

Statistical bulletin

# Business investment in the UK: July to September 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.



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# 1 . Main points

- Business investment fell by 2.5% in Quarter 3 (July to Sept) 2021, revised from the first estimate of negative 0.4%, but was 2.6% higher than the same quarter a year ago.
- Transport equipment contributed most to the quarter-on-quarter fall in business investment, followed by intellectual property products.
- Gross fixed capital formation (GFCF) fell by 0.9% in Quarter 3 2021, revised from the first estimate of negative 0.8%, and was 3.9% higher than Quarter 3 2020.
- Large decreases in transport equipment were offset by positive investment in information and communication technology (ICT) equipment and other machinery and equipment, and dwellings.
- The level of business investment is now 11.7% below Quarter 4 (Oct to Dec) 2019, the quarter before the coronavirus (COVID-19) pandemic began; GFCF levels are 3.9% below, mainly because of the return to pre-coronavirus pandemic levels for dwellings investment.

Current business investment estimates continue to be subject to more uncertainty than usual as a result of data collection challenges faced in the current conditions. More information can be found in [section 8](#).

## 2 . Gross fixed capital formation continues to outpace business investment on return to pre-coronavirus pandemic levels

Business investment, our measure of private sector investment, and our economy-wide measure of investment - gross fixed capital formation (GFCF) - both fell in Quarter 3 (July to Sept) 2021 to different extents. Business investment fell by 2.5%, while GFCF only fell by 0.9%. This reflects private businesses demonstrating different patterns of investment to government and households, which have been observed throughout the coronavirus (COVID-19) pandemic.

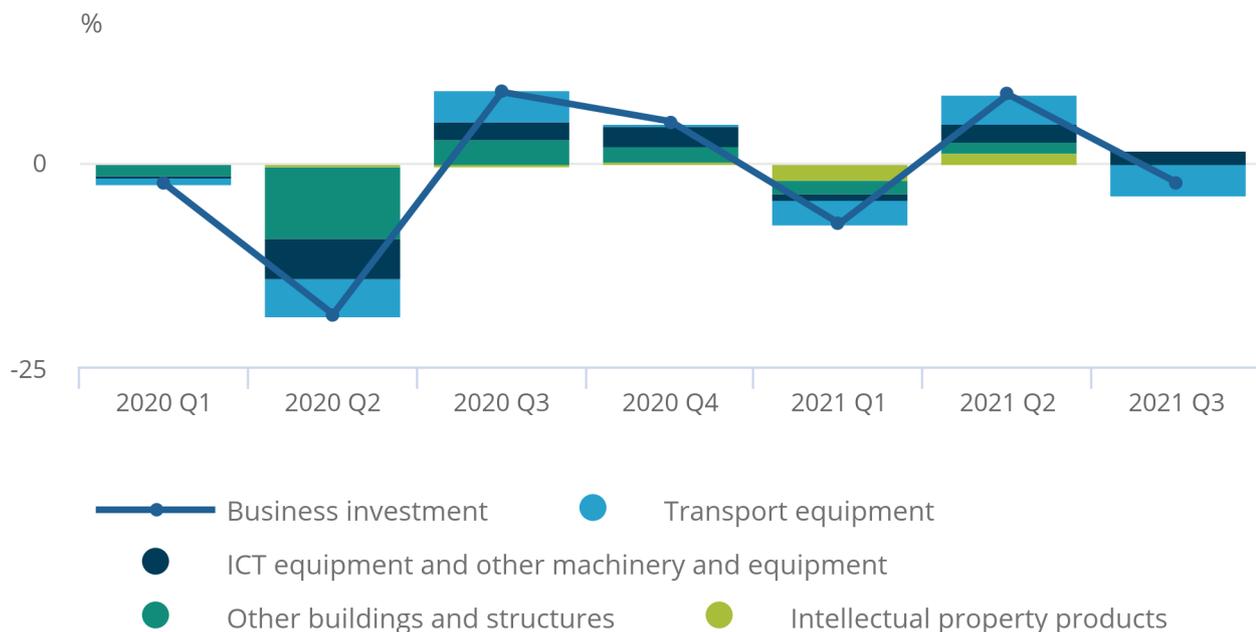
The assets that contributed most to the quarter-on-quarter fall to business investment were transport equipment and intellectual property products (IPP), at negative 3.7 and negative 0.2 percentage points respectively. This was partially offset by growth in information and communication technology (ICT) equipment and other machinery and equipment, at 1.5 percentage points. Other buildings and structures had flat quarter-on-quarter growth.

