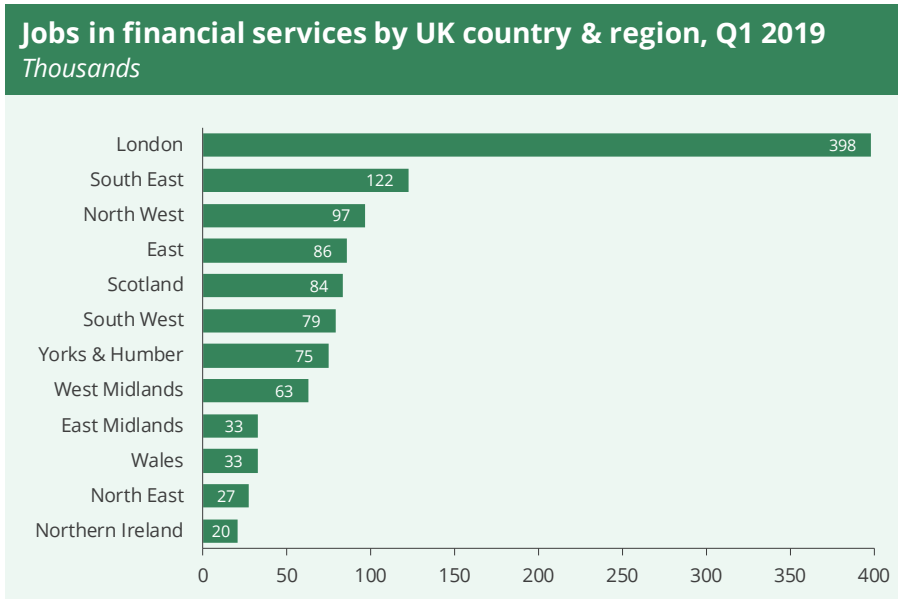
Source: ONS, Workforce jobs data, Q1 each year, via [NOMIS database](#)

Financial and insurance activities, SIC Section K

3.1 Jobs by region

The following chart shows the number of financial services jobs in each region and country of the UK. London has by far the most financial services jobs in 2019 – 398,000 or 49% of all the sector’s jobs in the UK.

In the UK as a whole, 7% of all jobs are in financial services. In London, the financial services account for 15% of jobs.



Source: ONS, Workforce jobs data, Q1 2019, via [NOMIS database](#)

	Thousand jobs	% of regional jobs	% of UK financial services jobs
London	398	15%	49%
South East	122	5%	9%
North West	97	7%	7%
East	86	5%	7%
Scotland	84	6%	6%
South West	79	5%	5%
The Humber	75	4%	5%
West Midlands	63	4%	4%
East Midlands	33	5%	2%
Wales	33	3%	2%
North East	27	4%	2%
Northern Ireland	20	4%	1%
<i>UK</i>	<i>1,116</i>	<i>7%</i>	<i>100%</i>

Source: ONS, Workforce jobs data, Q1 2019, via [NOMIS database](#)

4. Trade in financial services

The UK has a trade surplus in financial and insurance activities (exports exceed imports in the sector) of £44 billion.

UK trade in financial services			
2007-17, £ billions			
	Exports	Imports	Balance
2007	47.5	9.4	38.1
2008	46.8	10.5	36.3
2009	47.6	9.1	38.5
2010	49.0	8.8	40.2
2011	56.1	9.9	46.2
2012	53.8	9.1	44.7
2013	55.1	11.6	43.4
2014	50.2	11.8	38.4
2015	52.0	13.8	38.3
2016	56.0	15.1	40.9
2017	59.6	15.3	44.4

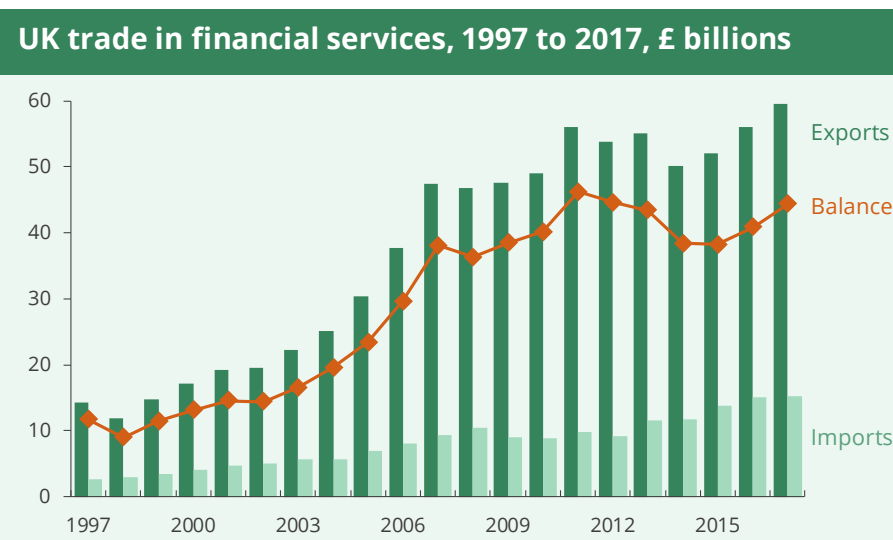
Source: ONS, [Pink Book 2018, Table 3.5](#)

Note: All data includes FISIM and non-FISIM trade (FISIM=Financial Intermediation Services Indirectly Measured)

In 2017, exports of financial services were worth £59.6 billion, while imports were worth £15.3 billion, resulting in trade surplus of £44.4 billion. Financial services made up 23% of all UK service exports and 9% of all service imports.

