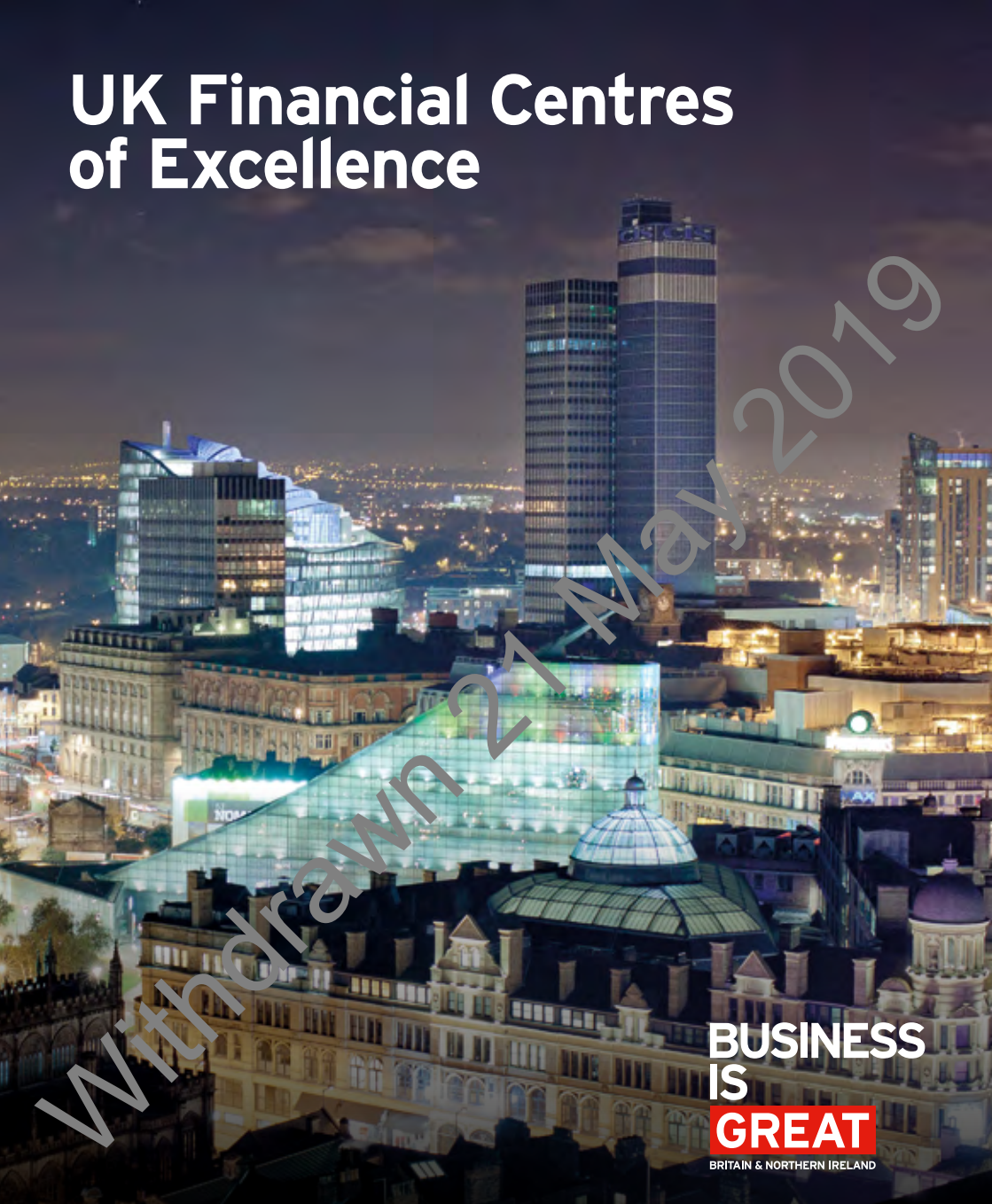


UK Financial Centres of Excellence



**BUSINESS
IS
GREAT**

BRITAIN & NORTHERN IRELAND





UK Financial Centres of Excellence

London is synonymous with the UK's globally renowned financial services industry. While the capital hosts the UK's largest cluster of international financial and related professional services activity, other regions and nations within the UK have developed (and continue to expand) their own large-scale capacity to provide such services.

In order to showcase the growing importance of these regions, the **UK Trade & Investment Financial Services Organisation (UKTI FSO)** is working with local government, industry and education establishments to promote these regional clusters as **'financial centres of excellence'**. It is intended that such branding will harness their collective expertise and experience to address skills, marketing and infrastructure needs, in order to ensure that the sector continues to drive jobs, economic development and foreign investment to the UK's regions.

