

Statistical bulletin

Business investment in the UK: April to June 2021 revised results

Estimates of short-term indicators of investment in non-financial assets, business investment, and asset and sector breakdowns of total gross fixed capital formation.



Contact:
Alison McCrae
gcf@ons.gov.uk
+44 1633 455250

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30 September 2021

Next release:
11 November 2021

Notice

19 November 2021

We have identified an error within our production of gross fixed capital formation (GFCF) and Business Investment transport estimates, affecting both our current price and chained volume measures data. The periods affected are Quarter 2 (Apr to June) 2021 and Quarter 3 (July to Sept) 2021

We estimate that the impact of this error would be as follows:

In Quarter 2 2021, GFCF would revise upwards by 0.9 percentage points and Business Investment by 1.6 percentage points in our Chained Volume Measures Seasonally Adjusted estimates.

In Quarter 3 2021, GFCF would revise upwards by 0.5 percentage points and Business Investment by 1.0 percentage points in our Chained Volume Measures Seasonally Adjusted estimates.

As part of our regular production process, our GFCF and Business Investment estimates will be updated in-line with the National Accounts revision policy in the next release, which will be published on 22 December 2021. As part of this process, as is usual, we will also incorporate any additional later data received for the open revisions period.

There will be no impact on GDP as a result of this error in GFCF and business investment estimates. This is because we balance our GDP estimates using an alignment of the different approaches to measuring GDP, so the impact from this error would be offset during the GDP balancing process. This is because the new data increases the level of expenditure, and we were previously adjusting up this approach to GDP to align to the other GDP measures.

You can view our [Transportation and storage data at current prices not seasonally adjusted](#), which are consistent with this correction.

You can view our [Business investment by asset data](#), which are consistent with this correction.

A list of those write out acronym in full here (CDIDs) affected by this error is available upon request.

We apologise for this error and any inconvenience caused.

29 November 2021

While quality assuring the business investment by asset dataset, a discrepancy has been found, which has shown seasonally adjusted chained volume measure (CVM) figures for CDID EDRA (Non Gov: Intellectual Property Products: Total Industry) pre-2019 are incorrect. Data for 2019 and subsequent periods are unaffected. These errors arose during the production process of the version published on 30 September 2021. Total gross fixed capital formation and business investment figures are unaffected by this error. We are working to correct this issue and will publish corrected figures for CDID EDRA as soon as possible.

We apologise for any inconvenience caused.

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1 . Main points

- Business investment grew by 4.5% in Quarter 2 (Apr to June) 2021, revised up from the provisional estimate of 2.4%.
- The level of business investment is now 12.8% below where it was pre-coronavirus (COVID-19) pandemic in Quarter 4 (Oct to Dec) 2019.
- All assets contributed positively to the quarter-on-quarter growth in business investment.
- Between 2019 and 2020, business investment fell by 11.1%, revised down from 10.2%; during the 2008 global economic downturn, business investment fell by 16.9% between 2008 and 2009.
- GFCF grew by 0.8% in Quarter 2 2021, revised up from the provisional estimate of negative 0.5%; when compared with the pre-pandemic Quarter 4 2019, GFCF remains 4.5% lower.
- When compared with the same quarter a year ago, business investment has grown by 12.9% and gross fixed capital formation (GFCF) by 21.4%.
- This release contains data that are consistent with the UK National Accounts, The Blue Book 2021, which will be released on 29 October 2021; data for all periods in this release are subject to revision in line with the National Accounts Revision Policy (see [Section 7](#)).

Current estimates have been subject to more uncertainty than usual as a result of data collection challenges faced in the current conditions (see [Section 7](#)).

2 . GFCF continues to outpace business investment in returning to pre-pandemic levels

Business investment and our economy-wide investment measure of gross fixed capital formation (GFCF) both grew in Quarter 2 (Apr to June) 2021, by 4.5% and 0.8% respectively. All assets contributed positively to the quarter-on-quarter growth to business investment; the largest of these were other buildings and structures and transport equipment. The level of business investment in Quarter 2 2021, remains 12.8% lower than the pre-coronavirus (COVID-19) pandemic level in Quarter 4 (Oct to Dec) 2019. However, the level of growth exceeds the average quarterly growth in business investment between Quarter 1 (Jan to Mar) 1997 and Quarter 4 2019 by 3.7 percentage points. Evidence from the Bank of England's [Decision Maker Panel](#) survey found that businesses estimated that their capital expenditure would be 12% lower than normal because of COVID-19 in Quarter 2 2021.

