

Statistical bulletin

# Business investment in the UK: October to December 2020 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

- The volume of business investment increased by a revised 5.9% between Quarter 3 (July to Sept) 2020 and Quarter 4 (Oct to Dec) 2020; however, business investment is still 7.4% below Quarter 4 2019 levels, showing the continuing impact of the coronavirus (COVID-19) pandemic.
- All types of assets contributed positively to the quarter-on-quarter growth in business investment, with transport equipment making the largest positive contribution.
- Gross fixed capital formation (GFCF) increased by a revised 4.4%, in volume terms, between Quarter 3 2020 and Quarter 4 2020, but the level of GFCF was 2.6% below where it was at the end of 2019.
- All types of assets contributed positively to the quarter-on-quarter growth in GFCF; transport equipment, followed by ICT equipment and other machinery and equipment, made the largest positive contribution.
- Between 2019 and 2020 business investment fell by 10.2%; by comparison, during the 2008 global economic downturn, business investment fell by 15.3% between 2008 and 2009.

Business investment estimates for 2020 have been subject to more uncertainty than usual as a result of the data collection challenges we have faced in the current conditions. More information can be found in [Section 6](#) and [Section 8](#).

## 2 . Extent of business investment and gross fixed capital formation's (GFCF) recovery since end 2019

Business investment and gross fixed capital formation (GFCF) both remained below their levels at the end of 2019 in Quarter 4 (Oct to Dec) 2020 at negative 7.4% and negative 2.6% respectively. The recovery in business investment, despite 5.9% growth in the latest quarter, lagged behind GFCF in the second half of the year since Quarter 2 (Apr to June) 2020. Strong government investment and a return to pre-pandemic levels for dwellings investment have made contributions to the stronger growth in GFCF.

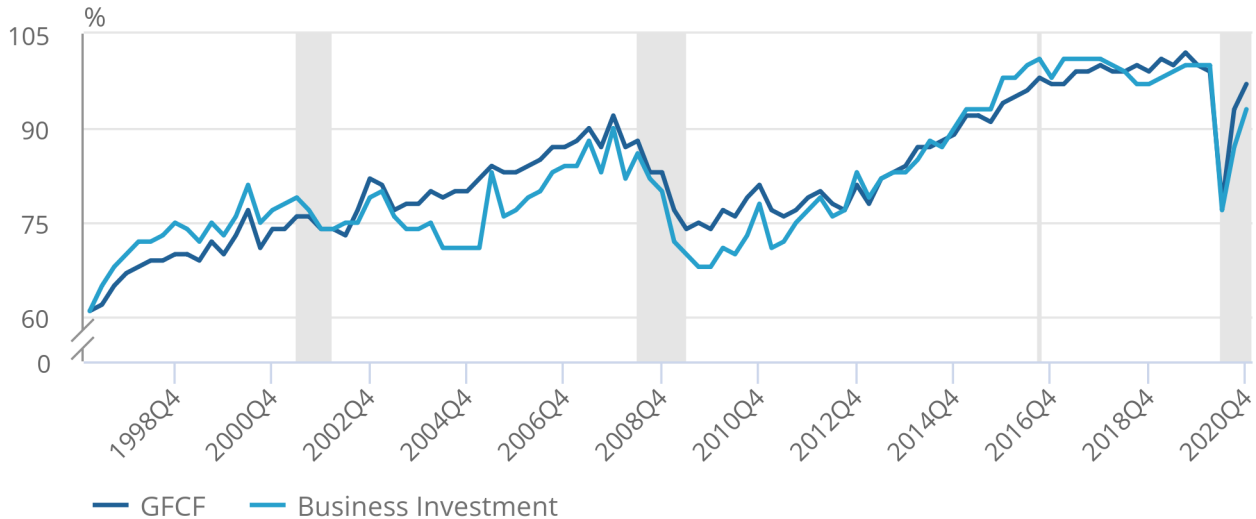
**Figure 1: Recovery in Business Investment has lagged behind that of gross fixed capital formation (GFCF) in the second half of 2020**

UK, Quarter 1 (Jan to Mar) 1997 to Quarter 4 (Oct to Dec) 2020

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UK, Quarter 1 (Jan to Mar) 1997 to Quarter 4 (Oct to Dec) 2020



Source: Office for National Statistics – Business Investment revised 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.

### 3 . Investment by asset during 2020

ICT equipment and other machinery and equipment plus intellectual property products (including software) were the only positive contributors within the 0.4% fall in business investment in Quarter 1 (Jan to Mar) 2020. ICT equipment's positive contribution has continued throughout most of 2020, growing an average of 2.8% each quarter compared to a 2019 average growth of negative 2.3%. This is likely at least partially explained by businesses enabling, where possible, staff to work from home, as expanded on in [Section 4](#).

