

Key facts

about UK-based financial and related professional services 2022



About TheCityUK

TheCityUK is the industry-led body representing UK-based financial and related professional services. We champion and support the success of the ecosystem, and thereby our members, promoting policies in the UK, across Europe and internationally that drive competitiveness, support job creation and ensure long-term economic growth. The industry contributes 12% of the UK's total economic output and employs over 2.2 million people, with two thirds of these jobs outside London. It is one of the largest exporters and generates a trade surplus exceeding that of all other net exporting industries combined. It is also the largest taxpayer, and makes a real difference to people in their daily lives, helping them save for the future, buy a home, invest in a business and protect and manage risk.

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Key facts about UK-based financial and related professional services 2022



Over **2.2 million** people in the UK work in financial and related professional services



This accounts for **7.4%** of total UK employment or **1 in 14** people in employment, with two thirds of this employment based outside of London

Financial services has more than **1m people** in employment:

 banking – **382,000**

insurance – **324,000** 

 fund management – **63,000**

other financial services – **273,000** 



Financial and related professional services contributed

£261bn

to UK GVA* in 2021, representing around **£12** of every **£100** of economic output

*Gross value added

Related professional services has over **1.2 million people** in employment:

 management consultancy - **465,000**

accountancy - **421,000** 

 legal services - **318,000**



The outstanding amount of loans made available by major banks to UK businesses was **£525.5bn** at the end of 2021

- **0.7%** less than in 2020
- **40.1%** of this was lent to SMEs



UK fund managers helped to protect and grow around **£11trn** in financial assets in 2020, up from **£10trn** in 2019



In 2020, UK private equity funds invested **£25.1bn** in more than **1,300** UK companies



UK-based financial and related professional services generated a trade surplus of **£90.5bn** in 2020

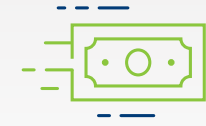


LawTech businesses in the UK had received around **£674m** in investment as of December 2020

Enhancing customer experience through digital financial services



72% of the population used online banking and **54%** used mobile banking in 2020



In 2020, the number of payments via the Faster Payments Services (FPS) reached almost **3bn**

- **4/10** business-to-business payments were done using FPS or other remote banking system



The number of annual transactions made with contactless payment cards was **9.6bn** in 2020, up **12%** from the previous year



Cash payments decreased by **35%** in 2020 from the previous year

Foreword

This report marks the third time that our flagship annual research quantifying the value of the financial and related professional services industry to the UK is being published under the shadow of Covid-19. Happily, that shadow is significantly fainter now than it was in 2020 and 2021, with negligible rates of severe illness and the complete removal of restrictions on mobility and business as of the second quarter of 2022. Less happily, the post-Covid rebound that many had anticipated has been clouded by macroeconomic stresses triggered by a variety of developments including, but not limited to, the war in Eastern Europe.

Against this backdrop, the UK-based financial and related professional services industry continues to support individuals and businesses in their day-to-day activities through familiar services like saving, mortgage provision, and business lending. For example, major banks had more than £500bn in outstanding loans to UK businesses in 2021, 40% of which was to SMEs. The latest available data also show that financial and related professional services GVA rebounded in 2021, with year-on-year growth of 8% following a contraction of 0.6% in 2020. Broadly speaking, the industry has exhibited relative stability throughout the pandemic period, registering a smaller-than-average contribution to the overall economic contraction in 2020 and also a smaller-than-average contribution to growth in 2021. In that year, industry GVA accounted for around 12% of total UK GVA.

This relative stability likely reflects in part the essential nature of much of the industry's output and continued (indeed, in some cases increased) demand for its products and services. This characteristic means that it is well-placed to weather the myriad economic and geopolitical challenges the coming year is set to deliver, and to continue to support UK consumers and businesses in ways that can help them maximise their own output and productivity. Our latest 'Key Facts about UK-based financial and related professional services' report highlights some of the ways in which the industry provides this service.

Anjalika Bardalai

Chief Economist & Head of Research, TheCityUK



Supporting employment and growth across the UK

A leading employer

According to the latest data available from the Office for National Statistics (ONS) and the Northern Ireland Statistics and Research Agency, over 2.2 million people worked across the UK in financial and related professional services – the latter comprising legal services, accounting services and management consultancy – accounting for 7.4% of total UK employment (meaning that around one in every 14 people in employment is in the industry).

- Two thirds of this employment is based outside London. Birmingham, Edinburgh and Manchester each have around 50,000 people in employment. Bristol, Glasgow and Leeds each have nearly 40,000 people in employment. These are followed by Belfast, Cardiff, Liverpool and Sheffield, each with between 19,000 and 22,000 in employment. Other centres with over 14,000 people in employment include Milton Keynes, Warrington and Brighton.
- Twenty-one towns and cities in the UK each have over 10,000 people in employment in the industry.
- Financial services have more than 1 million people in employment, the majority of whom are in banking (382,000) and insurance (324,000). Fund management provides employment for a further 63,000 and other financial services 273,000.
- Related professional services have over 1.2 million people in employment divided among management consultancy (465,000), accountancy (421,000) and legal services (318,000); for more information see Figure 1.^{1,2}

1 TheCityUK calculations based on Nomis, 'Business register and employment survey: open access', (May 2022), available at: <https://www.nomisweb.co.uk/query/construct/components/date.asp?menuopt=13&subcomp=>

2 TheCityUK calculations based on data from NISRA, 'Business Register and Employment Survey', (May 2022), available at: <https://www.nisra.gov.uk/statistics/annual-employee-jobs-surveys/business-register-and-employment-survey>

Figure 1: Employment by sector in UK financial and related professional services, % of total industry employment, 2020

Source: TheCityUK calculations based on data from Nomis and the Northern Ireland Business Register and Employment Survey

