

Article

# Coronavirus and the impact on output in the UK economy: January 2021

Analysis of monthly growth for the production, services and construction industries in the UK economy between December 2020 and January 2021, highlighting the impact from the coronavirus (COVID-19) pandemic.

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# 1 . Main points

- Monthly gross domestic product (GDP) fell by 2.9% in January 2021, which is 9.0% below its February 2020 level.
- The fall in GDP was driven by a month-on-month decline of 3.5% in services in January 2021, which is 10.2% below its February 2020 level.
- Monthly production fell by 1.5% in January 2021, which is 5.0% below its February 2020 level.
- Monthly manufacturing fell by 2.3%, which is 5.7% below its February 2020 level.
- Monthly construction grew by 0.9%, but output is still 2.6% below its February 2020 level.

## 2 . The UK economy during the coronavirus (COVID-19) pandemic

Monthly gross domestic product (GDP) in January 2021 was 9.0% below the level in February 2020 (Figure 1), the last full month of “normal” operating conditions.

During January 2021, all the main components of monthly GDP remained below their pre-pandemic levels. The main contributor to this decline was the fall in services, which was 10.2% below its level in February 2020. Production was 5.0% below the level it was in February 2020, and the main contributor to this was the fall in manufacturing, which was 5.7% below its level in February 2020. Construction in January 2021 was 2.5% below the February 2020 level.

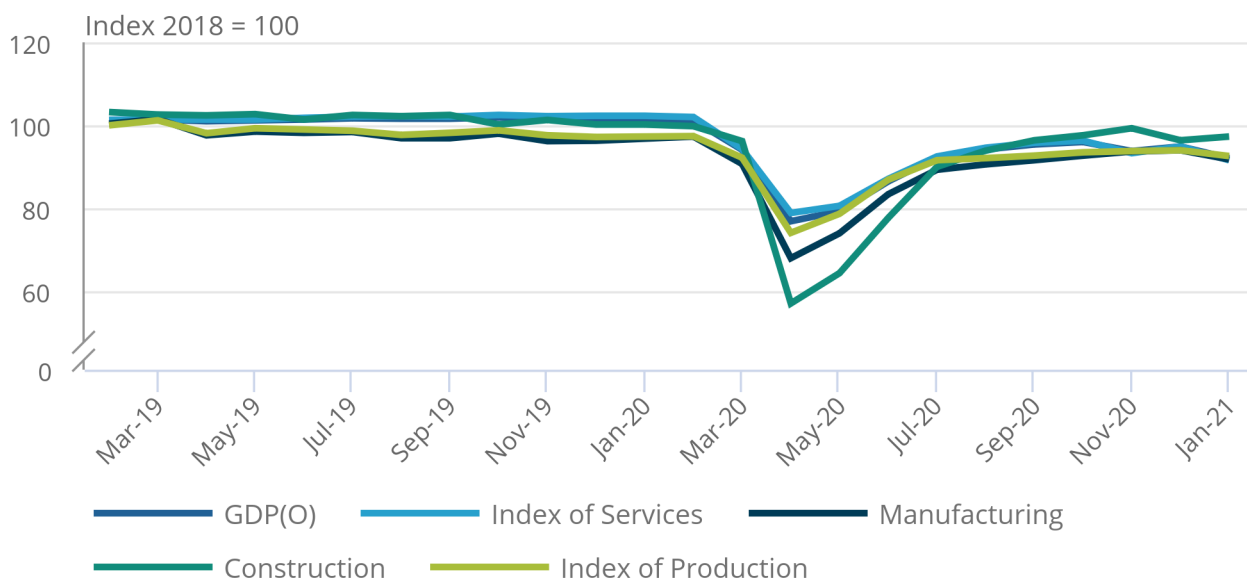
For more details, please see the [GDP monthly estimate, UK: January 2021](#).

### Figure 1: Monthly gross domestic product remained 9.0% below the February 2020 level

Monthly gross domestic product and components index, seasonally adjusted, UK, February 2019 to January 2021

#### Figure 1: Monthly gross domestic product remained 9.0% below the February 2020 level

Monthly gross domestic product and components index, seasonally adjusted, UK, February 2019 to January 2021



Source: Office for National Statistics – Monthly gross domestic product

Notes:

1. Be mindful of a break in the side axis when interpreting this chart.

During January 2021 there were widespread and extensive restrictions across the UK put in place by the UK government covering [England](#), and by the devolved administrations in [Northern Ireland](#), [Scotland](#) and [Wales](#), which impacted services output the most.

## Services

While the services sector as a whole had not recovered to pre-pandemic levels, some of its industries have been more severely affected than others (Figure 2). This is particularly true for transport, travel agencies and tour operators, and accommodation.