Economic contribution

The financial services industry plays a pivotal role across the UK economy. As well as providing support functions that underpin all sectors, financial services (which include banking, insurance, securities dealing, derivatives and fund management) and related professional services (i.e. legal services, accounting and management consulting) are a major contributor to growth and employment in their own right.

Employment

- Over two million people work in financial and related professional services across the UK, representing 7 percent of the working population, with **two-thirds** operating outside of Greater London
- The industry on average employs a younger workforce than other sectors. Just over 50 percent of employees are under 50 years old, compared to 46 percent in other sectors. The industry therefore has a positive effect in helping to offset the higher jobless rate amongst the younger population in the UK.



2 million

Over two million people work in financial and related professional services across the UK



Two-thirds of people working in financial and related professional services across the UK do so outside of Greater London

Economic output

- Financial and related professional services accounts for 11.8 percent of GDP. This was nearly twice their contribution to employment, indicating that the sector is highly productive - 70 percent above the UK average
- The average economic output per worker in financial and related professional services is over £87,000 per year, compared to the £52,000 UK average for other sectors
- UK financial services contributed £66 billion in tax revenue in 2014/15, accounting for 11 percent of total UK receipts, the largest contribution of any sector.

£66bn

UK financial services contributed £66 billion in tax revenue in 2014/15



The UK is the leading exporter of financial services in the world

Growth

- Financial and related professional services have grown by 76 percent in nominal terms over the past decade, compared to 43 percent for the UK economy as a whole
- The sector's contribution to GVA increased from 10.3 percent to 11.8 percent during this period - the highest increase of any sector apart from real estate
- According to a recent PwC report, by 2020 the UK financial services sector could add £62 billion to annual economic output, creating nearly 50,000 new jobs and 0.2 percent annual GDP growth along the way. There would also be spill-over effects to the wider economy, raising UK GDP by 2-3 percent by 2020 and creating 265,000 jobs across all industries. Taking related professional services into account, these projections could double.



Global influence

As well as playing a highly significant role domestically, the UK's financial and professional services sector has a reach and influence that extends across the world.

- The UK's trade surplus in financial services is more than double that of the next largest trade surpluses recorded by the US, Luxembourg and Switzerland. It stood at £57.3 billion in 2014, and was larger than the combined surplus of all other net exporting industries in the UK.
- The UK's major trading partners in financial services include the US, EU member states and other advanced economies such as Switzerland, Japan, Australia and Canada. These are followed by emerging markets such as Russia, Saudi Arabia, South Africa and Turkey, as well as international financial centres like Hong Kong and Singapore
- The UK is the leading European centre for investment and private banking, hedge funds, private equity, exchange-traded derivatives and sovereign wealth funds
- The UK has the fourth-largest banking sector globally, the third-largest insurance industry, the second-largest fund management sector and the second-largest legal services industry.



Exports account for 37 percent of the UK financial services sector's contribution to GDP.

The financial services sector has accounted for nearly a third of all foreign direct investment into the UK since 2007



£14bn

In 2014, financial services accounted for over a half of total FDI flows into the UK - £14.0bn out of £27.8bn