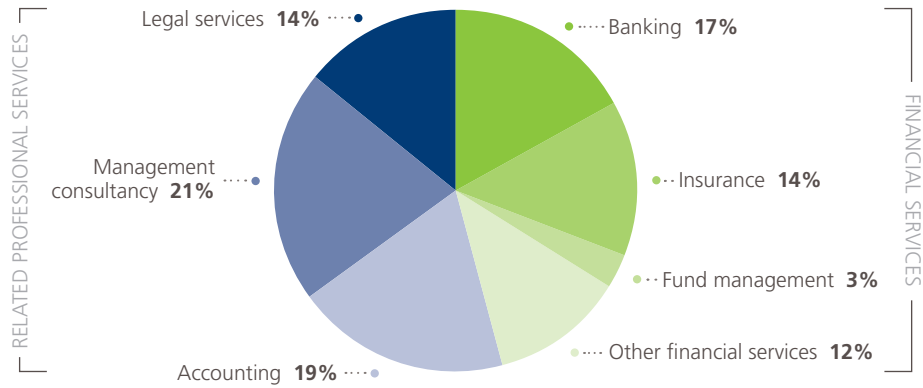
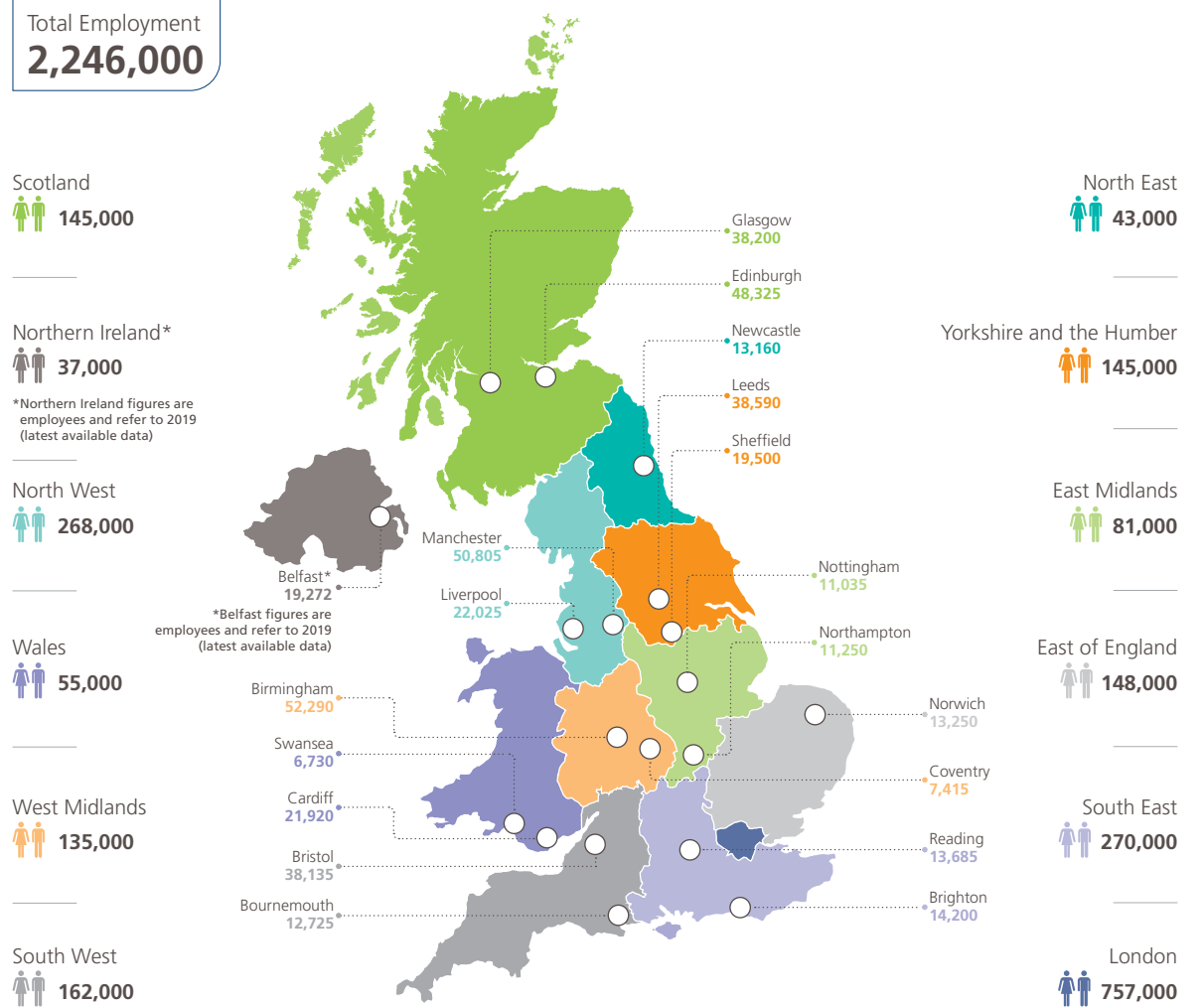


Figure 2: Employment in UK-based financial and related professional services, 2020

Source: TheCityUK calculations based on data from Nomis and the Northern Ireland Business Register and Employment Survey



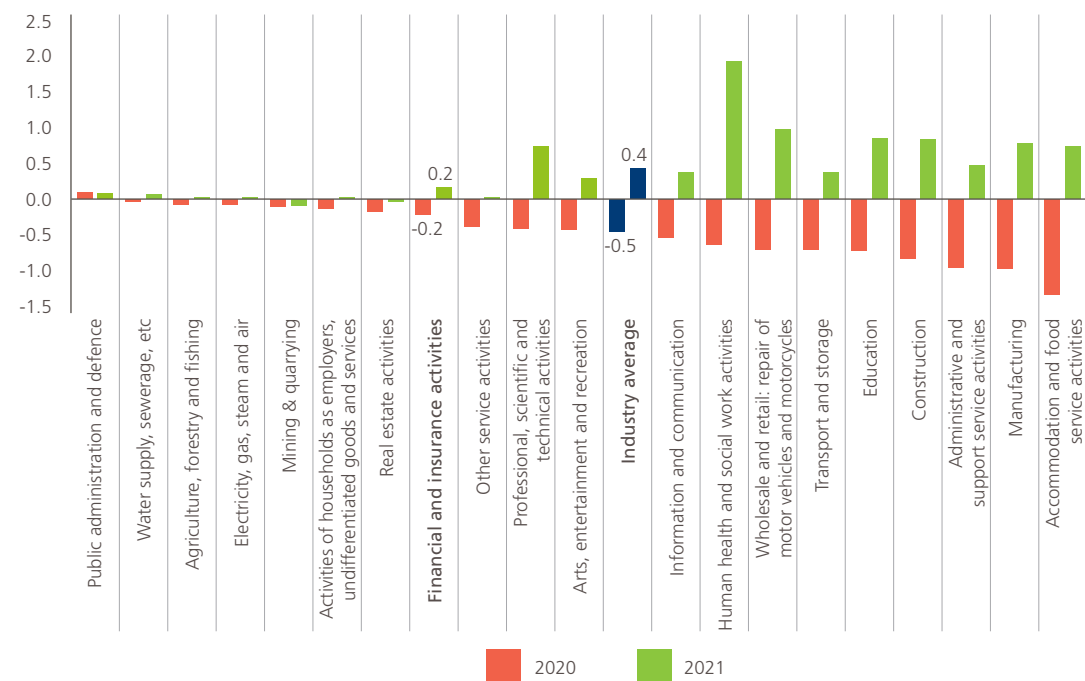
A significant contributor to UK economic output

According to the latest available data from the ONS, across their domestic and international activities, financial and related professional services contributed £261bn to UK gross value added (GVA) in 2021, representing around £12 of every £100 of economic output. Financial and related professional services is among the UK's largest industries as measured by GVA.³

The financial and related professional services industry has demonstrated resilience throughout the Covid-19 pandemic, driven in part by continued demand for its products and services—aspects of which are highlighted in subsequent sections of this report. At the beginning of the pandemic this sector suffered a slight contraction, accounting for 0.2 percentage points of the total GVA decrease in 2020 which was 9.1%. This made financial services a relatively insignificant contributor to the UK's overall economic contraction. In 2021, as GVA growth rebounded to 8.4%, financial services accounted for 0.2 percentage points of this growth—slightly less than the industry average. See Figure 3 for details.^{4,5}

Figure 3: Contribution to year-on-year GVA growth by sector, percentage points, 2020-2021

Source: Office for National Statistics



Financial services sector productivity is more than twice as high as whole-economy productivity in terms of output per hour. Output per hour for the financial services sector was £83.3 in 2020, compared with whole-economy productivity of £39. On this metric, the sector ranks fourth, behind Real Estate (£304.1), Energy (£116.0), and Mining and Quarrying (£100.6); and ahead of Water Supply (£69.1) and IT (£45.7); for more information see Figure 4.⁶

³ TheCityUK estimates based on the Office for National Statistics, 'GDP output approach - low-level aggregates', (12 May 2022), available at: <https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/ukgdpolowlevelaggregates>