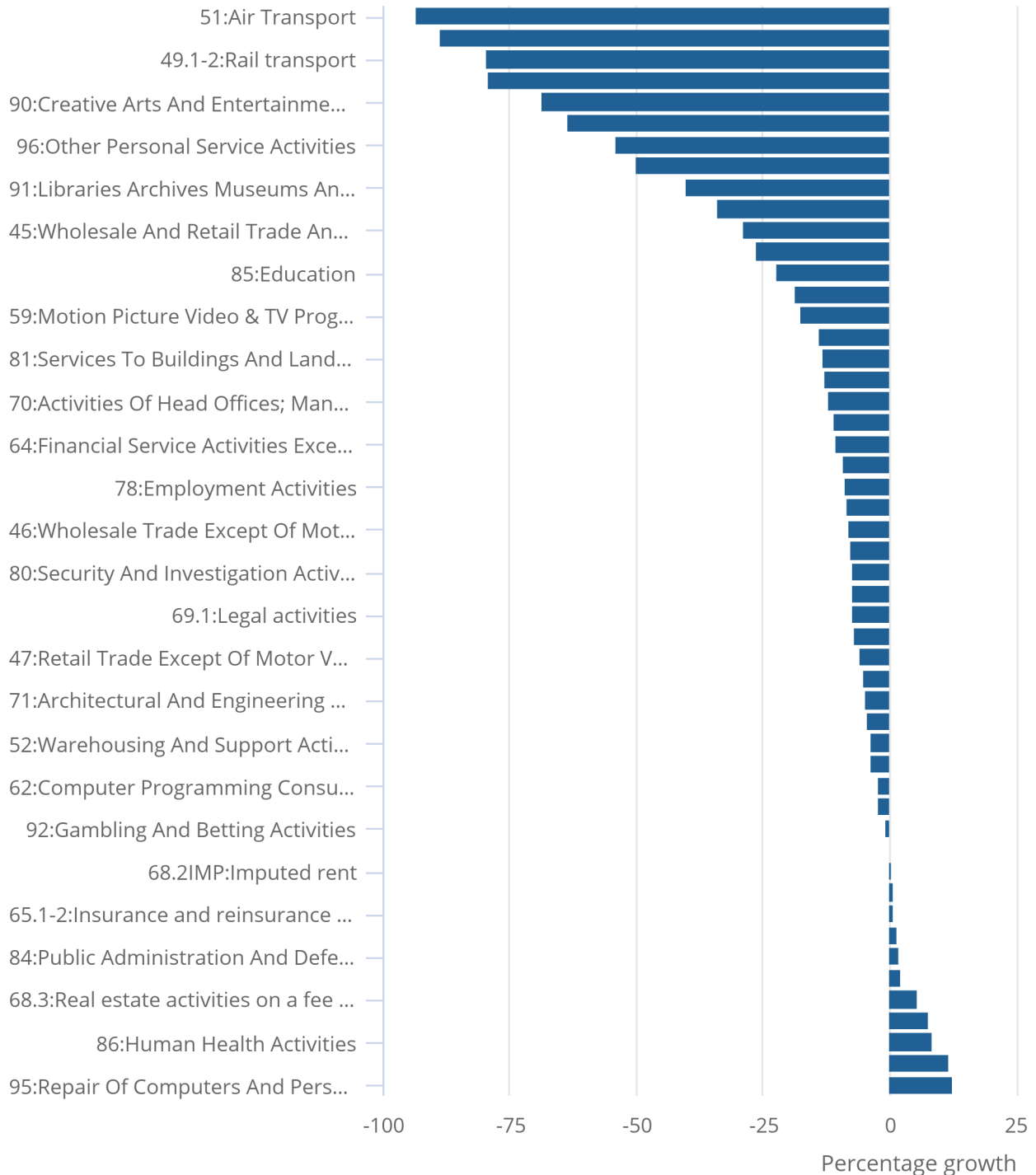
Other industries, such as repair of computers and personal and household goods, postal and courier services, and human health activities have performed more strongly.

**Figure 2: Most services industries are below their February 2020 level**

Services industries, monthly growth, seasonally adjusted, UK, January 2021 compared with February 2020

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Services industries, monthly growth, seasonally adjusted, UK, January 2021 compared with February 2020





## **Production**

While production as a whole has not recovered to pre-pandemic levels, some of its industries have been more severely affected than others (Figure 3). This is particularly true for manufacture of aircraft and spacecraft, manufacture of alcoholic beverages, and maintenance of aircraft.

Other industries, such as manufacture of other chemical products, and manufacture of glass have performed more strongly.

**Figure 3: Most production industries are below their February 2020 level but some such as manufacture of other chemical products have grown considerably**

Production industries, monthly growth, seasonally adjusted, UK, January 2021 compared with February 2020

### Figure 3: Most production industries are below their February 2020 level but some such as manufacture of other chemical products have grown considerably

Production industries, monthly growth, seasonally adjusted, UK, January 2021 compared with February 2020



### **More about economy, business and jobs**

- Explore the latest trends in employment, prices and trade in our [economic dashboard](#).
- View [all economic data](#).

### **Notes for UK economy during the coronavirus (COVID-19) pandemic**

1. Services comprise 79.0% of the UK economy, while production (including manufacturing) and construction comprise 13.9% and 6.4% respectively.

### **3 . Services industries**

Services continued to be affected by the coronavirus (COVID-19) pandemic in January 2021. Monthly services output decreased by 3.5%, and 9 of the 14 services sectors saw negative growth (Figure 4).

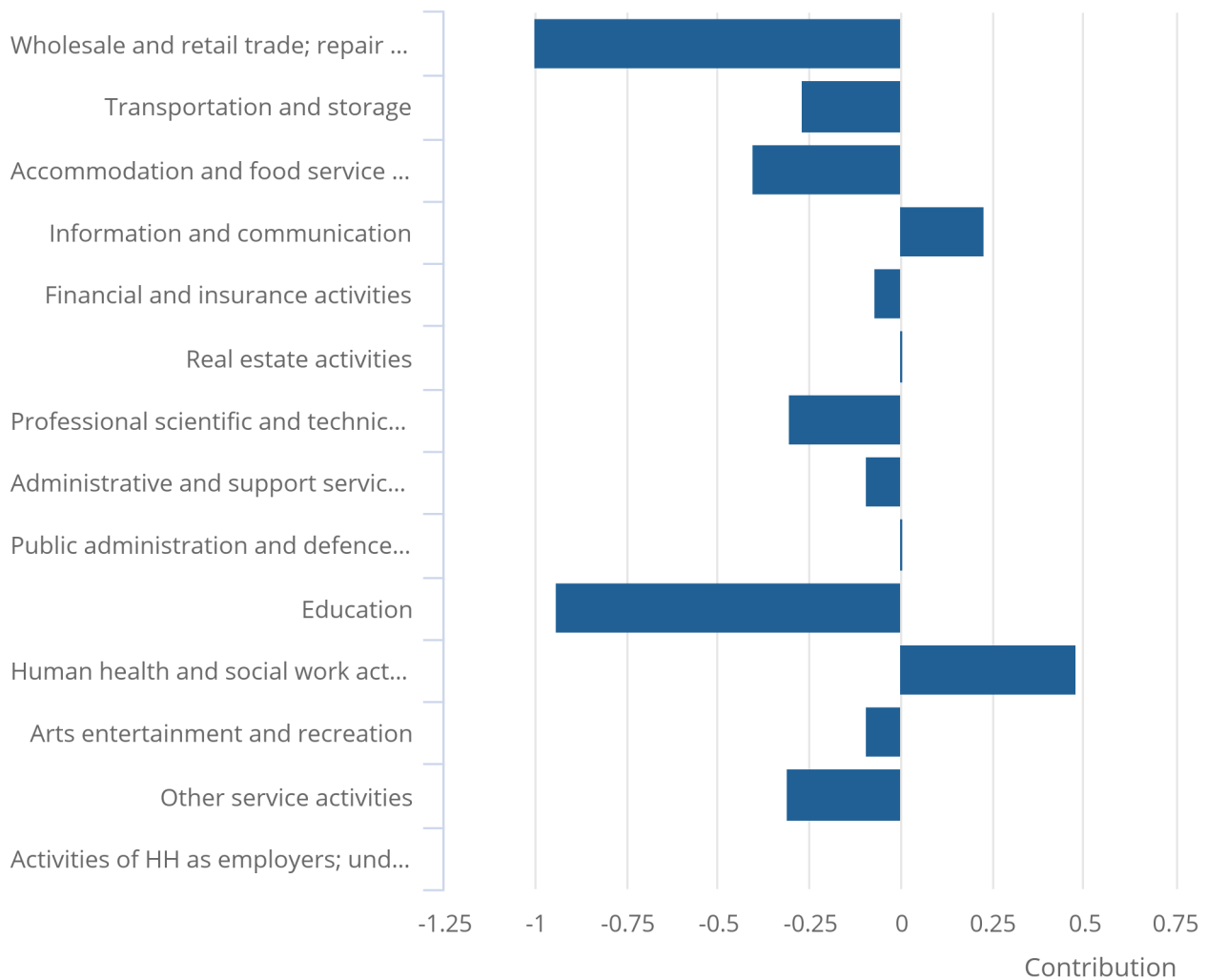
The reduction in growth was led by wholesale and retail trade, and repair of motor vehicles and motorcycles; and education. However, these reductions were counteracted partially by growth in areas such as human health and social work activities, and information and communication.