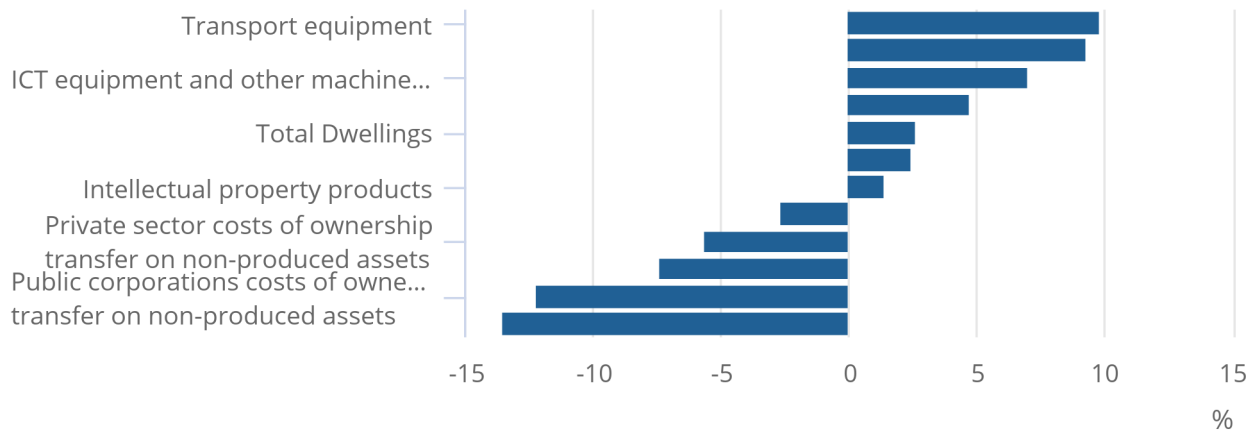
The largest downwards drag on business investment during 2020 was "other buildings and structures", which was also the largest component of business investment in 2019. It made the largest contribution to business investment's Quarter 2 (Apr to June) 2020 record 22.5% fall. Whilst it has shown some positive growth since, as of Quarter 4 (Oct to Dec) 2020 it remains the weakest component relative to the level achieved at the end of 2019.

## Figure 2: Other buildings and structures continue to be the largest drag on recovery 13.5% below Quarter 4 2019 level

UK, Quarter 4 (Oct to Dec) 2019 to Quarter 4 (Oct to Dec) 2020

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## 4 . What survey comments have told us during 2020

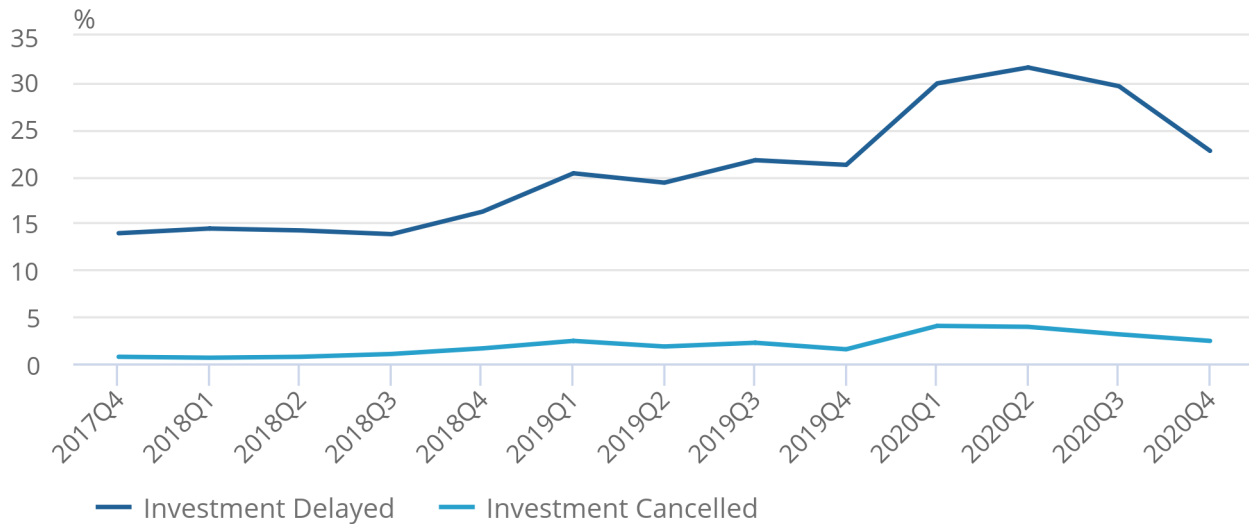
Respondent [comments to the Quarterly Acquisition and Disposal of Capital Assets Survey \(QCAS\)](#) have provided an additional window into the impact on business investment through 2020. Over 3,800 businesses on average (20% of all respondents) provided comments each quarter during 2020 explaining their data movements, peaking at 4,800 (26% of all respondents) in Quarter 2 (Apr to June) 2020.