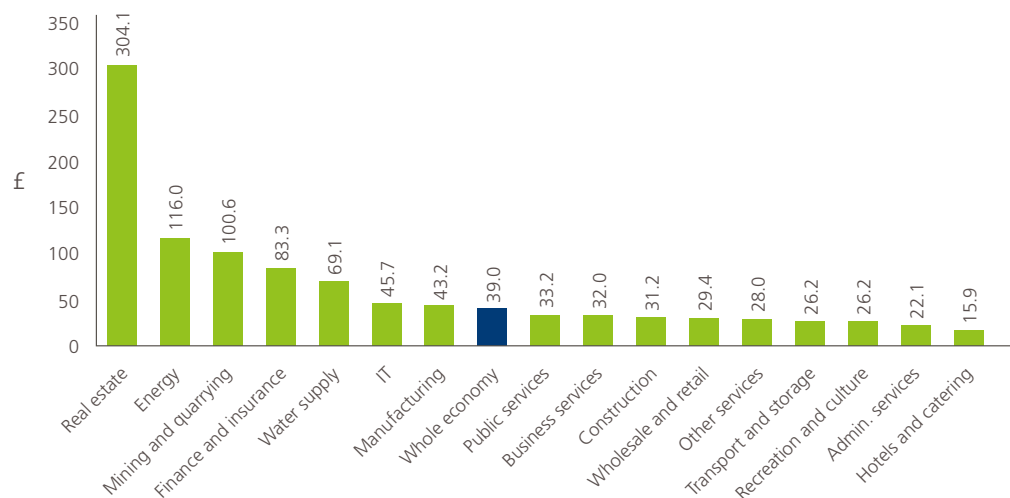
⁴ Office for National Statistics, 'Contributions to monthly GDP', (12 May 2022), available at: <https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/contributionstomonthlygdp>

⁵ Office for National Statistics, 'Contributions to monthly GDP', (12 February 2021), available at: <https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/contributionstomonthlygdp>

⁶ Office for National Statistics, 'Breakdown of contributions, whole economy and sectors', (April 2022), available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/datasets/annualbreakdownofcontributionswholeeconomyandsectors>

Figure 4: UK output per hour by sector, £, 2020

Source: Office for National Statistics



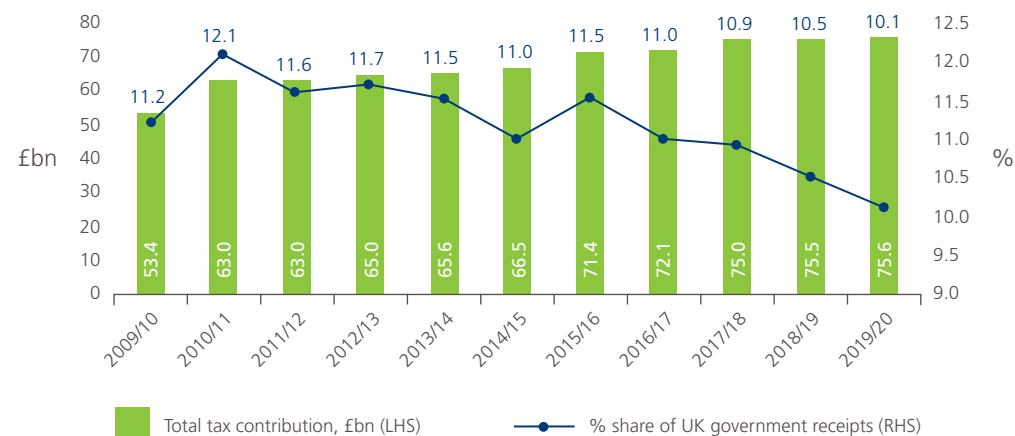
A large generator of tax receipts

According to the latest information available, UK financial services are a vital source of tax receipts, contributing £75.6bn in tax revenue in 2019/20. This accounted for 10.1% of total UK tax receipts (Figure 5) and was equivalent to 3.4% of UK GDP. A major source of tax receipts was the £34.5bn from employment tax.⁷

7 City of London Corporation and PwC, 'The total tax contribution of UK financial services in 2020: 13th Edition', (9 February 2021), p.8 & 10, available at: <https://www.cityoflondon.gov.uk/assets/Business/total-tax-contribution-2020.pdf>

Figure 5: Tax contribution of UK financial services, percentage share and £bn, 2009-20

Source: City of London Corporation and PwC



Generating a trade surplus

UK-based financial and related professional services generated a trade surplus of £90.5bn in 2020, based on data from the Office for National Statistics.⁸ This represented 4.2% of GDP.⁹

The UK's trade surplus in financial services is nearly equivalent to the combined surpluses of the next two leading countries (the US and Singapore).¹⁰

UK-based financial and related professional services firms are the face of British businesses across the globe, contributing 'soft power' as well as economic and commercial success. The industry's trade surplus is more than the

8 TheCityUK calculations based on the Office for National Statistics, '03 Trade in services, the Pink Book', (29 October 2021), available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/3tradeinservicesthepinkbook2016>

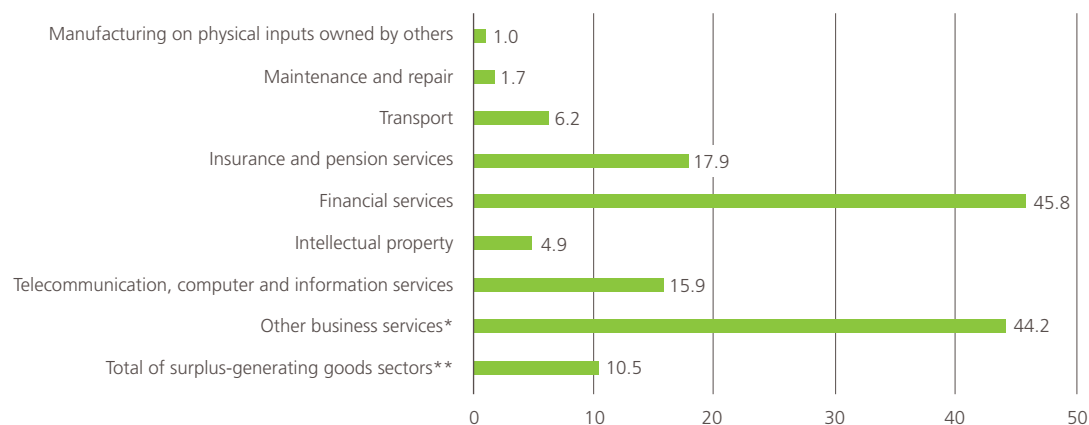
9 TheCityUK calculations based on the Office for National Statistics, 'Gross Domestic Product at market prices: current price: seasonally adjusted £m', (31 March 2022), available at: <https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/ybha/qna>

10 UNCATD, 'Services (BPM6): Exports and imports by service-category and by trade-partner, annual', (July 2021), available at: <https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx>

combined surplus of all other industries in the UK that register trade surpluses (Figure 6).¹¹ This helps to partly offset the UK's trade-in-goods deficit of £128.7bn.¹²

Figure 6: UK sectors generating a trade surplus, £bn, 2020

Source: Office for National Statistics



*Research and development, Professional and management consulting services, and Technical, trade-related and other business services

**Crude oil, Precious stones and silver, Ships and aircraft, and Commodities and transactions not classified according to kind

Note: Travel, Construction, Personal, Cultural and Recreational, and Government services ran a trade deficit in 2020

Attracting foreign direct investment to the UK

The UK remains a key destination for financial and related professional services investment. The standard measure of such investment, inward foreign direct investment (FDI), is a volatile indicator that can show significant changes from year to year (for example, in any given year the figure may be distorted by a particularly large deal(s)).