**Figure 1: Transport equipment contributed most to the quarter-on-quarter fall of business investment**

UK business investment, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 2020 to Quarter 3 (July to Sept) 2021

### Figure 1: Transport equipment contributed most to the quarter-on-quarter fall of business investment

UK business investment, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 2020 to Quarter 3 (July to Sept) 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. Contributions may not sum to total because of rounding.

Following record falls in both business investment and GFCF after the onset of the coronavirus pandemic, GFCF has moved closer to its pre-pandemic level faster than business investment. When indexed to Quarter 1 (Jan to Mar) 1997, GFCF is currently 6.4 percentage points lower than Quarter 4 (Oct to Dec) 2019 (the quarter prior to the onset of the pandemic), while the level of business investment remains 19.0 percentage points lower. The difference between business investment and GFCF is on account of the return to pre-pandemic levels for dwellings investment and government investment. This is now 4.2 and 11.4 percentage points above that of Quarter 4 2019 respectively.

## **Figure 2: Business investment's recovery has lagged behind that of gross fixed capital formation (GFCF) since the start of the coronavirus pandemic**

**UK business investment, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 2020 to Quarter 3 (July to Sept) 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 British Nuclear Fuels (BNFL) in Quarter 2 2005.
4. Index is referenced to Quarter 1 (Jan to Mar) 1997.

**Download this chart**

[.XLSX](#)

### 3 . Air transport and semiconductor shortage continues to hit transport industry

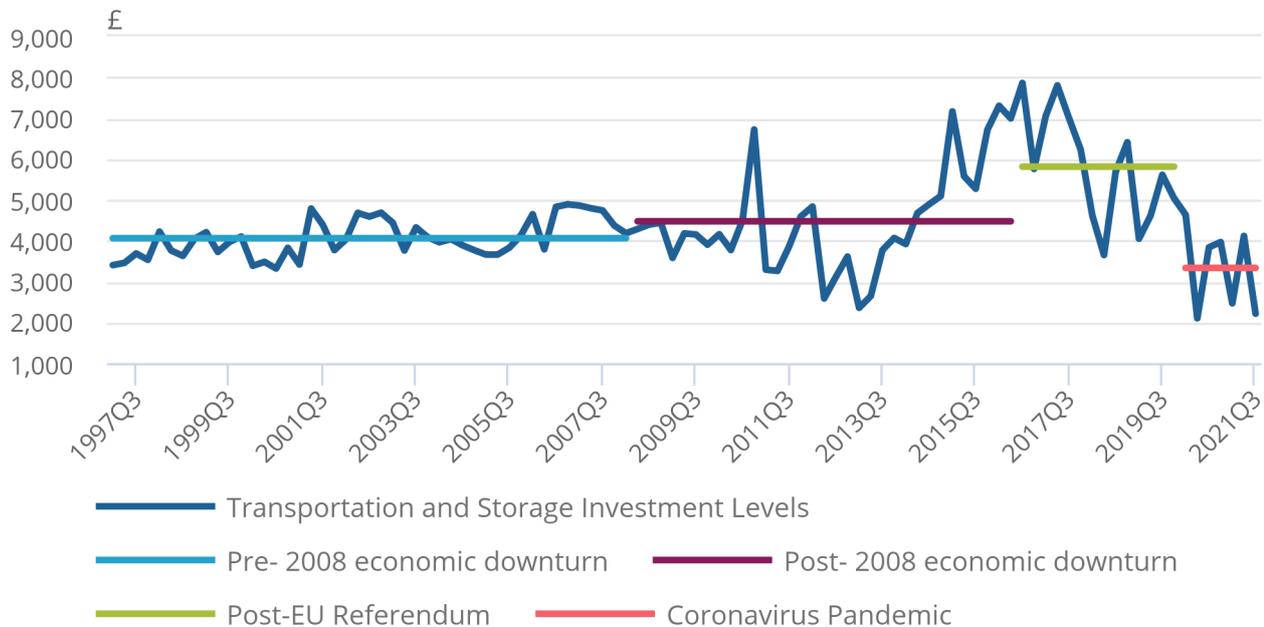
Investment in transport equipment fell by 44.8% between Quarter 2 (Apr to June) and Quarter 3 (July to Sept) 2021. Average levels of capital expenditure in transport equipment during the coronavirus (COVID-19) pandemic are lower than pre-pandemic periods. Transport investment can be particularly volatile because of the high value of some transport equipment, such as ships and aircraft, so movements of this size are not unusual.