## Figure 4: Tightened restrictions during January 2021 led to widespread weakness across services

Services sectors, contribution to growth, seasonally adjusted, UK, January 2021

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Services sectors, contribution to growth, seasonally adjusted, UK, January 2021



Source: Office for National Statistics – Index of Services

#### Notes:

1. Parts might not sum to total because of rounding.

Given the continued impact of the pandemic across services, we have highlighted the most interesting anecdotal evidence, both positive and negative, on subsector and industry-level growth during January 2021, with reference also made to the recovery against February 2020 levels.

## Accommodation and food and beverage service activities

This subsector fell by 28.1% in January 2021, following growth of 25.2% in December 2020. This resulted in output in January 2021 being 68.1% weaker than the February 2020 level.

Month-on-month food and beverage service output (which includes restaurants, cafes, takeaways, pubs, canteens and catering) fell by 29.3% in January 2021. This followed an increase of 27.2% in December 2020. The reason behind the variance in growth is because of the tightened restrictions on hospitality throughout January 2021, and there is some anecdotal evidence to support this.

Month-on-month hotel and accommodation output decreased by 22.3% in January 2021, following a 17.0% increase in December 2020. The reduction was led by a fall in turnover for hotels, although there were also falls in turnover for camping and other accommodation.

## Education

Education fell by 16.3% in January 2021 following a fall of 1.0% in December 2020. This resulted in output in January 2021 being 22.3% weaker than the February 2020 level.

The reduction in education output is driven by the closure of schools during lockdown. Although education fell in January as the impact of school closures affected attendance, around 13% of children were still attending school in England, which reduced the impact marginally.

Further details on the improvements we've made, including the impact of remote learning activities, can be found in our blog, [School's out: measuring education output in the summer of the pandemic](#).

## Wholesale and retail trade, and repair of motor vehicles and motorcycles

This sector fell by 9.0% in January 2021 following growth of 2.2% in December 2020. This resulted in output in January 2021 being 10.3% weaker than its February 2020 level.

The biggest contributor to the fall in the output of this sector was the retail trade (except of motor vehicles and motorcycles) industry, which saw an 8.2% fall. The 8.2% fall means that growth in this industry is 5.7% lower than it was in February 2020. This indicates that the impact of restrictions on the retail sector was not as large as that seen in April 2020 during the first full month of retail restrictions, when growth fell to 22.3% below the February 2020 level. The reduced impact of the restrictions may be because businesses have become more adaptable, allowing them to continue trading during lockdown, with a greater emphasis on online trading.

Further information on this subsector can be found in our [Retail sales, Great Britain: January 2021](#) release.

## Human health and social work activities

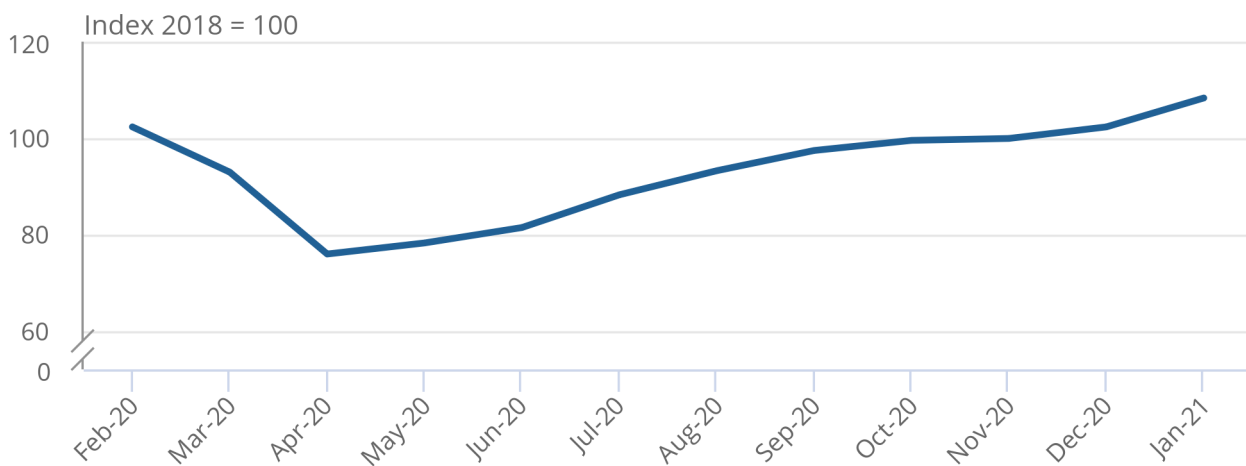
Human health and social work activities grew by 5.9% in January 2021 meaning output in this area has now surpassed the February 2020 level by 5.9%. The increase in growth was driven by increased output in human health activities. Although there has been steady growth since Quarter 2 (Apr to June) 2020 in most health services, GP services and hospital activities such as accident and emergency remain below the levels of February 2020. However, there has been a significant increase in testing and tracing activity, which contributed to the growth.