In 2020, the latest year for which data are available, the financial services sector attracted £19.7bn in FDI inflows,

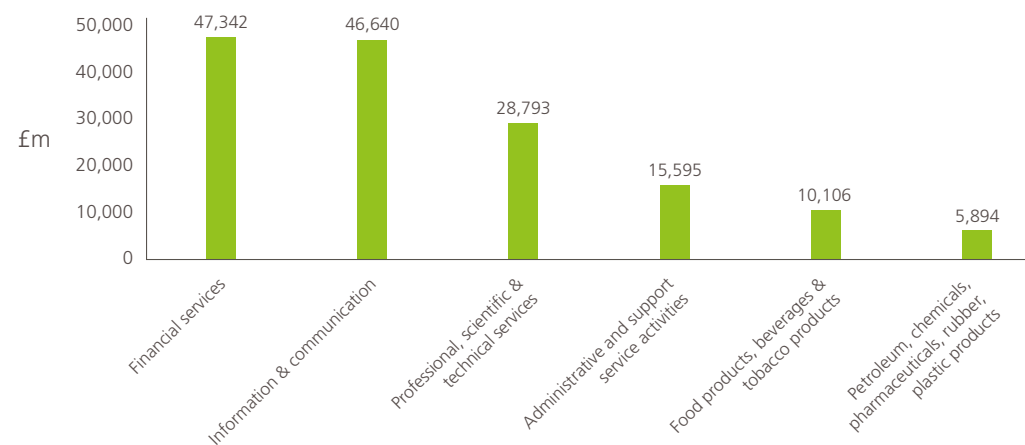
¹¹ TheCityUK calculations based on the Office for National Statistics, '03 Trade in services, the Pink Book', (29 October 2021), available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/3tradeinservicesthepinkbook2016>

¹² Office for National Statistics, '02 Trade in goods, the Pink Book', (29 October 2021), available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/2tradeingoodsthepinkbook2016>

representing 57.6% of total inward FDI. Over the past four years (2017-2020), cumulative inflows of financial services FDI totalled £47.3bn, equivalent to 21.8% of overall FDI, constituting the sector that most attracted FDI. For a comparison of cumulative inward FDI flows by sector, see Figure 7.¹³

Figure 7: Cumulative inward FDI flow by top sector, £m, 2017-2020

Source: Office for National Statistics



¹³ TheCityUK calculations based on Office for National Statistics, 'Inward foreign direct investment (FDI) involving UK companies: 2020 (Directional principle)', (3 February 2022), available at: <https://www.ons.gov.uk/businessindustryandtrade/business/businessinnovation/datasets/foreigndirectinvestmentinvolvingukcompanies2013inwardtables/current>

Making a positive difference to people's lives

Enhancing consumer welfare by embracing digital banking services

In recent years, financial services firms have made multi-billion pound investments to enable their customers to take advantage of the shift towards digital banking and new payment systems.

- The use of contactless payments has increased rapidly in recent years, and even more so since the Covid-19 pandemic started. According to data from UK Finance, the number of annual transactions made with contactless payment cards reached 9.6bn in 2020, up 12% from a year earlier.¹⁴ Contactless payments have been particularly important during the pandemic as they have discouraged people from using cash, and promoted touch-free payment methods as a public health measure. In October 2021, HM Treasury and the Financial Conduct Authority increased the limit for contactless payments from £45 to £100.
- At the end of 2020, there were 135m contactless cards in circulation. Eighty-eight percent of debit cards had this system, as well as eighty-one percent of credit cards.
- In contrast, cash payments decreased by 35%, becoming the second-most-used payment method.¹⁵ The number of cheque payments declined by 82% over the last decade from 1bn in 2010 to 185m in 2020.¹⁶
- Seventy-two percent of the population used online banking and fifty-four per cent used mobile banking in 2020.¹⁷
- During 2020, the number of payments via the Faster Payments Services (FPS) reached almost 3bn. Four out of ten business-to-business payments were done using FPS or other remote banking system.¹⁸
- Traditional banks have embraced online and mobile banking, but globally, six top challenger banks are each valued more than \$1bn - three of which (OakNorth, Monzo Bank and Revolut) are based in the UK.

For more information about the methods of payment in the UK in 2020, see Figure 8.¹⁹

14 UK Finance, 'UK payment markets summary 2021', (June 2021), p.3, available at: <https://www.ukfinance.org.uk/sites/default/files/uploads/SUMMARY-UK-Payment-Markets-2021-FINAL.pdf>

15 UK Finance, 'UK payment markets summary 2021', (June 2021), p.7, available at: <https://www.ukfinance.org.uk/sites/default/files/uploads/SUMMARY-UK-Payment-Markets-2021-FINAL.pdf>

16 UK Finance, 'UK payment markets summary 2021', (June 2021), p.5, available at: <https://www.ukfinance.org.uk/sites/default/files/uploads/SUMMARY-UK-Payment-Markets-2021-FINAL.pdf>

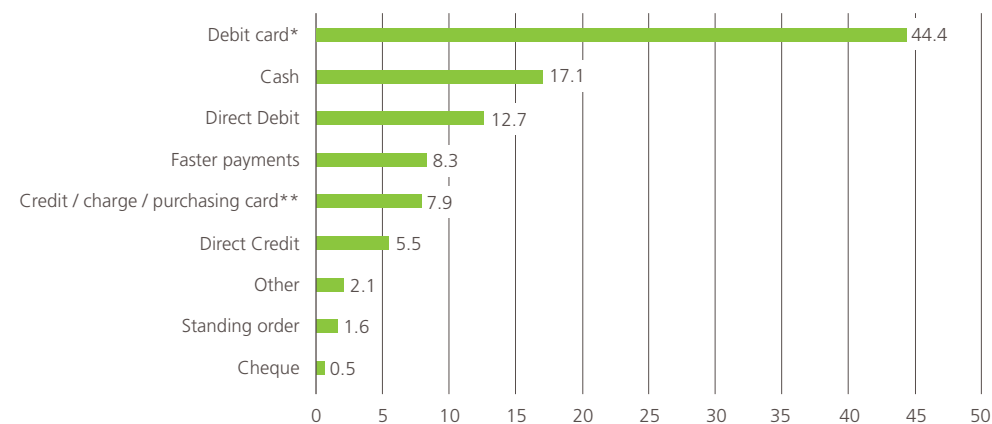
17 UK Finance, 'UK payment markets summary 2021', (June 2021), p.7, available at: <https://www.ukfinance.org.uk/sites/default/files/uploads/SUMMARY-UK-Payment-Markets-2021-FINAL.pdf>

18 UK Finance, 'UK payment markets summary 2021', (June 2021), p.4, available at: <https://www.ukfinance.org.uk/sites/default/files/uploads/SUMMARY-UK-Payment-Markets-2021-FINAL.pdf>

19 UK Finance, 'UK payment markets summary 2021', (June 2021), p.6, available at: <https://www.ukfinance.org.uk/sites/default/files/uploads/SUMMARY-UK-Payment-Markets-2021-FINAL.pdf>

Figure 8: Methods of payment in the UK, % share, 2020

Source: UK Finance



*Contactless payments made by debit card were 24% out of the total payments

**Contactless payments made by credit card were 3% out of the total payments

Providing mortgage finance

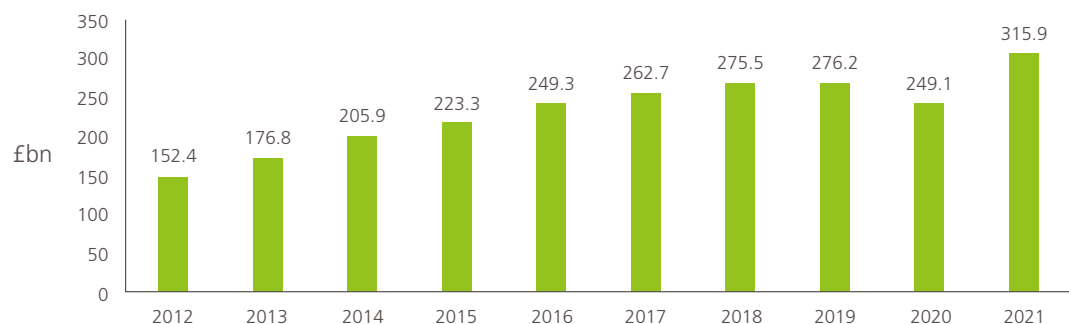
Sixty-five per cent of the public enjoy the security of home ownership in England - a rate which is supported by mortgage lending. This rate did not change over 2019-20, but it showed an increase of 2 percentage points between 2015-2016 (63%) and 2019-20.²⁰ The value of gross mortgage lending in the UK grew steadily over the last decade, except in 2020 when it decreased by 9.8% due to the Covid-19 pandemic (Figure 9).²¹

20 Ministry of Housing, Communities and Local Government, 'English housing survey 2020 to 2021: headline report', (9 December 2021), p.3, available at: <https://www.gov.uk/government/statistics/english-housing-survey-2020-to-2021-headline-report>

21 Financial Conduct Authority and Bank of England, 'Mortgage lending statistics - March 2022', (8 March 2022), available at: <https://www.fca.org.uk/data/mortgage-lending-statistics>

Figure 9: UK gross mortgage lending, £bn, 2012-2021

Source: Financial Conduct Authority and Bank of England



In the rental market, private landlords and housing associations both largely rely on loans from banks and other lenders.