### Figure 3: The coronavirus has led to many businesses delaying or cancelling their investment

Percentage of QCAS comments referring to business investment delayed or cancelled, Quarter 4 (Oct to Dec) 2017 to Quarter 4 (Oct to Dec) 2020

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Percentage of QCAS comments referring to business investment delayed or cancelled, Quarter 4 (Oct to Dec) 2017 to Quarter 4 (Oct to Dec) 2020



Source: Office for National Statistics – Business Investment revised 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 QSS and QCAS surveys.

In Quarter 1 (Jan to Mar) 2020, the majority of businesses that spoke of increasing investment mentioned ICT, which would enable staff to work from home. Mentions of remote working peaked in Quarter 1 2020 and Quarter 2 2020, and were found in 6% of all comments, up from 0.2% in 2019 Quarter 4 (Oct to Dec) 2020.

In Quarter 2 2020 business investment suffered a record fall and the number of comments mentioning the coronavirus (COVID-19) peaked at over 2,400, 50% of all comments received. A further 1,500 comments stated they were delaying investment with 900 of these comments directly noting COVID-19 as the primary reason. In other cases, it was described as a way to preserve cash flow, which is likely to also have been driven by business conditions under COVID-19 and lockdown. Over 180 businesses also stated investment had been cancelled in this quarter. Short-term investment was the most likely to be delayed or cancelled, and projects that continued were described as necessary, longer-term, or larger.

In Quarter 3 (July to Sept) 2020 business investment increased by a revised 13.2%. Over 1,200 respondents still mentioned the coronavirus when explaining data movements, but comments mentioning the coronavirus and delays to investment fell to around 440. Where investment did increase, comments mentioned construction activity and improvements, investment in machinery and equipment, ICT and cars. Only the number of comments about ICT spend outstripped the equivalent number in 2019, which may have reflected continued home-working requirements or intentions.

For Quarter 4 2020 the number of respondents mentioning delays to investment decreased further, with the coronavirus receiving over 280 comments in this context. References to the EU exit and delayed investment remained relatively steady, but at a noticeably lower level (around 40) than those mentioning the coronavirus. At the same time, comments mentioning ICT spend and investment in machinery and equipment provided the majority of those explaining increased investment.

The [Quarterly Stocks Survey \(QSS\) and Capital Assets Survey \(QCAS\) textual data analysis](#) provides further breakdowns of comments and gives more detail on how these comments have been analysed.

# 5 . International comparisons of gross fixed capital formation

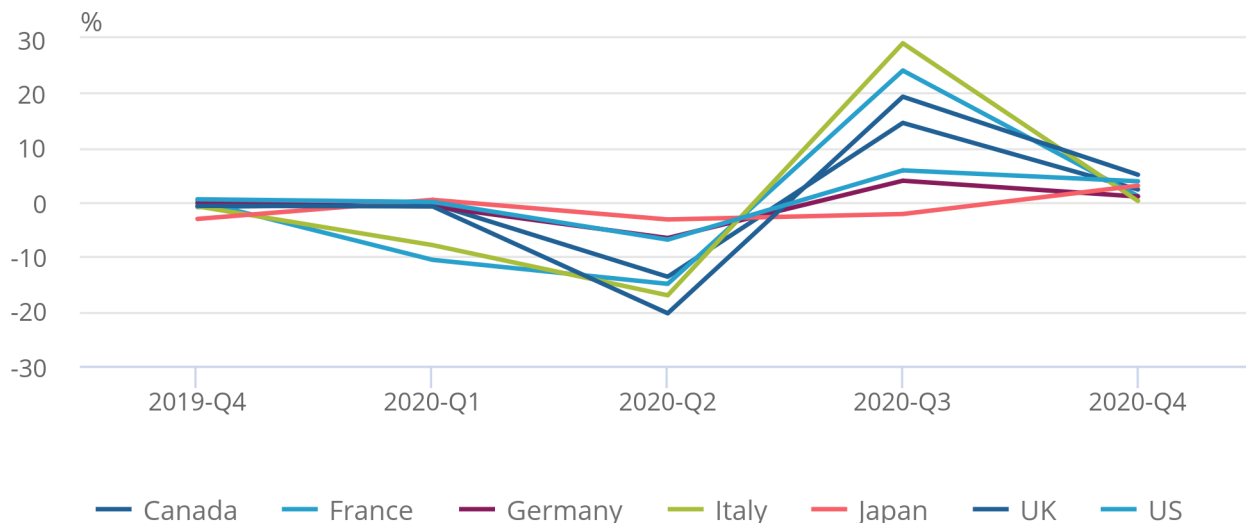
Using data collated by the Organisation for Economic Co-operation and Development (OECD) from the relevant national statistical institutes, we can compare gross fixed capital formation (GFCF) within G7 countries. Despite all G7 countries experiencing large falls in Quarter 2 (Apr to June) 2020, the UK experienced the largest drop in percentage terms. Whilst the UK's growth bounced back strongly in Quarter 3 (July to Sept) 2020, this was exceeded in both France and Italy. Only Japan experienced negative growth in Quarter 3 2020. There was a tightening in the range in Quarter 4 (Oct to Dec) 2020 when all the G7 nations achieved growth in a range of five percentage points, with the UK showing the largest increase at 5% (current price, seasonally adjusted).