### Figure 5: Human health and social work activities have been growing since April 2020

Index of human health and social work activities, seasonally adjusted, UK, February 2020 to January 2021

## Figure 5: Human health and social work activities have been growing since April 2020

Index of human health and social work activities, seasonally adjusted, UK, February 2020 to January 2021



Source: Office for National Statistics – Index of Services

#### Notes:

1. Be mindful of a break in the side axis when interpreting this chart.

## Other service activities

Month-on-month growth in other service activities fell by 20.7% in January 2021, meaning output of this subsector is 36.1% less than it was in February 2020. The drop in growth from December 2020 was driven entirely by other personal services, while activities of membership organisations was flat, and repair of computers and personal and household goods saw a small rise.

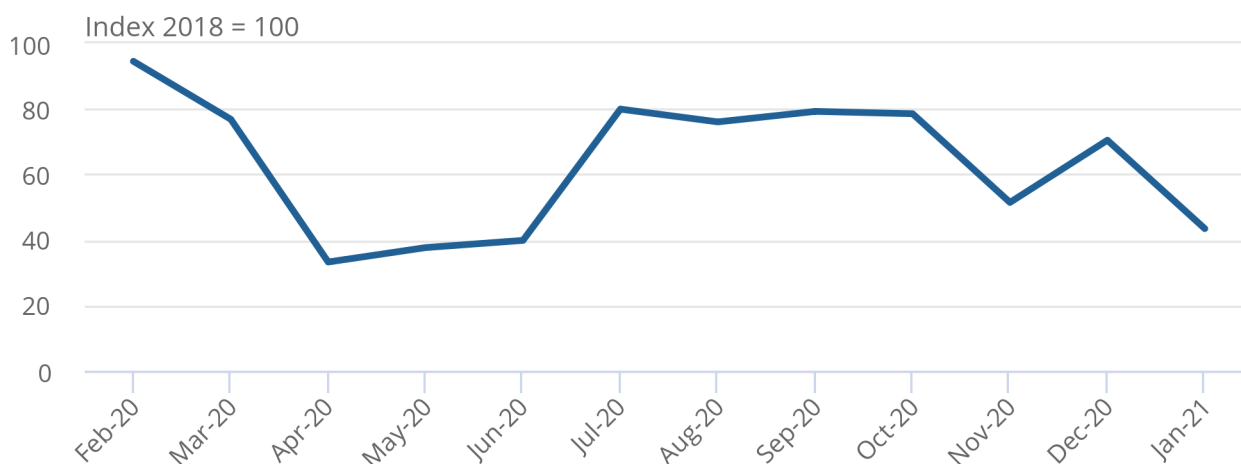
The drop in growth of other personal services is driven by the lockdown in January 2021, as the subsector consists of businesses involved in hairdressing, beauty, and physical well-being activities. Similar drops in growth in other personal services were seen in previous lockdowns in April 2020 and November 2020 (Figure 6).

### Figure 6: Other personal services have been impacted since the start of the pandemic, but more severely during lockdowns

Index of other personal services, seasonally adjusted, UK, February 2020 to January 2021

#### Figure 6: Other personal services have been impacted since the start of the pandemic, but more severely during lockdowns

Index of other personal services, seasonally adjusted, UK, February 2020 to January 2021



Source: Office for National Statistics – Index of Services

## Other notable industries

One other industry that was among the highest contributors to growth in January 2021 was employment activities, which saw month-on-month growth of 2.4%. The increase in growth was driven almost entirely by temporary employment agency activities, whose growth seemed to be driven by companies providing temporary workers in health-related areas.

Another notable area was real estate activities on a fee or contract basis, which saw 6.0% month-on-month growth from December 2020. Real estate activities on a fee or contract basis is one of the contributors to the real estate activities subsector, and was one of the larger contributors to overall growth in services in January 2021. The rise in this area is likely down to a combination of pent-up demand for houses and the Stamp Duty holiday.



## 4 . Production industries

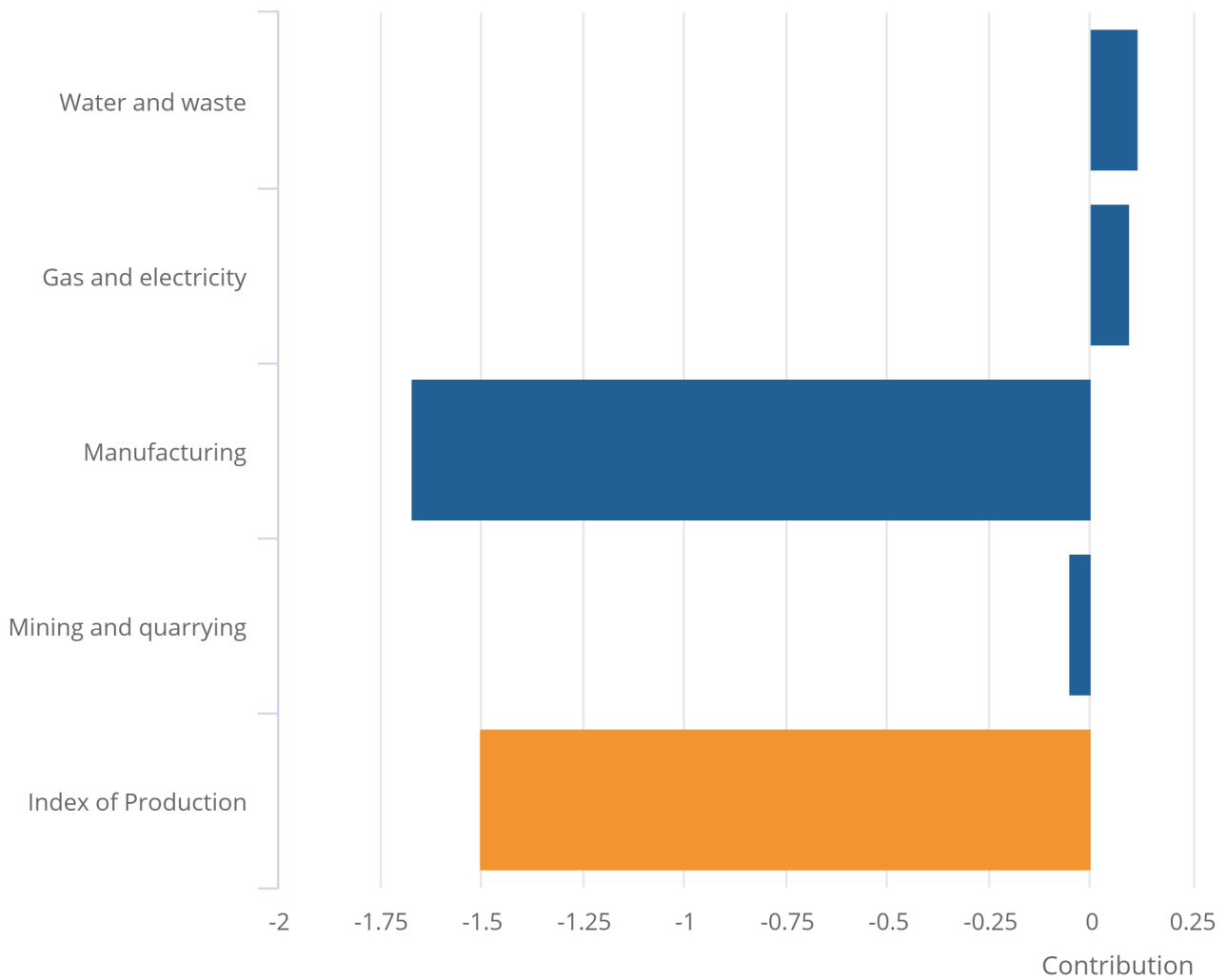
Production output continued to be affected by the coronavirus (COVID-19) pandemic in January 2021. Monthly production output decreased by 1.5%, although not all of the four sectors that make up production saw negative growth. Instead, there were negative contributions from manufacturing, and mining and quarrying that were counteracted partially by growths in water and waste, and gas and electricity (Figure 7).