Safeguarding savings and managing investments for the future

UK fund managers helped to protect and grow around £11trn in financial assets in 2020 up from £10trn in 2019, representing savings through pensions, life assurance policies and other investments.²²

The UK has one of the largest pension industries worldwide, with total investments of £4.0trn at the end of 2020. Pension providers have a key role in delivering cost effective and accessible pensions in the future, which for most people in the private sector are defined contribution (DC). Under DC schemes, pension payments are derived from the total value of contributions to pension pots made by individuals and their employers, with the value of the fund determined by the performance of investments.²³

Pension participation has been increased, partly because of automatic enrolment that was introduced in 2012.²⁴ According to the latest available personal pension statistics published by HM Revenue & Customs in March 2022, contributions to personal pension pots totalled £31.3bn in 2019/20, up 12% from 2018/19. At the same there has

22 The Investment Association, 'Investment management in the UK 2020-2021: The Investment Association annual survey', (September 2021), p.12, available at: <https://www.theia.org/sites/default/files/2021-09/IMS%20report%202021.pdf>

23 The Investment Association, 'Investment management in the UK 2020-2019: The Investment Association annual survey', (September 2021), p.58, available at: <https://www.theia.org/sites/default/files/2021-09/IMS%20report%202021.pdf>

24 Ibid

been an increase in the annual average contributions per member from £3,000 in 2018/19 to £3,300 in 2019/20. Personal pensions help savers to achieve their aspirations for financially independent retirement years. Personal pensions supplement state and occupational pension schemes.²⁵

Annuities have often been used to provide a guaranteed income in retirement. However, the pension landscape changed dramatically following changes introduced in the 2014 Budget. These changes meant that those who could demonstrate that they had a guaranteed income of at least £20,000 per year did not have to annuitise. Due to the policy change, which took effect in 2015, annuity sales have diminished considerably in recent years. For example, in 2020/21, the number of annuity sales decreased 13.1% to 60,383 from 69,500 in 2019/20.²⁶

According to the latest available data published by the Association of British Insurers, the UK insurance industry paid out £218.3bn in 2018 in long-term insurance benefits. These claims were related to life insurance and annuities, pensions, and income protection and other business.²⁷ For the general insurance sector, the largest insurance product coverage was motor insurance, with 20 million households being covered in 2018. This was followed by contents (19.3 million) and buildings insurance (16.5 million). For long-term insurance, 4.8 million households bought life assurance in that year, followed by personal pensions (2.3 million).²⁸

More recent data from the Financial Conduct Authority show that 88% of adults in the UK had some type of insurance product as of February 2020, while 47% had some type of protection product. Motor insurance, home insurance and motor breakdown insurance were the most popular insurance products. Meanwhile, life insurance was the only protection product with significant penetration. For more information, see Figure 10.²⁹

25 HM Revenue & Customs, 'Commentary for Personal and Stakeholder Pension Statistics: September 2021', (23 March 2022), p.1, available at: <https://www.gov.uk/government/statistics/personal-and-stakeholder-pensions-statistics/commentary-for-personal-and-stakeholder-pension-statistics-september-2021>

26 Financial Conduct Authority, 'Retirement income market data 2020/21', (9 December 2021), available at: <https://www.fca.org.uk/data/retirement-income-market-data-2020-21>

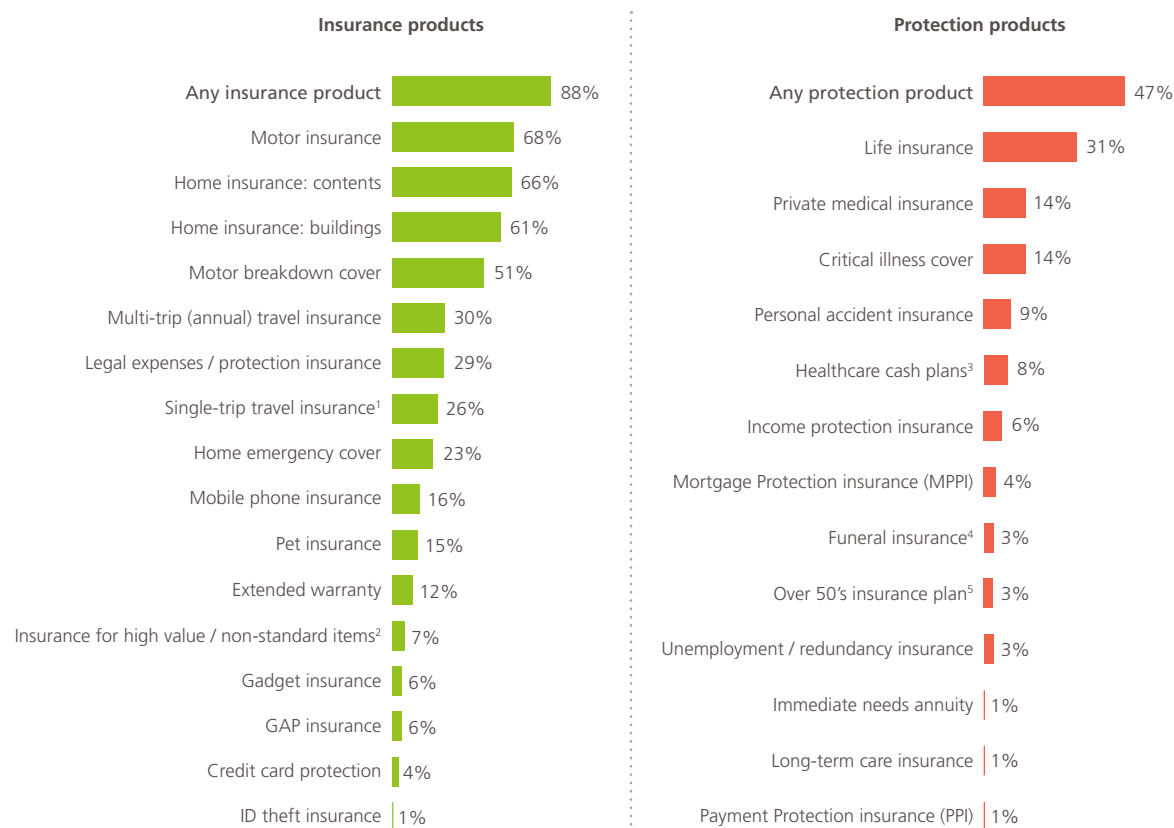
27 The Association of British Insurers, 'Annual long-term insurance overview statistics 2018', (12 September 2019), available at: <https://www.abi.org.uk/data-and-resources/industry-data/free-industry-data-downloads/>

28 The Association of British Insurance, 'UK insurance & long-term savings: Key facts', (February 2021), p.4, available at: https://www.abi.org.uk/globalassets/files/publications/public/key-facts/abi_key_facts_2021.pdf

29 Financial Conduct Authority, 'Financial Lives 2020 survey: the impact of coronavirus', (11 February 2021), available at: <https://www.fca.org.uk/publications/research/financial-lives-2020-survey-impact-coronavirus>

Figure 10: Insurance and protection products held (Feb 2020)

Source: Financial Conduct Authority



Base: All UK adults (2020:16, 190)

Question: POSum1

Notes: ¹ Held in the last 12 months ² That are not covered by another policy ³ Including dental⁴ Or hold a funeral plan or insurance but do not know the type ⁵ Also known as a Guaranteed whole of life plan

Broadening access to related professional services

Like the financial services sector, related professional services have also made increasing use of technology in recent years. Legal services, for example, is making greater use of artificial intelligence, which has the potential to lower costs over the medium to long term.