£100bn

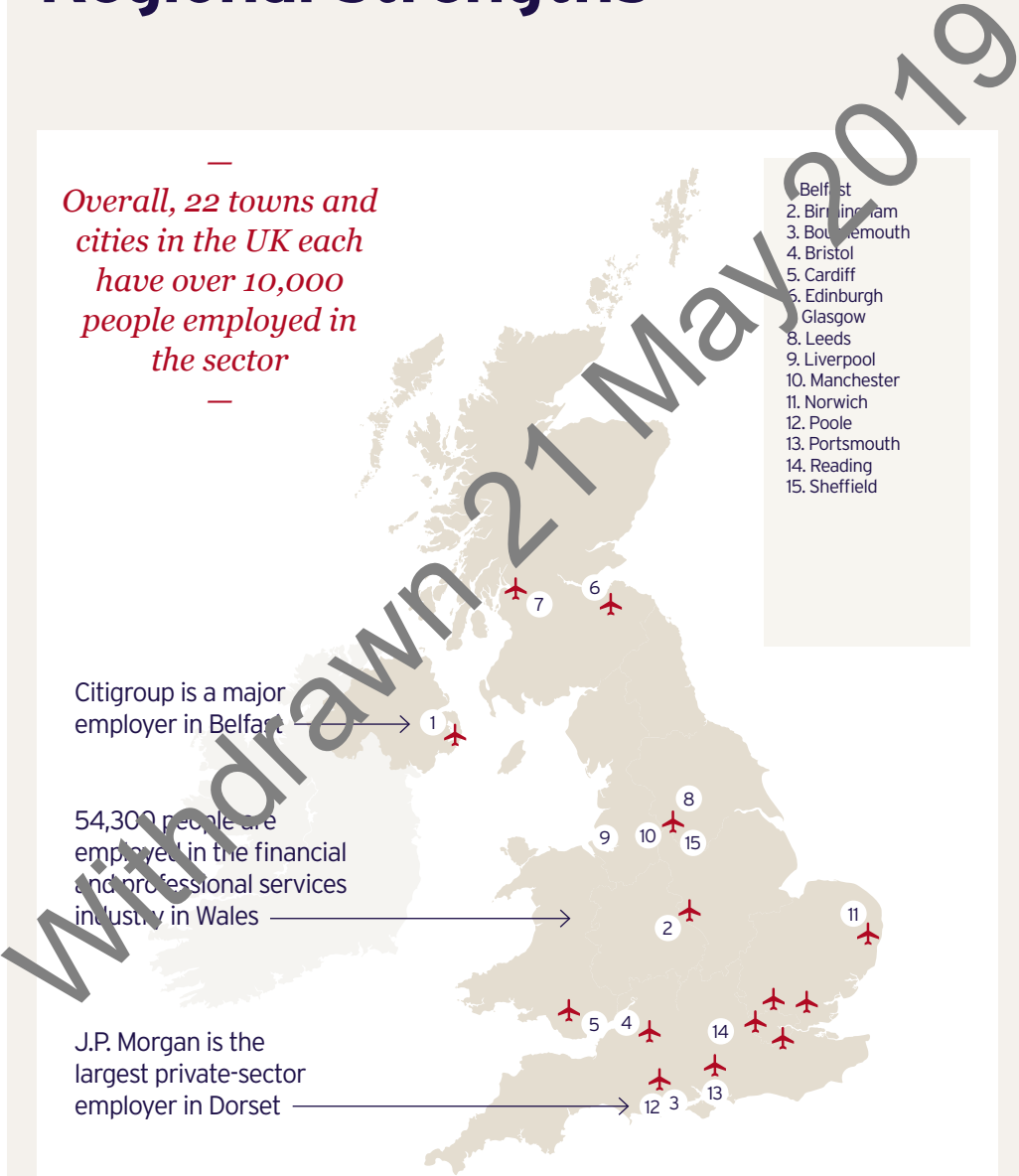
Foreign companies have invested over £100 billion into UK financial companies since 2007, more than in any other sector



Regional strengths

Overall, 22 towns and cities in the UK each have over 10,000 people employed in the sector

- 1. Belfast
- 2. Birmingham
- 3. Bolton
- 4. Bristol
- 5. Cardiff
- 6. Edinburgh
- 7. Glasgow
- 8. Leeds
- 9. Liverpool
- 10. Manchester
- 11. Norwich
- 12. Poole
- 13. Portsmouth
- 14. Reading
- 15. Sheffield



Citigroup is a major employer in Belfast → 1

54,300 people are employed in the financial and professional services industry in Wales → 2

J.P. Morgan is the largest private-sector employer in Dorset → 12



Two-thirds of the people employed by the financial and professional services industry work outside Greater London



Although London is core to the UK's leading position in financial and related professional services, other cities such as Edinburgh and Glasgow in Scotland; Birmingham, Bristol, Leeds, Liverpool, Manchester, Norwich, Reading, Sheffield, and along the South Coast from Bournemouth & Poole to Portsmouth in England; Cardiff in Wales and Belfast in Northern Ireland are also important financial centres.

Overall, 22 towns and cities in the UK each have over 10,000 people employed in the sector. In fact, around two-thirds of the people employed by the financial and professional services industry work outside London in companies that have clustered regionally. Some 156,700 are employed in Scotland; 54,300 in Wales; over 233,000 in the North West and 273,000 in the South East of England; and over 100,000 each in Yorkshire and the Humber, the South West, East of England and the West Midlands.

Collectively, their companies generate nearly 60 percent of the GVA produced by the financial and professional services sector in the UK.

Following consultation between government and industry, the designation '**financial centres of excellence**' will henceforward be used to promote these regional clusters of financial services operations and showcase their advantages to overseas investors and regional developers.