**Figure 7: The decline in production output is led by a strong negative contribution from manufacturing**

Total production and main sectors, contribution to Index of Production, seasonally adjusted, UK, January 2021

Figure 7: The decline in production output is led by a strong negative contribution from manufacturing

Total production and main sectors, contribution to Index of Production, seasonally adjusted, UK, January 2021



Source: Office for National Statistics – Index of Production

Notes:

- 1. Parts may not sum because of rounding.

This was the first fall in monthly production output since April 2020 and happened mainly because of a downturn in demand amid tightened restrictions across the UK throughout January 2021. We also received some responder-led evidence of export-related pressures following the UK's departure from the European Union (EU). This is consistent with findings in our [Business insights and impacts on the UK economy release](#), which explains that from mid-January onwards 20 to 25% of manufacturing businesses that indicated they exported in the last 12 months had been unable to export during this period.

## Manufacturing

During April 2020, amid the first UK-wide lockdown, manufacturing output fell by a record 25.0%. Following the period of recovery outlined earlier in this article, month-on-month manufacturing output fell in January 2021 by 2.3%, with 9 of the 13 subsectors that make up manufacturing displaying downward contributions. This was led by a strong downward contribution from transport equipment. This subsector also provided the largest downward contribution in April 2020, the first full month of the first UK-wide lockdown.

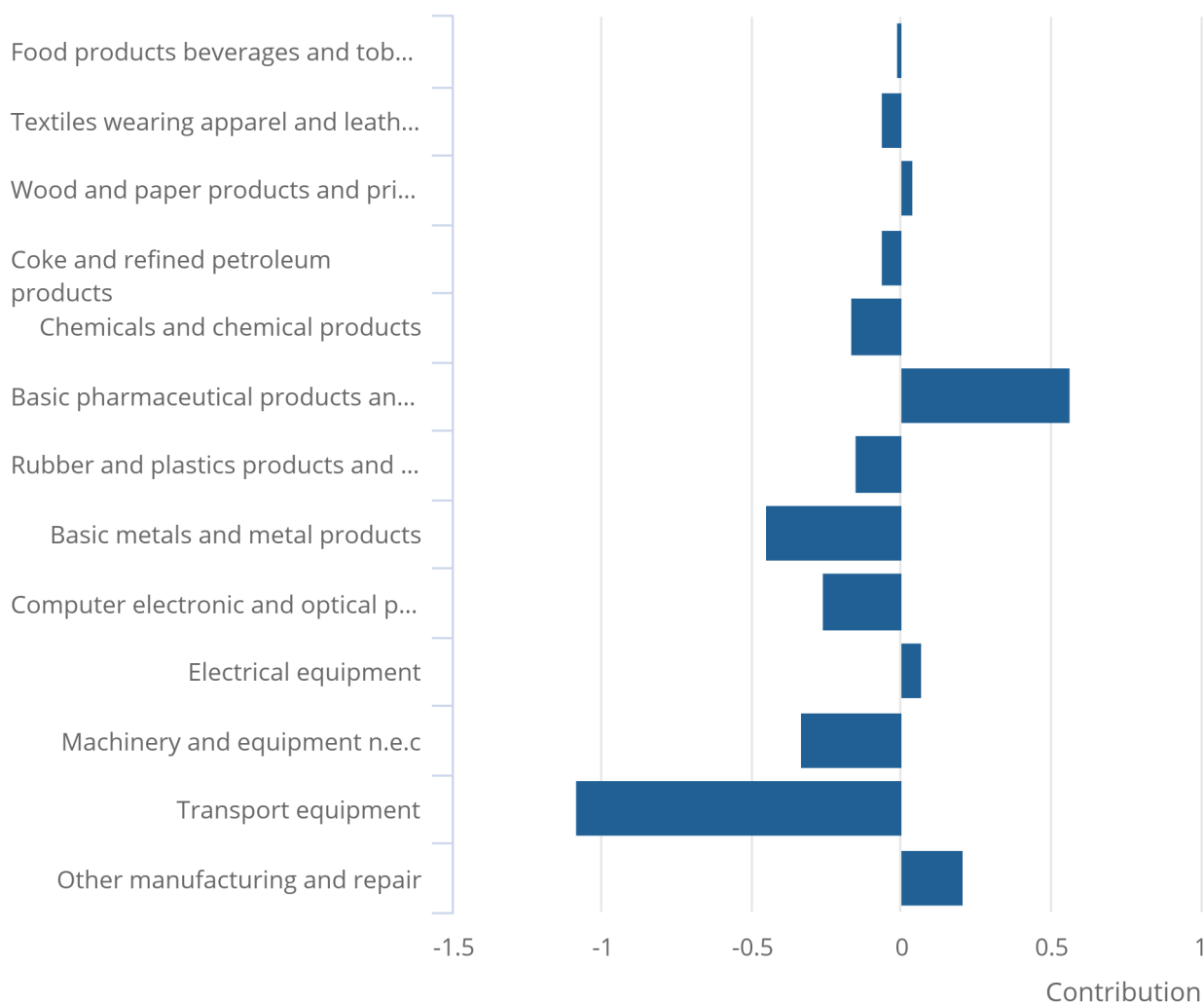
In contrast, basic pharmaceutical products provided the largest upward contribution in January 2021 (Figure 8).