Additionally, the internet facilitates the provision of very basic legal services at low cost, bringing such services within the reach of individuals who may not otherwise be able to afford them.

LawTech, the sector that uses new technologies to provide legal services, is growing fast, with the global market already valued at \$15.9bn. LawTech businesses in the UK had received around £674m in investment as of December 2020 and it is estimated that it would rise to £2.2bn in annual investment by 2026. Indeed, the average annual growth rate of investment in Lawtech from 2017 to 2020 was 101%, which was greater than the growth showed in other similar sectors: fintech (20%), climatech (5%) and healthtech (47%).³⁰

The UK has become a global hub for LawTech. It benefits from a highly developed legal market, a technology talent pipeline, a competitive tax system, and a liberal regulatory regime. Whereas most jurisdictions continue to bar non-lawyers from involvement in legal services firms, the UK's Legal Services Act 2007 permitted Alternative Business Structures (ABS), business models that allow investment, ownership and management by non-lawyers. A 2019 study by Thomson Reuters found that around 40% of law firms are using an Alternative Legal Service Provider (ALSP) for at least one type of service, typically low-risk or standardised high-volume tasks such as document review and electronic discovery services.³¹

30 Lawtech UK, 'The LawtechUK Report 2021', (2021), p.17, available at: <https://technation.io/wp-content/uploads/2021/07/LawtechUK-Report-2021-Final.pdf>

31 TheCityUK, 'Legal excellence, internationally renowned: UK legal services 2021', (December 2021), p.15-16, available at: <https://www.thecityuk.com/media/oi5iqvzy/legal-excellence-internationally-renowned-uk-legal-services-2021.pdf>

Supporting businesses

Most businesses would not be able to operate without the financial services sector. It supports businesses in myriad ways, ranging from providing current accounts for day-to-day expenditures to insurance cover for assets to growth capital for investment.

The funds businesses need can come from a number of sources. The most common options for companies looking to raise money include bank finance, bonds, equities on stock markets and private equity. Other forms of finance include asset finance, business angel investment, insurance company and pension fund lending, crowdfunding, and private placements. Provision of finance enables companies to invest in creating jobs, training and developing people, and developing their products and services.

Bank lending

The outstanding amount of loans made available by major banks to UK businesses totalled £525.5bn at the end of 2021, 0.7% less than in 2020. Of this total, 40.1% was lent to SMEs.³²

Equity and bond financing

Shares: UK and international companies raised £34.8bn in issues of shares on the London Stock Exchange in 2021: £32.4bn in issuance of shares on UK markets; and £2.5bn in international main markets (Figures 11 and 12).³³

³² Bank of England, 'Monetary financial institutions' loan to UK non-financial business, by size of business', (February 2022), available at: <https://www.bankofengland.co.uk/boeapps/database/index.asp?first=yes&SectionRequired=A&HideNums=-1&ExtraInfo=false&Travel=NlxSTx>

³³ London Stock Exchange, 'New and further issues', (31 March 2022), available at: <https://www.londonstockexchange.com/statistics/new-issues-further-issues/new-issues-further-issues.htm>

Figure 11: Issues of shares on the London Stock Exchange, £bn, 2021

Source: London Stock Exchange

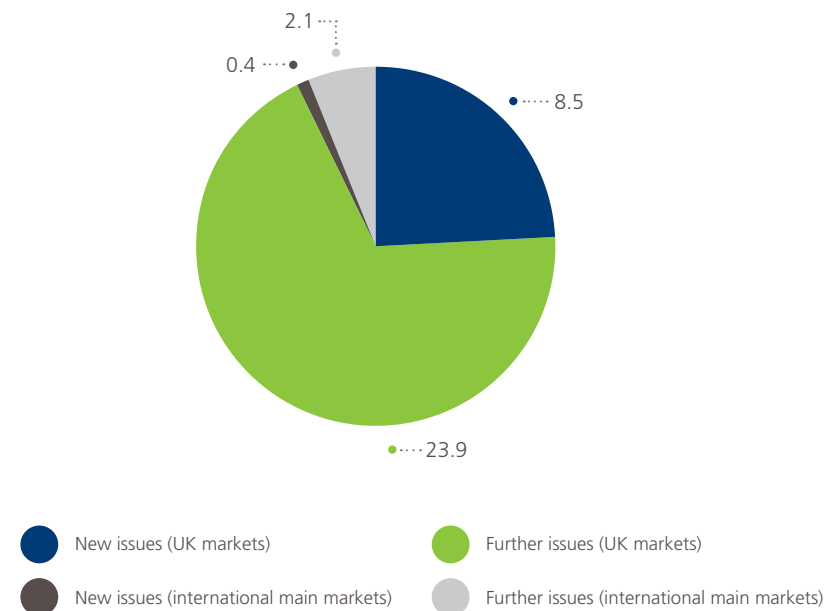
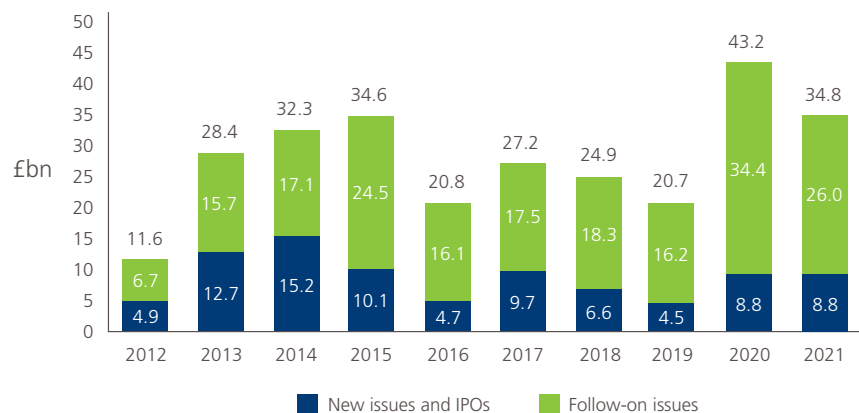


Figure 12: Equity issuance on the London Stock Exchange, £bn, 2012-2021

Source: London Stock Exchange



Small caps from across the UK enjoy access to one of the largest share markets for small companies in Europe, with 850 companies quoted on the AIM in the end of 2021. During 2021, AIM companies raised £8.7bn through new and further issues of shares.³⁴

