

# OXFORD ECONOMICS

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## FLA members' contribution to the UK economy in 2014

### Executive summary

June 2015

**Executive summary**  
**Prepared for the FLA**  
**June 2015**



## **EXECUTIVE SUMMARY**

FLA members have a significant impact on the UK economy through their provision of asset, consumer and motor finance. This contribution is made through members' direct operations, as well as the consumption and investment activity that their finance supports. Overall, FLA members' finance supported 7% of UK consumer spending and 28% of business investment in ICT equipment, software, transport equipment and other machinery in 2014.

## **WHY ARE FLA MEMBERS IMPORTANT?**

- FLA members provide a large share of the UK's lending to businesses and consumers. This supports firms' ability to invest, enhancing the UK economy's productive capacity. A portion of the total supports firms who otherwise would not be able to raise finance. This is particularly true of SMEs, who receive more than half of all the business finance provided by FLA members.
- The credit provided to consumers facilitates a large amount of consumer spending. This is happening in a changing marketplace, exemplified by the increasing share of car purchases supported by FLA members' funding, totalling 57% of household spending on cars in 2014.
- In the absence of the finance that FLA members provide, lower competition in the market would not only make borrowing less convenient but also increase the cost, making investment and consumption less affordable.

## **WHAT IMPACT DO FLA MEMBERS HAVE ON THE UK ECONOMY?**

- In 2014, FLA members contributed £11.0 billion in Gross Value Added, GVA, to the UK economy. This equates to 0.6% of all UK GDP, similar in scale to the UK advertising or hotel industries.
- In total, this activity supported the employment of 76,700 people in the UK, 0.2% of all UK employment.
- The largest share was produced directly by FLA firms, with a direct contribution to GDP worth £9.0 billion and 35,000 jobs. The majority of this activity (70%) comes through the provision of consumer finance.
- FLA members also support UK firms through their purchases of goods and services. This contributed a further £620 million in GVA and supported 13,300 jobs.
- The employment supported by FLA members and their supply chains generates further consumer spending. This contributed £1.4 billion to GDP and employment of 28,400 in 2014.

## **WHAT IMPACT DOES FLA MEMBERS' PROVISION OF CONSUMER FINANCE HAVE ON CONSUMER SPENDING?**

- A large amount of consumer spending is supported by the finance provided by FLA members. In 2014, the £74 billion of consumer finance provided by FLA members funded 7% of UK consumer spending. A full 57% of all consumer spending on cars is supported by FLA members' finance, a marked increase from 35% in 2007.

- Through the provision of finance, FLA members support the manufacture of consumer goods in the UK. In addition to the economic contribution of FLA members, their suppliers and employees, the provision of this finance contributed £11.2 billion to UK GDP and employed 192,200 people.

#### **WHAT IMPACT DOES FLA MEMBERS' PROVISION OF BUSINESS FINANCE HAVE ON INVESTMENT SPENDING?**

- FLA members provided a total of £26 billion in finance to businesses in the UK in 2014. The investment that this supported equated to 28% of all UK business investment in ICT equipment, software, other machinery and transport equipment.
- Through the business investment supported by this finance, the UK manufacturing sector generated an extra £4.2 billion in GDP and 62,400 jobs, 2.8% of all UK manufacturing output and 2.4% of UK jobs.

#### **WHAT IMPACT WOULD FASTER GROWTH IN FLA MEMBERS' NEW BUSINESS HAVE?**

- This report considers a scenario where FLA members' lending grows significantly (10 percentage points a year faster than the current forecast for growth in consumer spending and business investment). It then uses the Oxford Economics Macroeconomic Model to analyse the impact through its contribution to consumer spending and business investment.
- The analysis shows that, if this faster rate of new business growth were enabled, FLA members could support an increase in GDP of 1.75% or £33.8 billion by 2019. Employment would rise by a total of 329,900, a 0.95% increase.