**Figure 3: Average levels of investment in transport equipment during the coronavirus pandemic are lower than pre-pandemic periods**

UK business investment, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 1997 to Quarter 3 (July to Sept) 2021

Figure 3: Average levels of investment in transport equipment during the coronavirus pandemic are lower than pre-pandemic periods

UK business investment, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 1997 to Quarter 3 (July to Sept) 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).

A significant contributor to the fall was lower investment by the air transport industry, compared with Quarter 2 2021. A further contributor was reduced investment in motor vehicles, particularly in the rental and leasing industry. This was, in part, on account of a shortage in semiconductors. This has slowed the production of new cars, decreasing their availability and limiting the ability to invest. Uncertainty within the motor vehicle industry is also evident from respondent comments to the Quarterly Acquisition and Disposal of Capital Assets Survey (QCAS). The transportation and storage industries recorded the highest number of respondent comments that mentioned delayed investment for Quarter 3 2021 when compared with other industries. These were alongside fewer comments that mentioned investment in cars.

## 4 . Transfer costs grow after stamp duty holiday

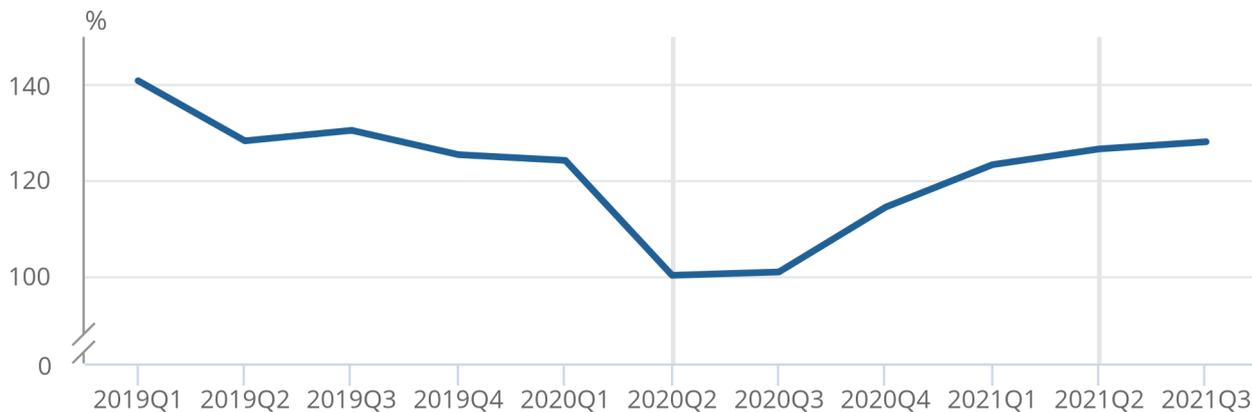
On 8 July 2020, the government and the devolved administrations [reduced the rate of stamp duty land tax for residential properties](#) until 30 June 2021 (three months earlier in Scotland, until 31 March 2021). Reducing the rate of stamp duty on homes contributed towards housing market stimulation and led to an increase in the number of stamp duty receipts. This increase in stamp duty receipts can be seen in the transfer costs data within gross fixed capital formation (GFCF). Since Quarter 2 (Apr to June) 2020, there have been five consecutive quarters of growth. This is the longest period of successive growth since mid-2006. Figure 4 shows the large rise since the reduced rates were brought in, which has tapered off since the removal of the reduced rates in Quarter 2 2021.