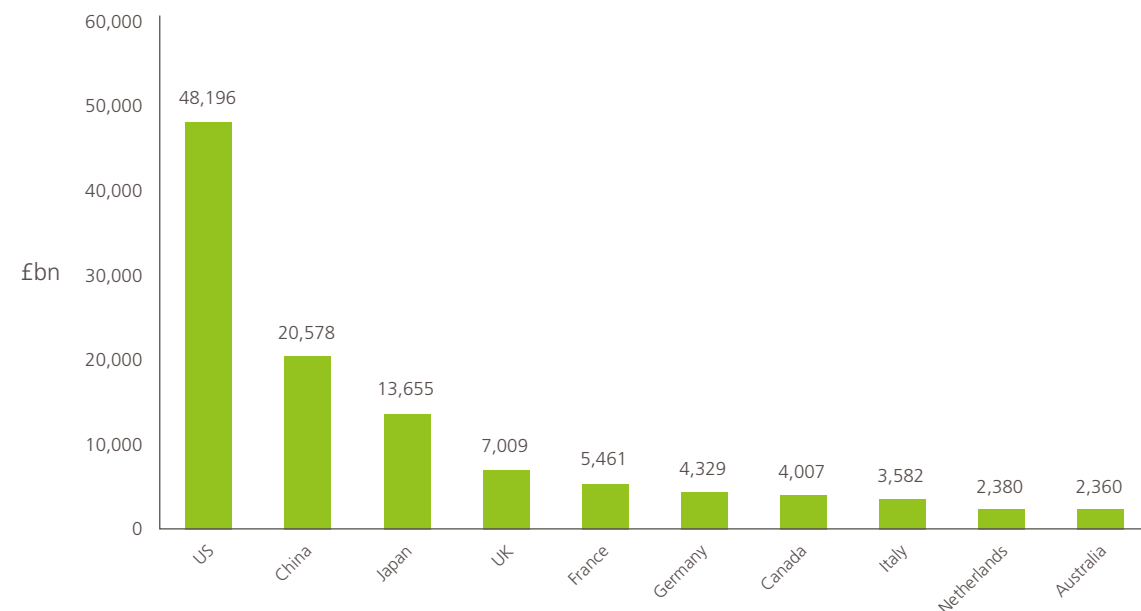
Bonds: London continues to be a major global centre for the issuance and trading of bonds. According to data from the Bank for International Settlements, the amount of debt securities outstanding in the UK was \$7trn in the third quarter of 2021. The UK has the largest debt security market in Europe and the fourth largest market globally, behind the US (\$48.2trn), China (\$20.6trn) and Japan (\$13.7trn); for more information see Figure 13.³⁵

³⁴ London Stock Exchange, 'AIM statistics', (December 2021), available at: <https://www.londonstockexchange.com/reports?tab=issuers>

³⁵ Bank for International Settlements, 'Summary of debt securities outstanding', (14 February 2022), available at: <https://www.bis.org/statistics/secstats.htm?m=6%7C33%7C615>

Figure 13: Debt securities outstanding, top countries, \$bn, Q3 2021

Source: Bank for International Settlements



Alternative finance

Finance for SMEs has been enhanced by state support schemes such as the Term Funding Scheme with additional incentives for SMEs launched by the Bank of England in April 2020, and the Start Up Loans scheme, operated by Start Up Loans, a subsidiary of the British Business Bank.

Alternative finance has an important role to play in financing SMEs. According to research by the University of Cambridge, the alternative finance market in the UK was estimated to be worth \$12.6bn in 2020, showing a significant increase since 2015 when the amount was \$4.9bn. Despite to the impact of the Covid-19 pandemic, the UK online alternative finance market grew 14.6% from 2019 to 2020.³⁶

³⁶ University of Cambridge, 'The global alternative finance market benchmarking report', (June 2021), p.25 & 27, available at: <https://www.jbs.cam.ac.uk/wp-content/uploads/2021/06/ccaf-2021-06-report-2nd-global-alternative-finance-benchmarking-study-report.pdf>

Although this figure includes peer-to-peer consumer lending and reward-based crowdfunding, among other models, SMEs in the UK received £6.5bn worth of funding from alternative business finance providers in 2020, accounting for 48% of the total UK alternative finance market. In contrast to the overall alternative finance market increase since 2015, the value of alternative business finance declined slightly between 2019 and 2020.³⁷ The market is set to continue to expand rapidly, albeit from a very low base: in comparison, outstanding bank loans to SMEs were around £213.2bn in 2020.³⁸

There are also a number of other promising opportunities in alternative finance to complement bank lending, such as the development of private placement markets, the re-opening of SME loan securitisation markets as a mechanism to increase (especially longer term) funding to SMEs, the establishment of an institutional market in untranchised whole loan conduits, the encouragement of credit rating services for mid-market companies, and the provision of a credit information exchange for SMEs and mid-market companies.

Primary destination for private equity

The UK private equity and venture capital sector manages assets totalling around £420bn.³⁹ In 2020, UK private equity funds invested £25.1bn in more than 1,300 UK companies. Regionally, London accounted for 44.2% of total amount of capital invested, followed by the South East (13.2%), Wales & South West (12.4%) as well as North West (12.4%); for more information see Figure 14.⁴⁰

According to research from Dealroom.co and London & Partners published in January 2022, the attractiveness of London's tech sector for venture capital investment remained resilient in 2020 and 2021 despite the pandemic and Brexit. London-based tech companies received venture capital investment of \$25.5bn in 2021, 2.3 times the investment level in 2020. In 2021, London ranked fourth globally behind the Bay Area (\$100.9bn), New York (\$47.5bn) and Greater Boston (\$29.9bn); at the same time, UK had the same fourth position (\$39.8bn) relative to other nations such as United States (\$328.8bn), China (\$61.8bn), and India (\$44.6bn).⁴¹

37 University of Cambridge, 'The global alternative finance market benchmarking report', (June 2021), p.80, available at: <https://www.jbs.cam.ac.uk/wp-content/uploads/2021/06/ccaf-2021-06-report-2nd-global-alternative-finance-benchmarking-study-report.pdf>

38 Bank of England, 'Monetary financial institutions' loan to UK small and medium-sized enterprises, by industry', (March 2022), available at: <https://www.bankofengland.co.uk/monetary-policy/monetary-financial-institutions-loan-to-uk-small-and-medium-sized-enterprises-by-industry/>

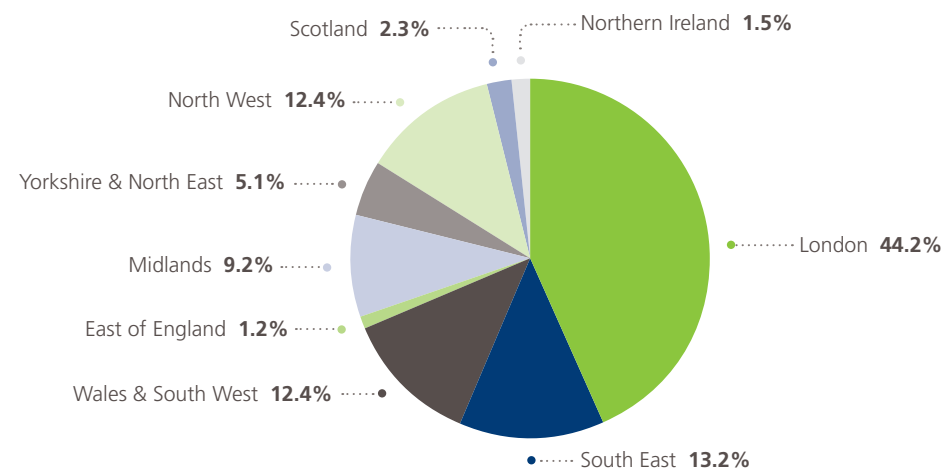
39 The Investment Association, 'Investment management in the UK 2020-2021: The Investment Association annual survey', (September 2021), p.19, available at: <https://www.theia.org/sites/default/files/2021-09/IMS%20report%202021.pdf>

40 British Private Equity & Venture Capital Association, 'BVCA report on investment activity 2020', (September 2021), p.6 - 7, available at: <https://www.bvca.co.uk/Portals/0/Documents/Research/2021%20Reports/BVCA%20Investing%20with%20Integrity%20-%20September%202021.pdf>

41 Dealroom.co and London & Partners, 'London Tech Set to Reach New Heights in 2022 Following Record Year for VC investment', (13 January 2022), available at: <https://media.londonandpartners.com/news/london-tech-set-to-reach-new-heights-in-2022-following-record-year-for-vc-investment>

Figure 14: UK private equity investments, % of amounts invested, 2020

Source: British Private Equity & Venture Capital Association



Investing in infrastructure

The private sector plays a vital role in infrastructure investment. The majority of projects in energy, utilities and digital infrastructure, for example, have been financed privately. Nearly 50% of the infrastructure pipeline is expected to be financed by the private sector in the coming years. The financial services sector is a key player in this private financing: pension funds and insurers are expected to invest £150bn-£190bn in infrastructure in the UK in the next decade. More broadly, the UK-based financial and related professional services industry builds a bridge linking private investors and infrastructure investment. For example, the industry supports infrastructure investment by providing capital, as well as legal and advisory services.