## Figure 8: Widespread weakness across manufacturing was led by transport equipment

Manufacturing subsectors, contributions to growth, seasonally adjusted, UK, January 2021

### Figure 8: Widespread weakness across manufacturing was led by transport equipment

Manufacturing subsectors, contributions to growth, seasonally adjusted, UK, January 2021



Source: Office for National Statistics – Index of Production

#### Notes:

1. Parts may not sum because of rounding.

Despite the fall in manufacturing output during January 2021, the sector has remained far more resilient to the current lockdown restrictions, in part because of the health and safety measures put in place to allow businesses to continue trading. Our [Business insights and impact on the UK economy Wave 22: 11 January to 24 January 2021](#) reported that nearly 76% of manufacturing businesses who responded to the survey were currently trading and had been during the previous two weeks.

Given the continued impact of the pandemic across production and manufacturing, we have highlighted the most interesting anecdotal evidence, both positive and negative, on subsector and industry-level growth during January 2021, with focus also given to the recovery to February 2020 levels.

## **Food products**

Food products fell by 1.0% in January 2021 with strong falls from dairy products and from grain mill products, starches and starch products, partially offset by a rise from other food products (this category includes sugar, tea and coffee processing, manufacture of prepared meals, condiments and seasonings).

This resulted in output in January 2021 being 3.2% weaker than its February 2020 level, with the other food products category the hardest hit.

Some businesses facing the hospitality sector have been negatively impacted as a result of tightened restrictions for services such as bars and restaurants across the UK over recent months, which continued throughout January 2021. In contrast, demand may have increased for those businesses supplying food stores, as more people spent time at home.

Our [Retail sales, Great Britain: January 2021](#) release highlighted responder-led feedback that suggested that the closure of the hospitality sector helped to boost food store retail.

We did receive some responder-led evidence of EU exit complications impacting export growth, but comments on this were not widespread.

## Alcoholic beverages and soft drinks

Alcoholic beverages and soft drinks rose by 4.3% in January 2021, though growth is still 24.0% lower than its level in February 2020.

We continued to receive responder-led evidence that both the alcoholic beverages and soft drinks industries were impacted by the continued downturn in demand from the hospitality sector, with tightened restrictions across the UK during the latter part of December 2020, which continued into January. However, sales for some businesses may have been boosted by an increase in retail sales of alcohol within food stores, as reported in our [Retail sales, Great Britain: January 2021](#) release.

Beyond the significant impact of the early months of the pandemic, when UK and worldwide supply chains were impacted, the longer-term decline was distillery focused. Domestic sales for distillers were strong during 2019 but remained comparatively depressed during 2020 because of lower than usual demand from the hospitality sector. There has also been some pressure on exports because of [higher tariffs imposed by the United States](#), introduced in October 2019.

Figure 9 highlights the impact that reduced domestic demand and increased tariffs had on distillers. As restrictions were eased following the first lockdown and supply chains reopened, export sales stabilised but remained weaker than the majority of 2019.

### Figure 9: The longer-term decline for distillers was mainly because of reduced domestic demand and higher tariffs introduced by the United States in October 2019

Index of distillers, export and domestic sales, current price, seasonally adjusted, UK, January 2019 to January 2021

Figure 9: The longer-term decline for distillers was mainly because of reduced domestic demand and higher tariffs introduced by the United States in October 2019

Index of distillers, export and domestic sales, current price, seasonally adjusted, UK, January 2019 to January 2021



Source: Office for National Statistics – Index of Production

#### Notes:

1. Be mindful of a break in the side axis when interpreting this chart.

## **Wood and wood products except furniture**

The wood and wood products except furniture industry saw a month-on-month rise of 5.3% during January 2021, a bounce back following the fall of 4.2% during December 2020. The monthly rise can be linked to increased construction activity following a weak December 2020, when construction output fell by 2.9%, primarily because of Christmas shutdowns.

Output was 12.0% above its February 2020 level, primarily because of increased demand from the construction sector amid the ongoing recovery and evidence of increased demand for DIY products as people spent more time making home improvements.

## **Basic pharmaceutical products**

The monthly rise of 9.5% highlights the volatile nature of growth in the basic pharmaceutical products subsector and was driven by export strength from large businesses. However, the growth was driven by the sale of products that were not related to COVID-19. Output during January 2021 was 9.8% above its February 2020 level.

## Transport equipment

Transport equipment output fell strongly by 11.1% in January 2021, following eight consecutive months of growth since April 2020. Output was 20.7% weaker than February 2020.

The monthly weakness was because of an export-led fall in the sale of motor vehicles, trailers and semi-trailers. This industry displayed a month-on-month decrease of 16.9% meaning January 2021 output was 13.3% below its February 2020 level. However, this industry had declined prior to the pandemic, with output during January 2021 at 19.9% below the most recent peak in June 2019 (Figure 10).

The Society of Motor Manufacturers and Traders (SMMT) reported that during January 2021, [the total number of cars manufactured was 27.3% weaker than January 2020](#), mainly because of a 29.1% fall in exports. This followed some anecdotal evidence of a pre-EU exit push on exports, which boosted output during December 2020.