60% of the GVA produced by the UK's financial and professional services is generated by companies outside London



Importance of regional clusters

The presence of strong regional clusters is highly important for the long-term future of the UK's financial and related professional services sector. Such regional centres help to boost inward investment and nearshoring activity and thus drive economic growth.



40%

40% of UK financial services tax receipts come from international firms who have their European base in the UK

Inward investment

- Around 40 percent of the UK tax receipts generated by financial services come from internationally mobile firms that have chosen to base their European operations in the UK. These companies tend to arrive in London but then expand across the regions. For example, J.P. Morgan is the largest private-sector employer in Dorset, Citigroup is a major employer in Belfast and BNY Mellon has made a major contribution to jobs in Manchester
- Strong regional centres increase the appeal of London as a centre for foreign direct investment by widening the talent pool and offering growth opportunities for financial and related professional services firms.

—
Having strong, internationally competitive regional financial services clusters encourages the trend of nearshoring – relocating activities back to the UK that had previously been sent offshore
—



Nearshoring

Regulatory reform and declining profitability are driving major strategic decisions across all sub-sectors of the financial services industry; as a result structural changes are on the agenda. In response to the current challenges faced by the financial services sector, respondents to various surveys across the various sub-sectors (retail banking, investment banking, asset management and insurance) have identified that changes will be made to their location and/or sourcing strategies over the next five years*.

Having strong, internationally competitive regional financial services clusters encourages the trend of nearshoring – relocating activities back to the UK that had previously been sent offshore. UK regional centres have benefited from a number of nearshoring decisions in recent years. Examples include Allen & Overy, which is moving its US and European support operations to Belfast, increasing its headcount in the city to 350; Deutsche Bank, which has expanded in Birmingham; Bank of America Merrill Lynch, which has operations in Chester; Morgan Stanley in Glasgow; Deloitte in Cardiff; and PwC in Leeds, to name just a few.

*Source: EY Back and Middle
Office Relocation Strategies:
The UK's Potential

Building on regional growth

Ongoing development of regional financial services clusters in the UK can only occur if the infrastructure and skills exist to support it. Businesses need efficient transport and communication links, while it is vital that the UK's education system produces candidates with the skills to meet the needs of employers.

These are areas that government, industry and academia are working hard to address. As part of the 'financial centres of excellence' initiative, and guided by UK Trade & Investment, Local Enterprise Partnerships, local businesses, local government and educational institutions will work together to help shape and market the offering of the financial services sector in the particular region and ensure the right infrastructure and skills are in place to support its development.

The 'financial centres of excellence' initiative will work to ensure the right infrastructure and skills are in place to support development



Key components of a financial cluster

- Availability of skilled staff
- Suitable infrastructure, including transport and communication links
- Regional ecosystem of financial and related business and professional companies
- Adequate business accommodation
- Affordability
- Quality of life
- Local political support



Get in touch

UKTI Operations Sector Lead at Financial Services Organisation
david.kane@ukti.gsi.gov.uk

UKTI Insurance Sector Lead at Financial Services Organisation
alexander.milne@ukti-invest.com

UKTI Project Manager Asset Management at Financial Services Organisation
emma.wegoda@ukti.gsi.gov.uk

UKTI Fintech Sector Lead at Financial Services Organisation
Shaul.David@ukti.gsi.gov.uk



UK Trade & Investment

gov.uk/ukti

UKTI

UK Trade & Investment is the Government Department that helps UK-based companies succeed in the global economy. We also help overseas companies bring their high-quality investment to the UK's dynamic economy, acknowledged as Europe's best place from which to succeed in global business.

Disclaimer

Whereas every effort has been made to ensure that the information in this document is accurate, neither UK Trade & Investment nor its parent Departments (the Department for Business, Innovation and Skills, and the Foreign and Commonwealth Office) accept liability for any errors, omissions or misleading statements, and no warranty is given or responsibility accepted as to the standing of any individual, firm, company or other organisation mentioned.

© Crown Copyright 2015

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email ips@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at gov.uk/ukti

Any enquiries regarding this publication should be sent to us at enquiries@ukti.gsi.gov.uk or telephone +44 (0)20 7215 5000.

Production

The paper in this document is made from 50 percent recycled waste pulp with 50 percent pulp from well-managed forests. This is a combination of Totally Chlorine Free and Elemental Chlorine Free. The inks are vegetable oil-based and contain resins from plants/trees.

Published February 2016
by UK Trade & Investment
URN UKTI/15/24

PRINTER
TO ADD
FSC LOGO
HERE

Content Credits

Research & content credits: TheCityUK - 'Key Facts about UK Financial and Related Professional Services' (February 2016)

Image Credits

p1, 9: Getty