**Figure 4: Transfer costs increased after the introduction of the stamp duty reduction**

UK, Quarter 1 2019 to Quarter 3 2021, index is referenced to Quarter 2 2020

Figure 4: Transfer costs increased after the introduction of the stamp duty reduction

UK, Quarter 1 2019 to Quarter 3 2021, index is referenced to Quarter 2 2020



Source: Office for National Statistics – Business Investment results

## 5 . Super-deduction

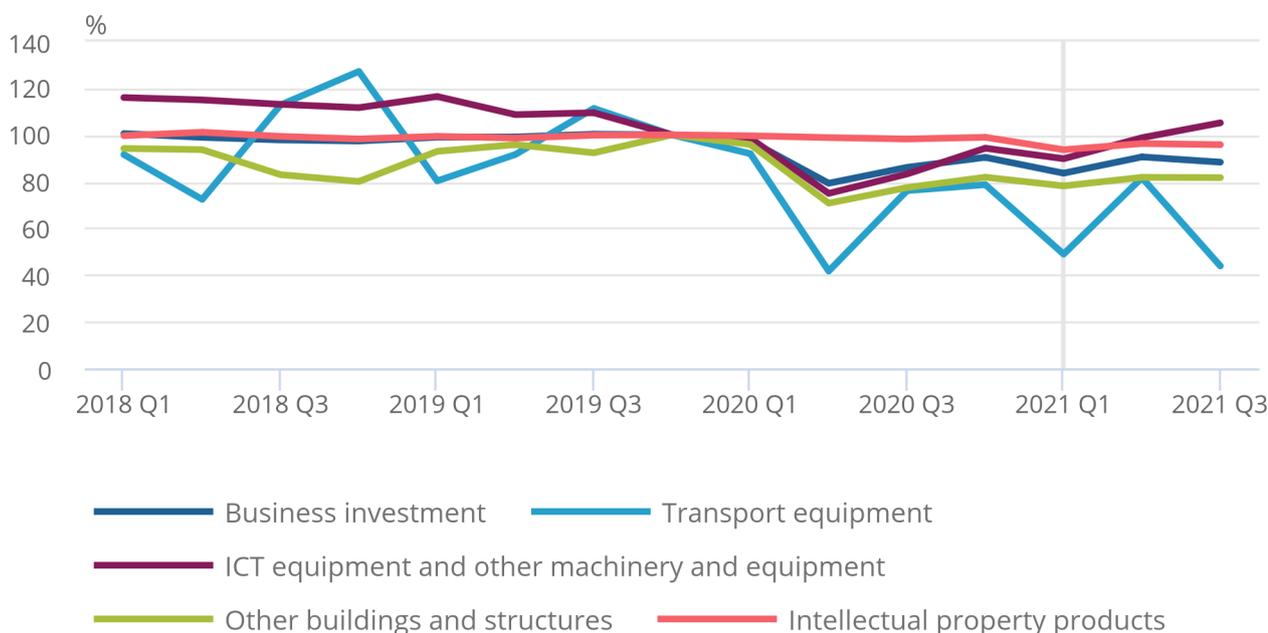
On 1 April 2021, a new temporary tax relief on qualifying capital asset investment took effect, known as "super-deduction". Even though there are some differences in qualifying items, the impact of this incentive is most likely to be reflected in Information and communication technology (ICT) equipment, and other machinery and equipment.

