

Statistical bulletin

Business investment in the UK: January to March 2023 provisional 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.



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1 . Main points

- UK business investment rose by 0.7% in Quarter 1 (Jan to Mar) 2023 and is 3.2% above where it was the same quarter a year ago.
- The level of business investment in Quarter 1 2023 remains below that of Quarter 4 (Oct to Dec) 2019, the quarter before the coronavirus (COVID-19) pandemic, by 1.4%.
- Information and communication technology (ICT) equipment and other machinery and equipment, and to a lesser extent intellectual property products (IPP), contributed positively to the growth in business investment; this was partially offset by negative contributions from other buildings and structures, and transport equipment.
- Whole economy investment, technically known as gross fixed capital formation (GFCF), which includes business and public sector investment, increased by 1.3% in Quarter 1 2023 and was 0.4% above where it was in the same quarter a year ago.
- GFCF in Quarter 1 2023 was 4.8% above its pre-coronavirus (Quarter 4 2019) levels.

2 . Business investment

Business investment rose by 0.7% in Quarter 1 (Jan to Mar) 2023, following a 0.2% fall in the previous quarter. Positive contributions from information and communication technology (ICT) equipment and other machinery and equipment, and intellectual property products (IPP) contributed to this growth in business investment. Business investment is at its highest level since the pre-coronavirus (COVID-19) pandemic period (Quarter 4 (Oct to Dec) 2019), but remains 1.4% below that level.

The primary driver of growth in Quarter 1 2023 was ICT equipment and other machinery and equipment. This coincides with the end of the temporary tax relief on qualifying capital asset investment, known as “super-deduction”. From 1 April 2023 this will be replaced by a 100% full expensing capital allowance. Despite some differences in qualifying items, the effect of the super deduction incentive is most likely to be reflected in ICT equipment, other machinery and equipment, and transport. There was a significant increase in respondent comments to our Quarterly Acquisition and Disposal of Capital Assets Survey (QCAS) referring to the “super deduction” this quarter. More businesses stated that they had increased investment in the latest quarter to take advantage of the super deduction ahead of its closure. These comments suggest that businesses both brought forward planned investment, and invested in capital they would not have otherwise, to take advantage of the super deduction.

Transport equipment, and other buildings and structures, contributed negatively to business investment in Quarter 1 2023. Transport investment can be particularly volatile because of the high value of some transport equipment. Buildings and structures is the only headline business investment component still below its pre-coronavirus levels.

3 . Whole economy investment gross fixed capital formation (GFCF)

Whole economy investment, technically known as gross fixed capital formation (GFCF), increased 1.3% in Quarter 1 (Jan to Mar) 2023 following a 0.3% increase in the previous quarter. GFCF has surpassed its previous peak in Quarter 1 2022 by 0.4%. GFCF is now 4.8% above where it was in Quarter 4 (Oct to Dec) 2019 (the pre-coronavirus (COVID-19) pandemic quarter).

Figure 1: The gap between gross fixed capital formation (GFCF) and business investment widens due to increased government investment

UK business investment and whole economy investment, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 1997 to Quarter 1 2023

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 was the largest fall on record for gross fixed capital formation excluding the reclassification of British Nuclear Fuels (BNFL) in Quarter 2 2005.
4. Index is referenced to Quarter 1 (Jan to Mar) 1997, which equals 100.

Download this chart

[.xlsx](#)

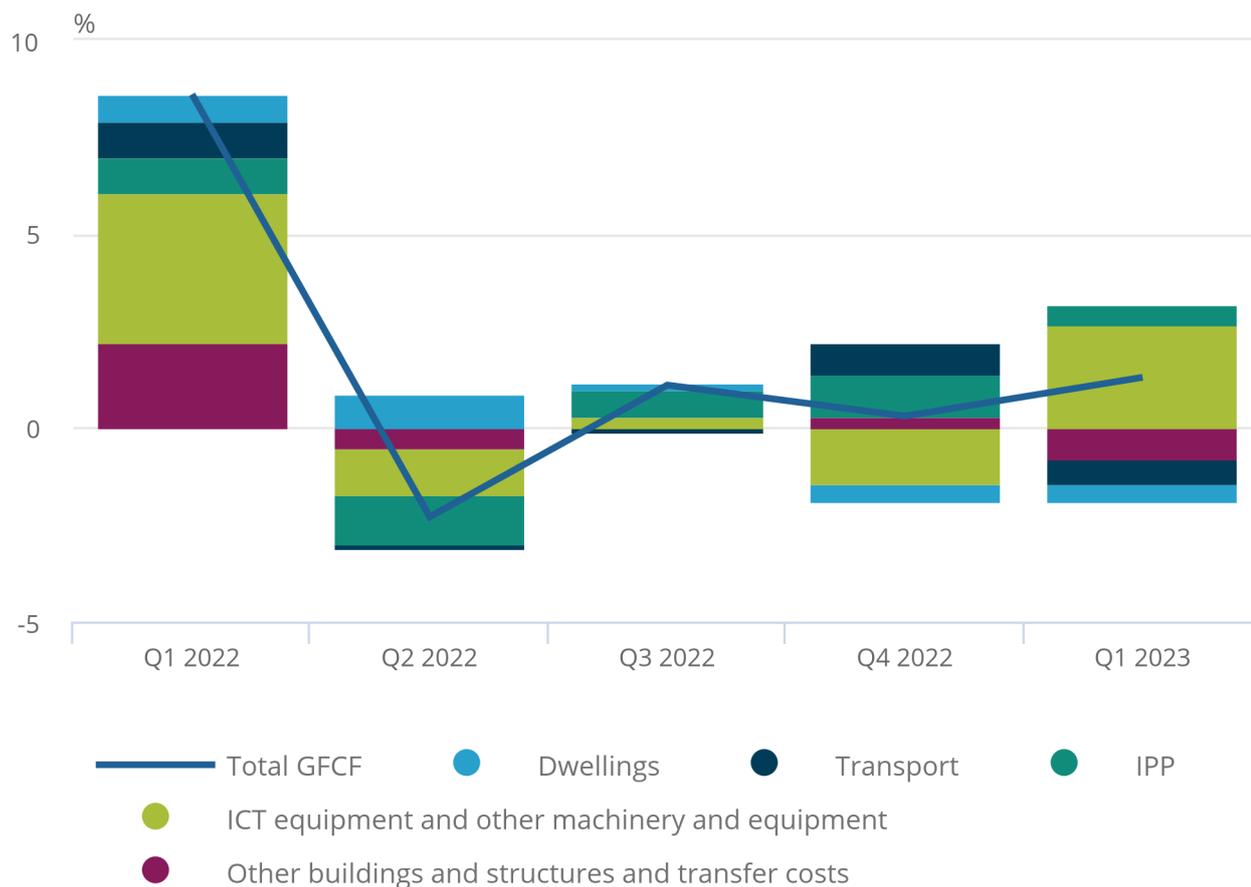
GFCF growth in the latest quarter was driven by an increase in government investment as well as information and communication technology (ICT) equipment and other machinery and equipment; this was partially offset by a fall in dwellings investment. Government investment has followed previous trends and increased in Quarter 1 2023, ahead of the close of the financial year. The positive contribution to ICT equipment and other machinery and equipment growth came from both business and government investment.