Figure 1: Difference between gross fixed capital formation and business investment continued as government investment fell in Quarter 2 (Apr to June) 2021

UK business investment, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 1997 to Quarter 2 (Apr to June) 2021

Notes:

1. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).
2. UK business investment, chained volume measure, seasonally adjusted excluding the reclassification of British Nuclear Fuels (BNFL) in Quarter 2 2005.
3. Quarter 2 2020 is the largest fall on record for gross fixed capital formation excluding the reclassification of BNFL in Quarter 2 2005.

Download this chart

[.XLSX](#)

The general government sector was the biggest factor in the difference of growth rates between business investment and GFCF. Government investment fell by 10.9% between Quarter 1 and Quarter 2 2021, contributing negative 2.2 percentage points to growth in GFCF.

More about economy, business and jobs

- All ONS analysis, summarised in our [economy, business and jobs roundup](#).
- Explore the latest trends in employment, prices and trade in our [economic dashboard](#).
- View [all economic data](#).

3 . Transport equipment grows despite continuing issues in the car market

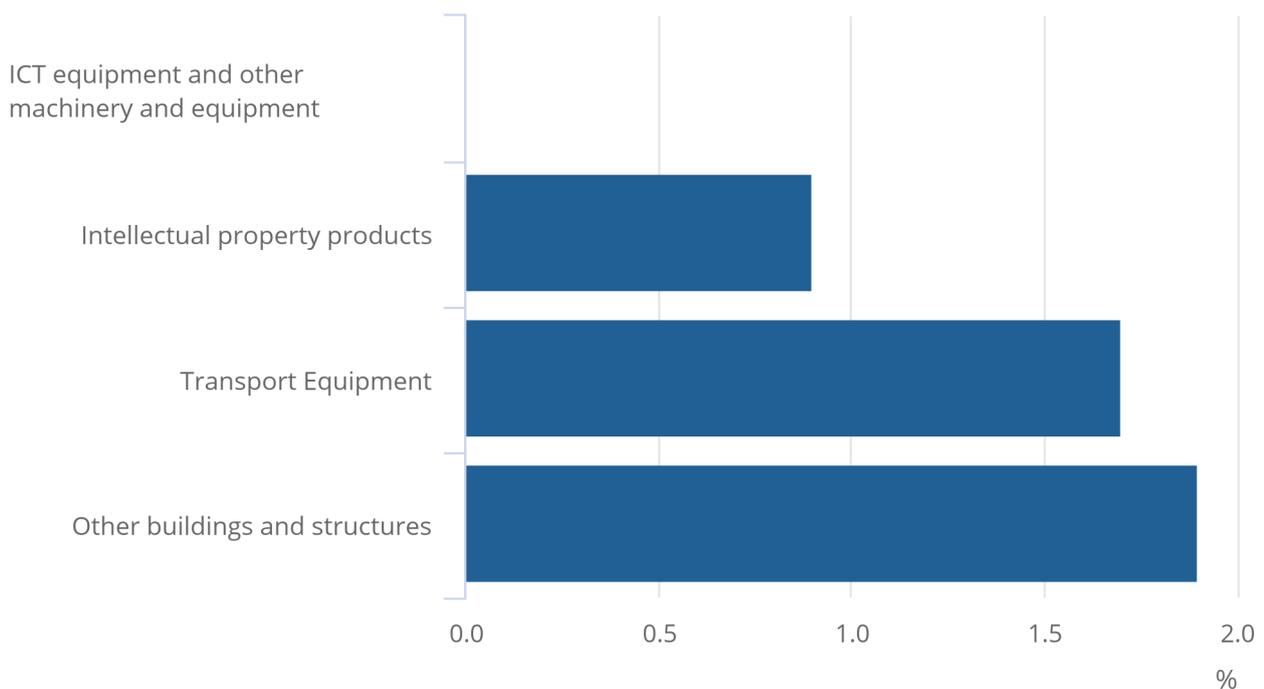
Transport equipment investment grew by 33.2% in Quarter 2 (Apr to June) 2021 and was the largest driver of growth in gross fixed capital formation (GFCF) following uncharacteristically low transport equipment investment in Quarter 1 (Jan to Mar) 2021. Growth was driven by an increase in the acquisitions of cars and vans seen particularly in the vehicle leasing industry where firms began to replenish their fleets. Growth this quarter has been revised up from the provisional estimate of negative 17.6% because of receipt of later survey data.