**Figure 5: Information and communication technology (ICT) equipment and other machinery and equipment outpaces all other business investment assets in a return to pre-pandemic levels**

UK, Quarter 1 2018 to Quarter 3 2021, index is referenced to Quarter 4 2019

Figure 5: Information and communication technology (ICT) equipment and other machinery and equipment outpaces all other business investment assets in a return to pre-pandemic levels

UK, Quarter 1 2018 to Quarter 3 2021, index is referenced to Quarter 4 2019



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. Index is referenced to Quarter 4 (Oct to Dec) 2019.

Revised estimates show that investment in ICT equipment, and other machinery and equipment, has increased quarter-on-quarter since Quarter 1 (Jan to Mar) 2021. This coincides with the launch of the "super-deduction" capital allowance. Since Quarter 1 2021, the asset has outpaced all other business investment assets in a return to pre-pandemic levels. However, it is hard to distinguish how much of this increase in investment is because of the "super-deduction" scheme.

Analysis of respondent comments to our Quarterly Acquisitions and Disposals of Capital Assets Survey (QCAS) found that 13% of respondents reported increasing their investment during the quarter. However, only 1% of these comments mentioned the "super-deduction" allowance when giving reasons for their increased investment. "MAKE UK", a body that represents manufacturers in the UK, has reported an uptick in investment intentions over the last two quarters, but found it difficult to identify if the new tax scheme is the sole driver for this. More information is available in the document [MAKE UK Industry Outlook 2021 Q3](#) (PDF, 4.53MB)

## 6 . International comparison of gross fixed capital formation for the Group of Seven nations

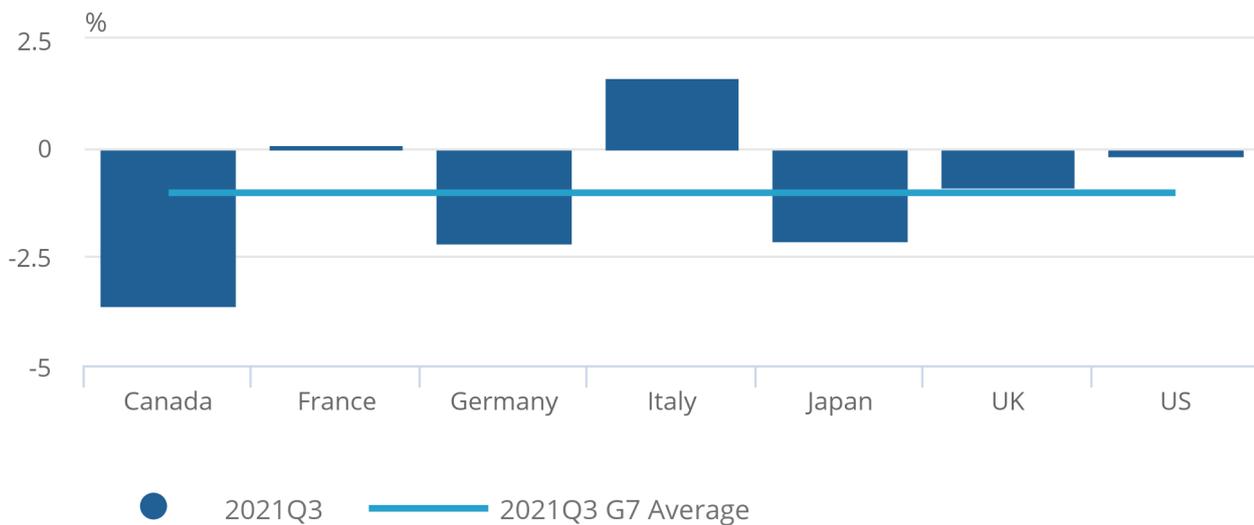
Using data collated by the Organisation for Economic Co-operation and Development (OECD) from relevant national statistical institutes, we can compare gross fixed capital formation (GFCF) within the Group of Seven (G7). The majority of G7 nations experienced falls in GFCF growth in Quarter 3 (July to Sept) 2021. Italy was the standout country with 1.6% growth in the latest quarter. The United Kingdom performed better than the average of the G7 nations, with a negative growth of 0.9%, while the average was negative 1.0%. Canada had a particularly weak Quarter 3 2021 with a fall of 3.6%.