The UK's trade in financial services over the last 20 years is shown below. The UK has maintained a trade surplus in financial services in each of the last 20 years, peaking at £46 billion in 2011.

UK exports of financial services peaked at £60 billion in 2017; UK imports of financial services also peaked in 2017, at £15 billion.



Source: ONS, [Pink Book 2018, Table 3.5](#)

4.1 Financial services trade with the EU

In 2017, exports of financial services to the EU were worth £26 billion (43% of all UK financial service exports), while imports from the EU were worth £5 billion (34% of UK imports of financial services).

Exports of financial services to non-EU countries in 2017 were worth £34 billion (57% of all UK financial service exports), while imports from non-EU countries were worth £10 billion (66% of UK imports of financial services.²

² Source: ONS, [Pink Book 2018, Table 9.13](#), July 2018

5. Taxation of the financial services industry

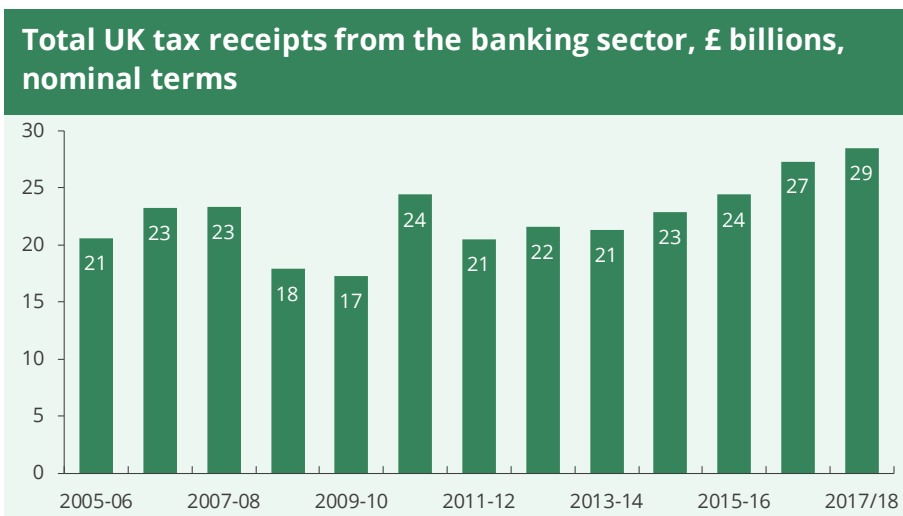
Her Majesty's Revenue and Customs (HMRC) publishes details of receipts from the banking sector from income tax, national insurance contributions, corporation tax, the bank payroll tax and the banking levy.³

In 2017/18, these taxes raised £28.5 billion, 3.8% of all taxes collected that year.

The majority of this was from PAYE (income tax and national insurance) which raised £19.1 billion with corporation tax raising £4.9 billion and the bank levy raising £2.8 billion. The bank surcharge was introduced in January 2016. It raised £1.8 billion in 2017/18.

UK tax receipts from the banking sector, £ billions						
	PAYE	Corporation Tax	Bank Payroll Tax	Bank Levy	Bank Surcharge	Total
2005-06	13.6	7.0	-	-	-	20.6
2006-07	15.9	7.3	-	-	-	23.2
2007-08	16.7	6.6	-	-	-	23.3
2008-09	14.0	3.9	-	-	-	17.9
2009-10	15.2	2.1	-	-	-	17.3
2010-11	17.5	3.5	3.4	-	-	24.4
2011-12	17.6	1.3	-	1.6	-	20.5
2012-13	17.8	2.2	-	1.6	-	21.6
2013-14	17.6	1.6	-	2.2	-	21.3
2014-15	17.9	2.3	-	2.7	-	22.9
2015-16	17.8	3.2	-	3.4	0.0	24.4
2016-17	18.4	4.8	-	3.0	1.1	27.3
2017/18	19.1	4.9	-	2.8	1.8	28.5

Sources: HMRC, [PAYE and Corporate Tax receipts from the banking sector: 2018](#)



Source: HMRC, [PAYE and Corporate Tax receipts from the banking sector: 2018](#)

³ HMRC, [PAYE and Corporate Tax receipts from the banking sector: 2018](#), September 2018

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The City of London Corporation publishes estimates of financial sector tax receipts.⁴ This is based on research by PricewaterhouseCoopers (PwC), which collects data from a survey of financial services companies.

The PwC research uses a broader measure of tax contributions compared to HMRC. As well as income taxes, national insurance contributions and corporation taxes, PwC includes VAT, business rates and other taxes. While the HMRC figures are for taxes paid by the banking sector, the PwC survey also includes insurance companies. The PwC estimates include both taxes paid by the sector itself (such as corporation tax and business rates) and taxes collected by the sector on behalf of Government, such as income tax and insurance premium tax, for example, which are paid by employees and consumers respectively.

The PwC research indicates that the financial sector contributed £75.0 billion or 10.9% of total government receipts in 2017/18.

⁴ City of London Corporation/PwC, [*UK financial services sector makes record tax contribution*](#), December 2018

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