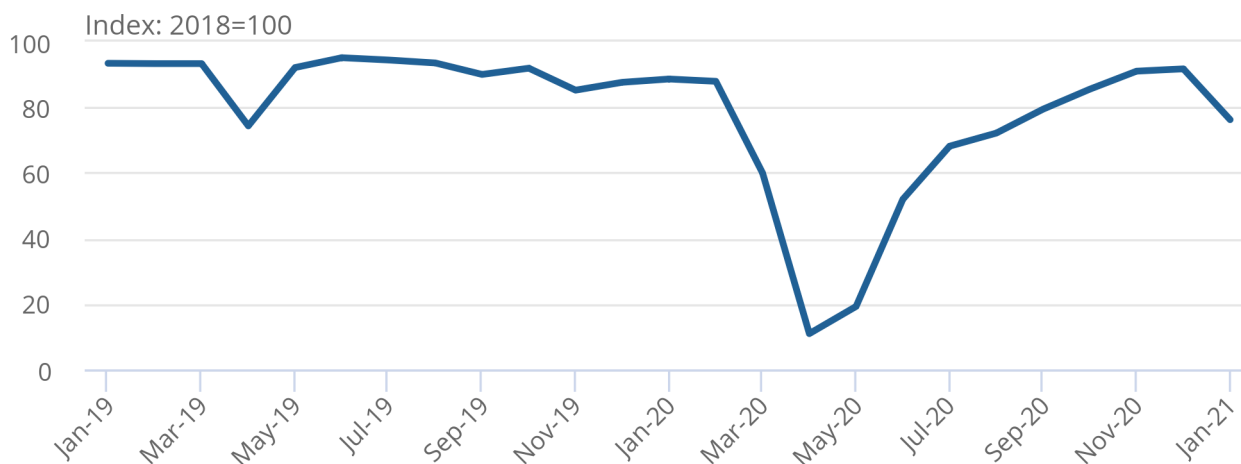
The automotive industry has also been hit by the global microchip shortage, which arose because of increased demand for consumer electronics during coronavirus (COVID-19) lockdowns.

### Figure 10: Output for motor vehicles was 19.9% below the most recent peak in June 2019 because of export-led weakness during January 2021

Index of motor vehicles, trailers and semi-trailers, seasonally adjusted, UK, January 2019 to January 2021

Figure 10: Output for motor vehicles was 19.9% below the most recent peak in June 2019 because of export-led weakness during January 2021

Index of motor vehicles, trailers and semi-trailers, seasonally adjusted, UK, January 2019 to January 2021



Source: Office for National Statistics – Index of Production

Finally, the aircraft, spacecraft and related machinery industry fell by 1.2% during January 2021 and output was 38.1% weaker than in February 2020. As a result of the widely reported negative impact on global civil aviation, manufacturers facing this subsector have been severely affected. Continued uncertainty over worldwide travel and quarantine restrictions has impacted passenger numbers throughout the pandemic.

## Manufacturing demand split by domestic and export turnover

In manufacturing there was a stronger decline in export turnover compared with domestic turnover in March 2020, using current price seasonally adjusted turnover (Figure 11). In the initial stages of the pandemic, output was likely reduced due to a mix of lack of demand, supply chain challenges and temporary business closures. As time went on businesses and global supply chains opened up and export and domestic turnover increased by a broadly similar magnitude up until October 2020.

However, in the last two months of the year there was strong growth in export turnover which was not matched by growth in domestic turnover. This was followed by a very significant drop in export turnover in January 2021. UK manufacturers reported a significant reduction in stockpiling between 29 December 2020 and 10 January 2021 ([Did UK firms stockpile items ahead of the Brexit deadline?](#), [Business insights and impact on the UK economy](#)) after a trade deal had been agreed with the EU, suggesting a major reason for the stockpiling had been the uncertainty approaching the end of the transition agreement.

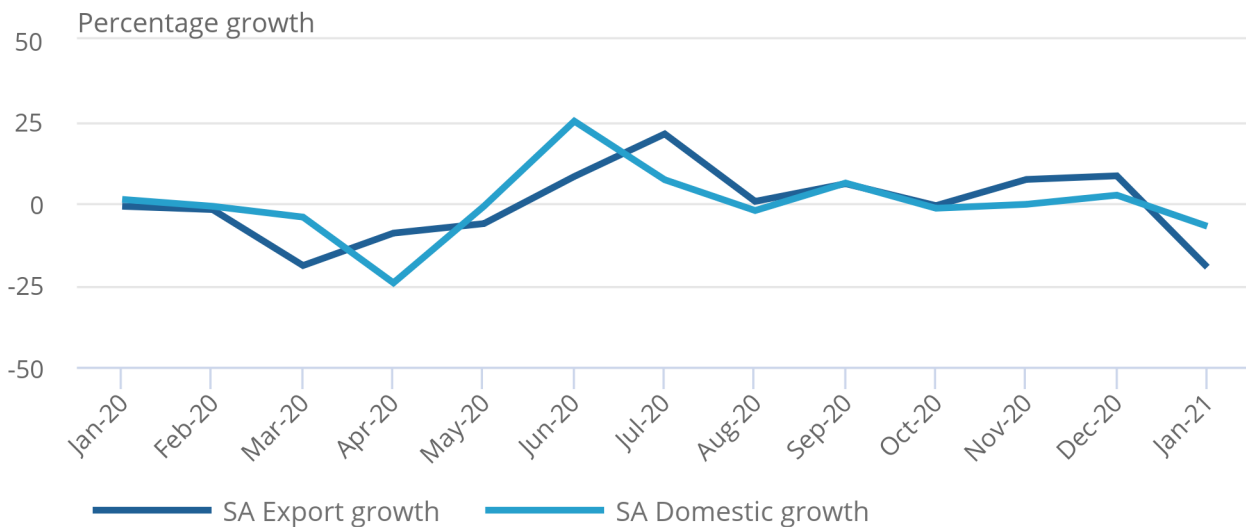
Linked to this, one possible reason for the rise then decline in export turnover was a desire to export in advance of any uncertainties from the end of the UK's transition period with the EU.

### Figure 11: There was a sharper decline in exports compared with domestic turnover growth during January 2021, underpinned by weakness from motor vehicles and aircraft

Total manufacturing, export and domestic monthly turnover growth, current price, seasonally adjusted, UK, January 2020 to January 2021

Figure 11: There was a sharper decline in exports compared with domestic turnover growth during January 2021, underpinned by weakness from motor vehicles and aircraft

Total manufacturing, export and domestic monthly turnover growth, current price, seasonally adjusted, UK, January 2020 to January 2021



Source: Office for National Statistics – Index of Production

## Mining and quarrying

Sector-level growth fell by 0.7% during January 2021, driven by a fall of 2.2% from oil and gas extraction because of a downturn in demand caused by UK-wide lockdown restrictions.