**Figure 4: The UK saw the largest fall in Gross fixed capital formation (GFCF) of any G7 country in Quarter 2 (Apr to June) 2020, before seeing the largest increase in Quarter 4 (Oct to Dec) 2020**

G7 Countries GFCF, Quarter 4 (Oct to Dec) 2019 to Quarter 4 (Oct to Dec) 2020, Current price seasonally adjusted, quarter on quarter growth

Figure 4: The UK saw the largest fall in Gross fixed capital formation (GFCF) of any G7 country in Quarter 2 (Apr to June) 2020, before seeing the largest increase in Quarter 4 (Oct to Dec) 2020

G7 Countries GFCF, Quarter 4 (Oct to Dec) 2019 to Quarter 4 (Oct to Dec) 2020, Current price seasonally adjusted, quarter on quarter growth



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

**Notes:**

1. The Group of Seven (G7) is an intergovernmental organization consisting of Canada, France, Germany, Italy, Japan, the UK and the United States.
2. These graphs include provisional data for some of the G7 countries.
3. The pandemic has affected each country in different ways and as a result, restrictions have been put in place at differing times by each country.
4. Data shown in this chart reflects the latest available at the time of production of this bulletin and may subsequently have been revised.
5. 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).



## 6 . Revisions to Business Investment and gross fixed capital formation (GFCF) since provisional Quarter 4 (Oct to Dec) 2020 estimates

As later responses continued to be collected from QCAS, these fed through into business investment estimates. The business investment components impacted are:

- ICT Equipment which has been revised up by 1.0% from provisional
- other buildings and structures which have been revised up by 0.7%
- IPP which has been revised up by 0.6%
- transport equipment, which has not been revised to 1 decimal place

Business investment's positive revision has revised GFCF upwards offset to a small extent by downward revisions to government and dwellings investment.

Early estimates of business investment and GFCF are subject to data revisions, reflecting the inherent trade-off between timeliness and accuracy of data sources. As we incorporate more comprehensive information from QCAS and other sources, those initial estimates will be revised.

During 2020 QCAS response rates feeding into provisional and revised business investment and GFCF estimates have on average been 11% lower than their 2019 equivalent. QCAS response for Quarter 4 (Oct to Dec) 2020 revised estimates was 71% which was 11% below the Quarter 4 2019 revised estimates.

## 7 . Business investment data

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

Dataset | Released 31 March 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 31 March 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 31 March 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 (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.

## 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](#).

### Changes to this bulletin

As of June 2020, we have changed the format for the business investment in the UK statistical bulletin.

The latest estimates of business investment and gross fixed capital formation (GFCF) are also discussed in the [GDP quarterly national accounts, UK: October to December September 2020](#).

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

In Quarter 4 (Oct to Dec) 2020, the Quarterly Acquisitions and Disposals of Capital Assets Survey, one of the largest data sources for gross fixed capital formation (GFCF) and business investment, had a response rate of 70.9%. This compares with an average response rate of 82% at revised results during 2019.

To mitigate against reduced response, we continue to review our survey imputation methods to address particular areas of non-response and review and, where necessary, change seasonal adjustment parameters where outliers are identified.

### Coronavirus (COVID-19) data

Our latest data and analysis on the impact of the coronavirus (COVID-19) on the UK economy and population is available on the [coronavirus page](#). This is the hub for all special coronavirus-related publications, including the fortnightly Business Impact of Coronavirus (COVID-19) Survey (BICS).

The Office for National Statistics (ONS) has released a [public statement](#) on the coronavirus and the production of statistics. Specific queries should be directed to the [Media Relations Office](#).

## 9 . Related links

[GDP quarterly national accounts, UK: October to December 2020](#)

Bulletin | 31 March 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.

[Quarterly economic commentary: October to December 2020](#)

Article | 31 March 2021

Economic commentary for the latest quarterly national accounts, prices and labour market indicators.