The UK government published a new National Infrastructure Strategy in November 2020, which committed £27bn of funding to economic infrastructure investment in 2021/22. The strategy is also explicit about the need to encourage private investment in infrastructure by giving investors clarity about government policy. November 2020 therefore also saw the announcement of the establishment of a new UK infrastructure bank "to co-invest alongside the private sector

in infrastructure projects".⁴² The over-arching aims of the infrastructure investment supported by the new bank will be around post-pandemic economic recovery, reducing regional economic inequality, and meeting the UK's goal of net-zero carbon emissions by 2050.⁴³

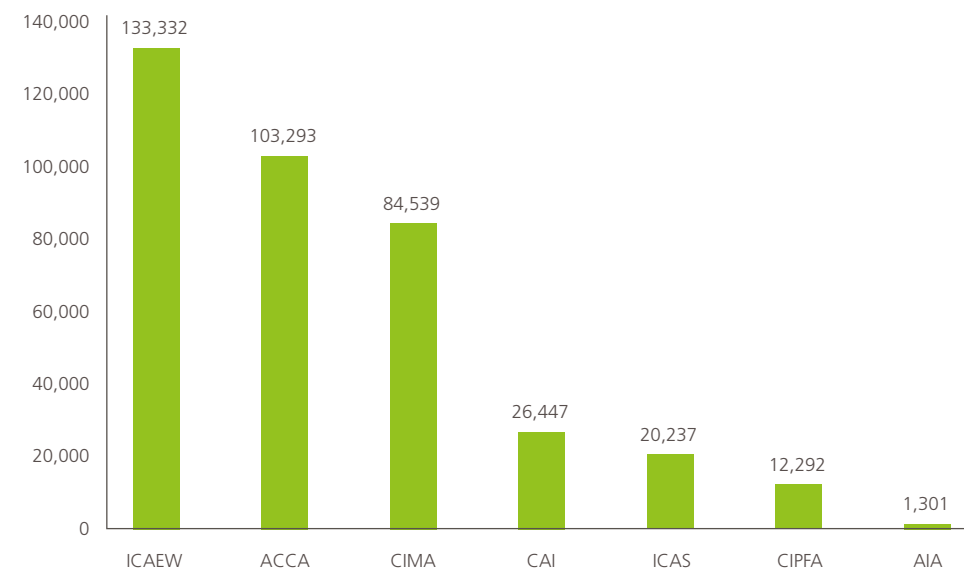
Providing professional and supporting services

The UK has high quality professional and support services; it has the largest and most developed market in Europe for related professional services (accounting, management consulting and legal services). These three sectors contributed £29.5bn, £33.3bn and £24.6bn respectively to UK output in 2021.⁴⁴

According to data from the Financial Reporting Council, there were 381,441 members and students in seven main accountancy bodies in the UK and the Republic of Ireland in 2020, up 1.9% from previous year; in addition, the number of members and students has increased constantly at a compound annual rate of 2.1% from 2016. The ICAEW was the largest of these, with 133,332 members and students, followed by the ACCA (103,293); for more information see Figure 15.⁴⁵

Figure 15: Members and students in the UK and Ireland, count, 2020

Source: Financial Reporting Council



The Policy & Reputation Group (PRG) is a cross-firm industry group made up of representatives from the seven largest UK accountancy firms: EY, KPMG, Deloitte, PwC, Grant Thornton, BDO and Mazars. The PRG seeks to develop an understanding of evolving public interest issues and how these might be addressed to help maintain confidence in the profession to support the UK economy, and to participate constructively in shaping public policy. The PRG has 70,000 employees in the UK, over 40% of whom worked outside London. Moreover, each year there are around 6,000 entry level positions available.⁴⁶

⁴² HM Treasury, 'National Infrastructure Strategy', (25 November 2020), available at: <https://www.gov.uk/government/publications/national-infrastructure-strategy>

⁴³ TheCityUK, 'Key facts about the UK as an international financial centre 2020', (December 2020), p.22, available at: <https://www.thecityuk.com/media/0a1hidsm/key-facts-about-the-uk-as-an-international-financial-centre-2020.pdf>

⁴⁴ TheCityUK estimates based on the Office for National Statistics, 'GDP output approach - low-level aggregates', (31 March 2022), available at: <https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/ukgdpolowlevelaggregates>

⁴⁵ Financial Reporting Council, 'Key Facts and Trends in the Accountancy Profession', (July 2021), p.57, available at: <https://www.frc.org.uk/getattachment/669f6196-5a08-4a0b-aad3-b1915d4a6e4e/FRC-Key-Facts-Trends-2021.pdf>

⁴⁶ PRG, 'Jobs and Opportunities', available at: <https://www.theprg.uk/our-activities/>

Financial education and other social initiatives

In keeping with its role as a facilitator of wider economic growth, the financial and related professional services industry also plays a role in relevant social initiatives such as financial education.

KickStart Money is a project initiated in 2017 through the TISA Savings and Investment Project, delivered by the charity MyBnk, whereby 19 savings and investment firms have committed more than £1m to take financial education to almost 18,000 primary school children.⁴⁷ After an annual independent evaluation in a three-year period, the programme was demonstrated to be successful: two out of three children have a savings goal, nearly double the national average, and they have the ability to defer short-term benefits for long-term rewards.⁴⁸

⁴⁷ KickStart Money, 'Building foundations for a better financial future', (May 2022), available at: <https://www.kickstartmoney.co.uk/#home>

⁴⁸ KickStart Money, 'Building foundations for a better financial future', (Mar 2022), available at: <https://www.kickstartmoney.co.uk/programme>

Conclusion

The financial and related professional services industry generates employment, contributes to economic output, and supports businesses and individuals through its various sectors such as banking, insurance, fund management, accounting, management consulting and legal services. Both employment and economic output in the industry have been increasing in recent years. Tax paid by the financial services sector also reached a record high over the past decade.

The industry's traditional service models are also evolving. Through technology development, consumers benefit from digital financial services such as online banking, banking apps and contactless payments, which became more prominent during the Covid-19 pandemic. Businesses are supported through bank lending, equity and bond financing, alternative finance and private equity, as well as accounting, management consulting and legal services.

List of sources

Association of British Insurers

Bank for International Settlements

Bank of England

British Private Equity & Venture Capital Association

City of London Corporation

Dealroom.co

Financial Conduct Authority

Financial Reporting Council

HM Revenue & Customs

HM Treasury

Investment Association

KickStart Money

LawtechUK

London & Partners

London Stock Exchange

Ministry of Housing, Communities & Local Government

Northern Ireland Statistics and Research Agency

Nomis

Office for National Statistics

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