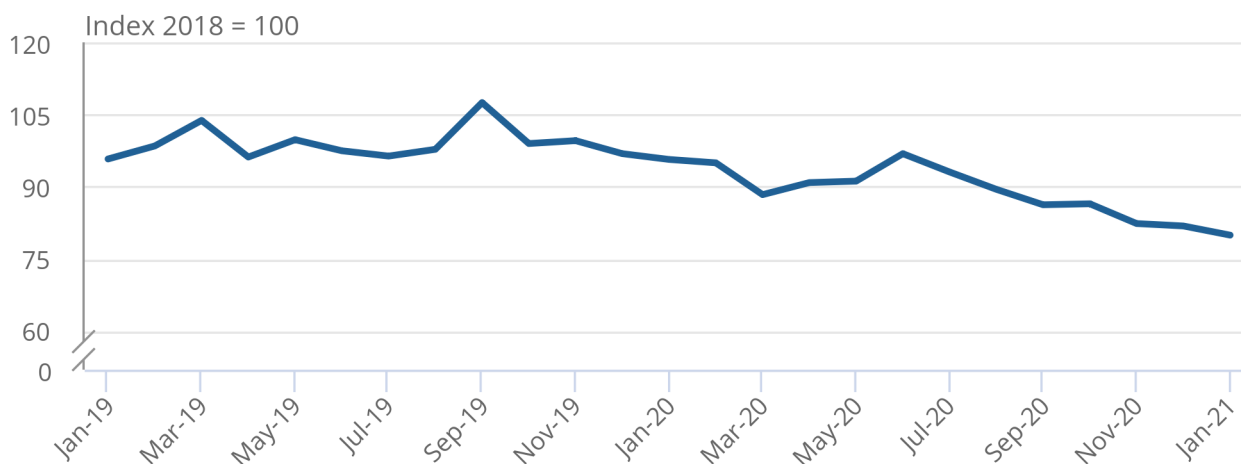
The decline in oil and gas extraction since June 2020 is because of a slump in oil prices earlier in the pandemic, amid tightened restrictions impacting on demand. This has resulted in output being 15.8% below its February 2020 level (Figure 12).

### Figure 12: A fall in oil prices and demand has led to a decline for oil and gas extraction output

Index of oil and gas extraction, seasonally adjusted, UK, January 2019 to January 2021

## Figure 12: A fall in oil prices and demand has led to a decline for oil and gas extraction output

Index of oil and gas extraction, seasonally adjusted, UK, January 2019 to January 2021



Source: Office for National Statistics – Index of Production

Notes:

1. Be mindful of a break in the side axis when interpreting this chart.

## Gas and electricity

Sector level growth of 0.9% is led by gas supply, which increased by 8.4%. The increase here is largely temperature-driven but also because of higher demand, where more people spent time at home during lockdown. The Met Office reported that [the provisional UK mean temperature was 2.2 degrees Celsius \(PDF, 256KB\)](#), which is 1.5 degrees Celsius below the 1981 to 2010 long-term average, making it the coldest January since 2010.

## 5 . Construction

As reported in our [Construction output in Great Britain: January 2021](#) bulletin, month-on-month construction output in January 2021 grew by 0.9% because of a 1.7% increase in new work that more than offset the 0.4% fall in repair and maintenance.

The overall level of output in January 2021 was 2.5% below the February 2020 level, however, this can be broken down further. The level of new work output in January 2021 was 6.4% below the level in February 2020, while the January level of repair and maintenance work was 4.5% above this level, despite the month-on-month drop in this area.

## 6 . Data sources and quality

The Monthly Business Survey (MBS) is the primary data source for 75% of production industries and 50% of services industries. This is an online questionnaire where businesses are asked to provide their turnover and, if they are within manufacturing, export turnover.

### Survey response

Response by turnover for services industries in January 2021 was 84.0%, down on the 87.1% achieved in January 2020 (see [Historical MBS \(services\) response rates](#)).

Response by turnover for production industries was 85.2% in January 2021, up on the 84.8% achieved in January 2020 (see [MBS \(production\) response rates](#)).

The response by turnover for the construction industries for January 2021 was 68.7% (see [the Construction output in Great Britain: January 2021 release](#)). This is partially because data collection for the MBS for construction and allied trades has been transitioning to an online questionnaire since April 2020.

### Other data sources

Other data are primarily sourced from the Office for National Statistics (ONS) (for example, government expenditure, household expenditure and financial corporations expenditure) but also other bodies such as the Department for Transport, the Civil Aviation Authority and the Department for Business, Energy and Industrial Strategy. These account for 50% of services industries and 25% of production industries. We are also able to gain information from these data providers regarding monthly changes in their data.

We also use the fortnightly Business Insights and Conditions Survey (BICS) as part of our quality assurance and validation process.

## 7 . Related links

### [GDP monthly estimate, UK: January 2021](#)

Bulletin | Released 12 March 2021

Gross domestic product (GDP) measures the value of goods and services produced in the UK. It estimates the size of and growth in the economy and includes the Index of Production, Index of Services and construction output in Great Britain.

### [Construction output in Great Britain: January 2021](#)

Bulletin | Released 12 March 2021

Short-term measures of output by the construction industry in Great Britain and contracts awarded for new construction work in Great Britain.

### [Index of Production, UK: January 2021](#)

Bulletin | Released 12 March 2021

Movements in the volume of production for the UK production industries: manufacturing, mining and quarrying, energy supply, and water and waste management.

### [Index of Services, UK: January 2021](#)

Bulletin | Released 12 March 2021

Monthly movements in output for the services industries.

### [Coronavirus and the latest indicators for the UK economy and society: 11 March 2021](#) Bulletin | Released 11 March 2021

Early experimental data on the impact of the coronavirus (COVID-19) on the UK economy and society. These faster indicators are created using rapid response surveys, novel data sources and experimental methods.

### [International comparisons of GDP during the coronavirus \(COVID-19\) pandemic](#)

Article | Released 1 February 2021

The coronavirus (COVID-19) pandemic has led to record declines in gross domestic product (GDP) in advanced economies in 2020. International comparisons show that the UK has experienced the largest contraction in volume GDP amongst the G7 countries. However, international comparisons have also been complicated by how National Statistical Institutes (NSIs) record non-market output.

### [Coronavirus \(COVID-19\) roundup](#)

Article | Updated as and when data become available

Catch up on the latest data and analysis related to the coronavirus pandemic and its impact on our economy and society.

### [Coronavirus \(COVID-19\) latest data and analysis](#)

Web page | Updated as and when data become available

Latest data and analysis on the coronavirus in the UK and its effect on the economy and society.

### [Coronavirus and the effects on UK GDP](#)

Article | Released 6 May 2020

How the global coronavirus pandemic and the wider containment efforts are expected to impact on UK GDP as well as some of the challenges that National Statistical Institutes are likely to face.

### [Meeting the challenge of measuring the economy through the coronavirus pandemic](#)

Blog | Released 6 May 2020

The new challenges we face in terms of data collection during the coronavirus pandemic.