Figure 2: Strong transport equipment growth contributes to the quarter-on-quarter growth in business investment

Asset contributions to business investment, chained volume measure, seasonally adjusted, Quarter 2 (Apr to June) 2021

Figure 2: Strong transport equipment growth contributes to the quarter-on-quarter growth in business investment

Asset contributions to business investment, chained volume measure, seasonally adjusted, Quarter 2 (Apr to June) 2021



Source: Office for National Statistics – Business Investment results

Notes:

1. Contributions may not sum to total due to rounding.

Although there was strong growth this quarter, investment in transport equipment remains 37.2% below the pre-coronavirus (COVID-19) pandemic level seen in Quarter 4 (Oct to Dec) 2019. A factor contributing to this is the ongoing shortage of semi-conductors causing issues in the supply chain of new vehicles and an increase in the demand for, and price of, used cars.

Data from Office for National Statistics' (ONS) Quarterly Stocks Survey (QSS) show that levels of stock of new and used cars have diverged in the most recent quarter. Respondent comments referencing the semi-conductor shortage rose to 9% of all comments in the wholesale and retail trade including motor vehicles industry, with many noting that the global semi-conductor shortage continues to affect the production of new vehicles. However, the stock level of used cars [remains unaffected by the semi-conductor shortage](#).

4 . Uncertainty at lowest level since start of pandemic

Respondent comments to our Quarterly Acquisition and Disposal of Capital Assets Survey (QCAS) continue to be an informative qualitative data source, revealing businesses' confidence or otherwise throughout the coronavirus (COVID-19) pandemic, business confidence being closely associated with willingness to invest.

In Quarter 2 (Apr to June) 2021, there was an easing of coronavirus restrictions and QCAS respondent mentions of COVID-19 fell to their lowest level since the start of the pandemic. Just 12% of comments noted that COVID-19 affected investment intentions; this is down from a peak of 49% in Quarter 2 2020.