**Figure 6: UK growth of gross fixed capital formation (GFCF) were above the Group of Seven (G7) average in Quarter 3 (July to Sept) 2021**

G7 nations quarter-on-quarter growth of GFCF, current price, seasonally adjusted, Quarter 2 (Apr to June) 2021 to Quarter 3 (July to Sept) 2021

Figure 6: UK growth of gross fixed capital formation (GFCF) were above the Group of Seven (G7) average in Quarter 3 (July to Sept) 2021

G7 nations quarter-on-quarter growth of GFCF, current price, seasonally adjusted, Quarter 2 (Apr to June) 2021 to Quarter 3 (July to Sept) 2021



Source: Office for National Statistics – Business Investment results

### 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 be revised.

## 7 . Business investment in the UK data

### [Business investment by industry and asset](#)

Dataset | Released 22 December 2021

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

### [Business investment by asset](#)

Dataset | Released 22 December 2021

Detailed breakdown of business investment by 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 22 December 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 22 December 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).

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

Dataset | Released 28 October 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.

## 8 . Measuring the data

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

## Revisions

In line with [the National Accounts Revisions Policy](#), the dataset as part of this publication is open to revision back to Quarter 1 (Jan to Mar) 2020. The revisions made in this publication are on account of new survey data, other revised source data, an in-depth seasonal adjustment review and a correction to transport data that was identified post provisional publication. You can find more information on the latter revisions in our [Business investment in the UK: April to June 2021 revised results bulletin](#).

Table 1: Revisions to quarter-on-quarter growth for gross fixed capital formation and business investment  
Quarter 1 (Jan to Mar) 2020 to Quarter 3 (July to Sept) 2021

	Percentage points						
	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3
<b>Gross fixed capital formation</b>	0.1	0.9	-2.8	-0.7	1.9	1.5	-1.7
<b>Business Investment</b>	-0.4	2.4	-3.9	-1.0	1.8	3.8	-2.9

Source: 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).
2. Revisions are between the first quarterly estimate, published 11 November 2021, and revised estimates, published 22 December 2021.

## Changes to this bulletin

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

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

In Quarter 3 (July to Sept) 2021, the Quarterly Acquisitions and Disposals of Capital Assets Survey (QCAS), one of the largest data sources for gross fixed capital formation (GFCF) and business investment, had a response rate of 68.4%. This compares with an average response rate of 71.1% during 2020, and 82% for 2019 with revised results.

As a result of these challenges, business investment estimates for Quarter 3 2021 are subject to more uncertainty than usual and are likely to have larger than usual revisions in subsequent releases.

## Coronavirus data

Our latest data and analysis on the impact of the coronavirus on the UK economy and population are available on our [coronavirus webpage](#). This is the hub for all coronavirus-related publications, including the fortnightly Business Insights and Conditions Survey (BICS).

The Office for National Statistics (ONS) has released a [public statement on COVID-19](#) and the production of statistics. If you have specific queries, you can [send an email to the Media Relations Office](#).

## Economic statistics governance after EU exit

Following the UK's exit from the EU, new governance arrangements are being put in place that will support the adoption and implementation of high-quality standards for UK economic statistics.

The new National Statistician's Committee for Advice on Standards for Economic Statistics (NSCASE) will ensure its processes for influencing and adopting international statistical standards are world-leading. The advice it provides to the National Statistician will span the full range of domains in economic statistics, including the National Accounts, fiscal statistics, prices, trade and the balance of payments, and labour market statistics.

There is [further information about NSCASE](#) on the UK Statistics Authority's website.

## 9 . Related links

### [GDP quarterly national accounts, UK: July to September 2021](#)

Bulletin | Released 22 December 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

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