Figure 2: ICT equipment and other machinery and equipment led gross fixed capital formation (GFCF) growth

Asset contributions to GFCF, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 2021 to Quarter 1 2023

Figure 2: ICT equipment and other machinery and equipment led gross fixed capital formation (GFCF) growth

Asset contributions to GFCF, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 2021 to Quarter 1 2023



Source: Business investment in the UK from the Office for National Statistics

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).

4 . Business investment data

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

Dataset | Released 12 May 2023

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 Quarterly Acquisitions and Disposals of Capital Assets Survey \(QCAS\) textual data analysis](#)

Dataset | Released 12 May 2023

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 (QCAS) and Quarterly Stocks Survey (QSS).

[Annual gross fixed capital formation by industry and asset](#)

Dataset | Released 28 October 2021

Annual estimates of gross fixed capital formation (investment) by industry and asset, in current prices and chained volume measures, consistent with the UK National Accounts.

[Preliminary capital stocks and fixed capital consumption](#)

Dataset | Released 5 May 2022

Annual estimates of gross and net capital stocks and consumption of fixed capital in the UK, in current prices and chained volume measures.

5 . Measuring the data

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

In August 2022, we reviewed the methods used for estimating data from the Quarterly Acquisitions and Disposals of Capital Assets Survey (QCAS). The imputation review found that the methods used were appropriate and no changes were made.

Revisions

In line with the National Accounts Revisions Policy, the earliest period open to revision in this publication is Quarter 1 (Jan to Mar) 2023.

Data within this bulletin

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).

In Quarter 1 (Jan to Mar) 2023, the Quarterly Acquisitions and Disposals of Capital Assets Survey (QCAS), the largest data source for gross fixed capital formation (GFCF) and business investment, had a response rate of 58.9% for estimates used in the provisional release.

The release of the Business investment in the UK dataset (consistent with annual national accounts) on 30 September 2022 excluded an update to the following data:

- Annual gross fixed capital formation by industry and asset
- business investment by asset
- business investment by industry and asset
- business investment within the transportation and storage industries

Additional challenges linked to the introduction of the improved GFCF system have meant delays in producing data on the new, improved, basis.

The next publication of these tables will be in October 2023.

Adjustments

Large capital expenditure tends to be reported later in the data collection period than smaller capital expenditure. This means that larger expenditures are often included in the revised (month 3) results but are not reported in time for the provisional (month 2) results. This can lead to a tendency toward upward revisions in the later estimates for business investment and gross fixed capital formation (GFCF). Following investigation of the impact of this effect, from Quarter 3 (July to Sept) 2013, a bias adjustment was introduced in the provisional estimate.

This adjustment was suspended in Quarter 2 (Apr to June) 2020 because of uncertainties surrounding the effect of the coronavirus (COVID-19) pandemic. However, since Quarter 4 (Oct to Dec) 2021, after further investigation and analysis of its impact, the bias adjustment was reintroduced to business investment and GFCF. The bias adjustment for this provisional release is £1.4 billion. This partially reflects the slightly weaker survey response in the latest quarter.

6 . User consultation

As publishers of the "Business Investment in the UK" statistical bulletin, the Office for National Statistics (ONS) is conducting a user consultation to gather feedback. We are interested to learn which components of the bulletin our users find most useful, which data could be useful to our users in the future, and if the current publication meets user needs. As a user of "Business Investment in the UK" and its components, we at the ONS would like to invite you to complete our [Business Investment User Consultation](#).

7 . Related links

[GDP First Quarterly Estimate UK: January to March 2023](#)

Bulletin | 12 May 2023

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.

[National balance sheet estimates for the UK: 1995 to 2021](#)

Bulletin | Released 23 January 2023

Annual estimates of the market value of financial and non-financial assets for the UK, providing a measure of the nation's wealth.

8 . Cite this statistical bulletin

Office for National Statistics (ONS), released 12 May 2023, ONS website, statistical bulletin, [Business investment in the UK, provisional: January to March 2023](#)