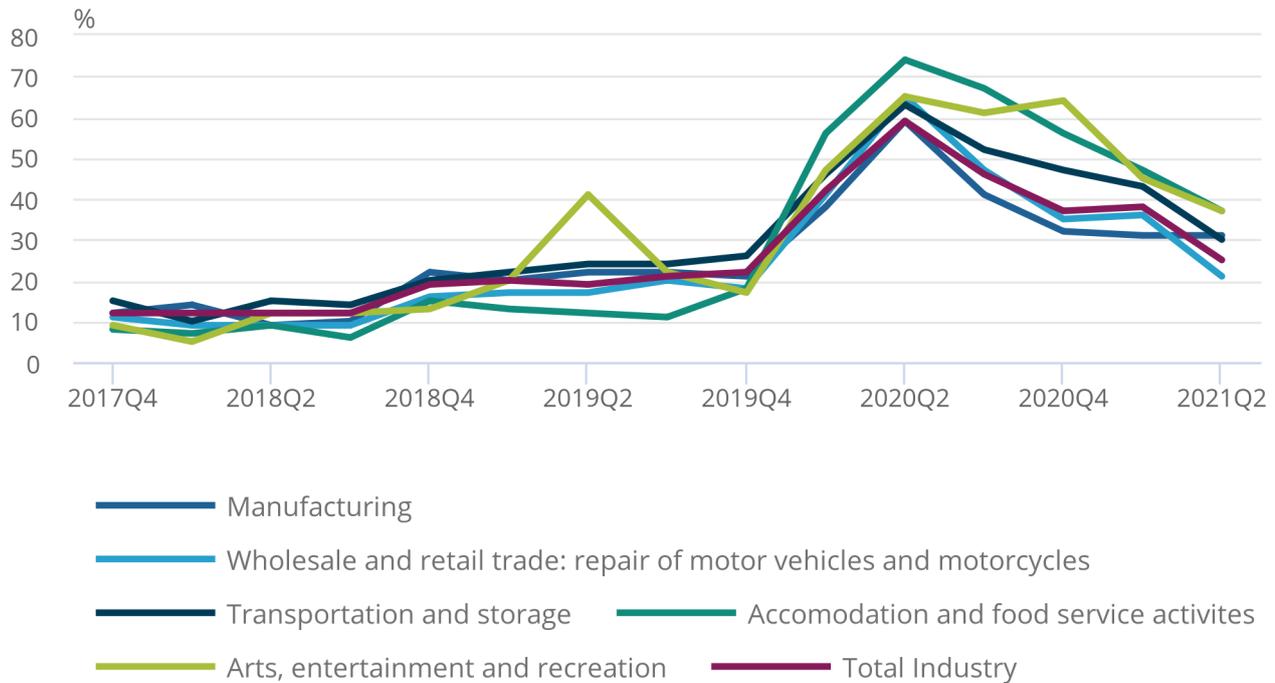
During Quarter 2 2021, business investment increased by 4.5%, while the level of QCAS respondent comments expressing uncertainty fell to 25%, the largest fall during the pandemic. Though all industries saw quarter-on-quarter falls, Figure 3 shows the five industries with the highest percentage of comments expressing uncertainty. This disparity in the level of uncertainty amongst industries is likely to reflect the differing impact of COVID-19 across industries. Social distancing restrictions affected the arts, entertainment and recreation industries, supply chain issues affected the manufacturing and wholesale industries and the semi-conductor shortage affected the transportation and storage industries. [Decision Maker Panel](#) respondent data also show a fall in the level of uncertainty from 26% in Quarter 1 (Jan to Mar) to 15% in Quarter 2 2021.

Figure 3: Level of uncertainty falls across all industries

Percentage of comments from the Quarterly Acquisitions and Disposals of Capital Assets Survey reporting words associated with uncertainty, Quarter 2 (Apr to June) 2021

Figure 3: Level of uncertainty falls across all industries

Percentage of comments from the Quarterly Acquisitions and Disposals of Capital Assets Survey reporting words associated with uncertainty, Quarter 2 (Apr to June) 2021



Source: Office for National Statistics – Business Investment results

Notes:

1. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).
2. Quarter 4 2017 was the first quarter of large-scale comment collection on our Quarterly Stocks Survey and Quarterly Acquisitions and Disposals of Capital Assets Survey.

5 . International comparison of GFCF for the G7 countries

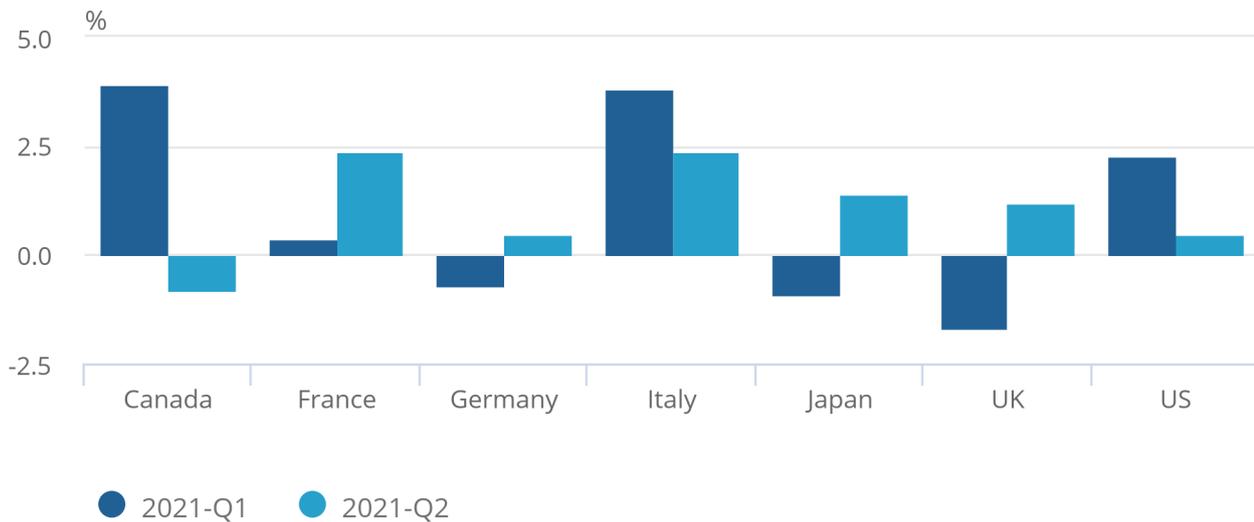
Using data collated by the Organisation for Economic Co-operation and Development (OECD) from the relevant national statistical institutes, we can compare gross fixed capital formation (GFCF) within the G7. Despite the UK experiencing the largest fall in Quarter 1 (Jan to Mar) 2021 (a fall of negative 1.7% current price (CP), seasonally adjusted (SA)), the UK saw growth of 1.2% (CP SA) in Quarter 2 (Apr to June) 2021. Italy has shown the strongest GFCF picture throughout 2021 with growth in the first two quarters of 2021. Canada was the only G7 country to have negative growth for the second quarter of 2021.

Figure 4: UK levels of gross fixed capital formation (GFCF) increased above the G7 average in Quarter 2 (Apr to June) 2021

G7 nations quarter-on-quarter growth of GFCF, current price, seasonally adjusted, Quarter 1 (Jan to Mar) 2021 to Quarter 2 (Apr to June) 2021

Figure 4: UK levels of gross fixed capital formation (GFCF) increased above the G7 average in Quarter 2 (Apr to June) 2021

G7 nations quarter-on-quarter growth of GFCF, current price, seasonally adjusted, Quarter 1 (Jan to Mar) 2021 to Quarter 2 (Apr to June) 2021



Source: Organisation for Economic Co-operation and Development (OECD)

Notes:

1. The Group of Seven (G7) is an intergovernmental organisation consisting of Canada, France, Germany, Italy, Japan, the UK and the United States.
2. The coronavirus pandemic has affected each country in different ways and as a result, restrictions have been put in place at differing times by each country.
3. Data shown in this chart reflect the latest available at the time of production of this bulletin including provisional data, which may subsequently have been revised.

6 . Business investment data

[Business investment by industry and asset](#)

Dataset | Released 30 September 2021

Detailed breakdown of business investment by industry and asset, in current prices and chained volume measures, non-seasonally adjusted and seasonally adjusted, UK.

[Gross fixed capital formation - by sector and asset](#)

Dataset | Released 30 September 2021

Sector and asset breakdowns of gross fixed capital formation (GFCF), including business investment and revisions, in current prices and chained volume measures, non-seasonally adjusted and seasonally adjusted, UK.

[Quarterly Stocks Survey \(QSS\) and Capital Assets Survey \(QCAS\) Textual Data Analysis](#)

Dataset | Released 30 September 2021

The indicators and analysis in this dataset are based on qualitative responses from comments left by responding businesses to both our Quarterly Acquisitions and Disposals of Capital Assets Survey (QCAS) and Quarterly Stocks Survey (QSS).

[Annual Gross fixed capital formation - by sector and asset](#)

Dataset | Released 21 October 2020

Annual sector and asset breakdowns of gross fixed capital formation (GFCF), in current prices and chained volume measures, non-seasonally adjusted and seasonally adjusted, UK.

7 . Measuring the data

All data within this bulletin, unless specified, are presented in chained volume measure (CVM). This means it has the effect of price changes removed (in other words, the data are deflated).

The latest estimates of business investment and gross fixed capital formation (GFCF) are also discussed in GDP quarterly national accounts, UK: April to June 2021.

Revisions to GFCF and business investment

In the Blue Book 2021, we have introduced several improvements to our GFCF estimates. The largest change comes from continued improvement to the quality of financial services estimates using information from the [Financial Services Survey \(FSS\)](#). As usual during the Blue Book process, the opportunity was taken to review and improve [national accounts balancing adjustments](#) across all transactions, including those indirectly affected by the FSS improvement, such as GFCF. This has particularly affected GFCF for 2017 onwards.

Further changes include:

- improved transport estimates reflecting improvements to source data on transactions of second-hand ships with a larger effect on 2011 onwards
- updated research and development estimates affecting 2017 onwards
- incorporation of revised Annual Business Survey benchmarks for 2018 and new data for 2019

Annual GFCF growth is unrevised on average between 1997 and 2020 in CVM. The maximum revision to growth during this period was 1.6% (2011) and the minimum was negative 1.2% (1998). The average revision to annual business investment growth over this period was also unrevised.

Figure 5: Annual business investment revisions to growth

Chained volume measure, seasonally adjusted, 1997 to 2020

Figure 5: Annual business investment revisions to growth

Chained volume measure, seasonally adjusted, 1997 to 2020



Source: Office for National Statistics – Business Investment results

Notes:

1. The data in this chart cover 1998 to 2020.

Revisions for 2020 and 2021 Quarter 1 (Jan to Mar) and Quarter 2 (Apr to June) have also been affected by incorporation of later survey and other source data. Seasonal factors have also changed because of periods being opened for revision, leading to a revised seasonally adjusted time series.

Revisions by sector and asset for GFCF can be found in the revisions section of the [GFCF by sector and asset](#) datasets accompanying this release.

Figure 6: Annual gross fixed capital formation (GFCF) revisions to growth

Chained volume measure, seasonally adjusted, 1997 to 2020

Figure 6: Annual gross fixed capital formation (GFCF) revisions to growth

Chained volume measure, seasonally adjusted, 1997 to 2020



Source: Office for National Statistics – Business Investment results

Notes:

1. The data in this chart cover 1998 to 2020.

Further information on the national accounts methodological improvements introduced in Blue Book 2021 together with the resulting revisions for 1997 through to 2019 can be found in the [Impact of Blue Book 2021 changes on average quarterly gross domestic product](#).

The impact of the coronavirus (COVID-19) on our estimation methods

In Quarter 2 2021, the Quarterly Acquisitions and Disposals of Capital Assets Survey (QCAS), one of the largest data sources for GFCF and business investment, had a response rate of 71% for this revised dataset. This compares with an average response rate of 71% during 2020, and 82% for 2019 at revised results.

As a result of these challenges, business investment estimates for Quarter 2 2021 are subject to more uncertainty than usual and are likely to have larger than usual revisions in subsequent releases. To mitigate against that reduced response, we reviewed survey imputation methods to address areas of non-response, and where necessary, reviewed our seasonal adjustment parameters where outliers were identified.

Coronavirus data

Our latest data and analysis on the impact of coronavirus (COVID-19) on the UK economy and population are available on the [coronavirus section](#) of the Office for National Statistics' (ONS) website. This is the hub for all coronavirus-related publications, including the fortnightly Business Insights and Conditions Survey (BICS).

ONS has released a public statement on COVID-19 and the production of statistics. Specific queries should be directed to the Media Relations Office media.relations@ons.gov.uk.

Definitions and explanations

More information on the terms and concepts described on this page can be found in [A short guide to gross fixed capital formation and business investment](#).

8 . Strengths and limitations

Quality and methodology information on strengths, limitations, appropriate uses, and how the data were created is available in the [Business investment QMI](#).

9 . Related links

[GDP quarterly national accounts, UK: April to June 2021](#)

Bulletin | Released 30 September 2021

Revised quarterly estimate of gross domestic product (GDP) for the UK. Uses additional data to provide a more precise indication of economic growth than the first estimate.

[The National Balance Sheet and Capital Stocks, preliminary estimates, UK: 2021](#)

Bulletin | Released 29 April 2021

Preliminary annual estimates of the nation's net worth, by type of financial and non-financial asset for the UK. Includes estimates of produced assets used in the production process and their loss of value over time.

[Quarterly Sector Accounts, UK: April to June 2021](#)

Bulletin | Released 30 September 2021

Detailed estimates of quarterly sector accounts that can be found in the UK Economic Accounts (UKEA).