

Statistical bulletin

Business investment in the UK: October to December 2021 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

- Business investment grew by 0.9% in Quarter 4 (Oct to Dec) 2021 and was 0.8% lower than the same quarter a year ago.
- Transport equipment was the only positive contributor to growth in business investment in Quarter 4.
- Between 2020 and 2021, business investment fell by 0.7%, but was 12.0% lower than 2019 pre-coronavirus pandemic annual levels.
- Gross fixed capital formation (GFCF) grew by 2.2% in Quarter 4 2021, and was 2.3% higher than Quarter 4 2020.
- Dwellings, government, transport and intellectual property products (IPP) all contributed positively to GFCF; the largest contributors were transport equipment and dwellings, which grew by 60.0% and 5.7% respectively in Quarter 4.
- The level of business investment is now 10.4% below where it was pre-coronavirus pandemic in Quarter 4 2019; GFCF levels are 1.8% below, mainly owing to strong growth from dwellings and government investment.
- Between 2020 and 2021 GFCF increased by 5.3%, but was 4.7% lower than 2019 pre-pandemic annual levels.

Current business investment estimates have been subject to more uncertainty than usual because of data collection challenges faced in the current conditions. More information can be found in [Section 7](#). These estimates include a bias adjustment, which we had temporarily suspended; more detail can be found in [Section 7](#).

2 . GFCF continues to outpace business investment on return to pre-coronavirus (COVID-19) pandemic level

Business investment and our economy-wide measure of gross fixed capital formation (GFCF) both grew in Quarter 4 (Oct to Dec) to different extents. GFCF increased by 2.2%, while business investment only increased by 0.9%. This shows different patterns of investment when comparing government and businesses, something that has been observed through the coronavirus (COVID-19) pandemic.

Figure 1: Business investment's recovery has lagged behind that of economy-wide 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) 1997 to Quarter 4 (Oct to Dec) 2021

Note:

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 reference to Quarter 1 (Jan to Mar) 1997.

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[.XLSX](#)

Government, dwellings, transport equipment and intellectual property products (IPP) all contributed positively to growth in GFCF in Quarter 4 2021. The largest contributors to the growth in GFCF were transport equipment and dwellings, which grew by 60.0% and 5.7%, respectively.

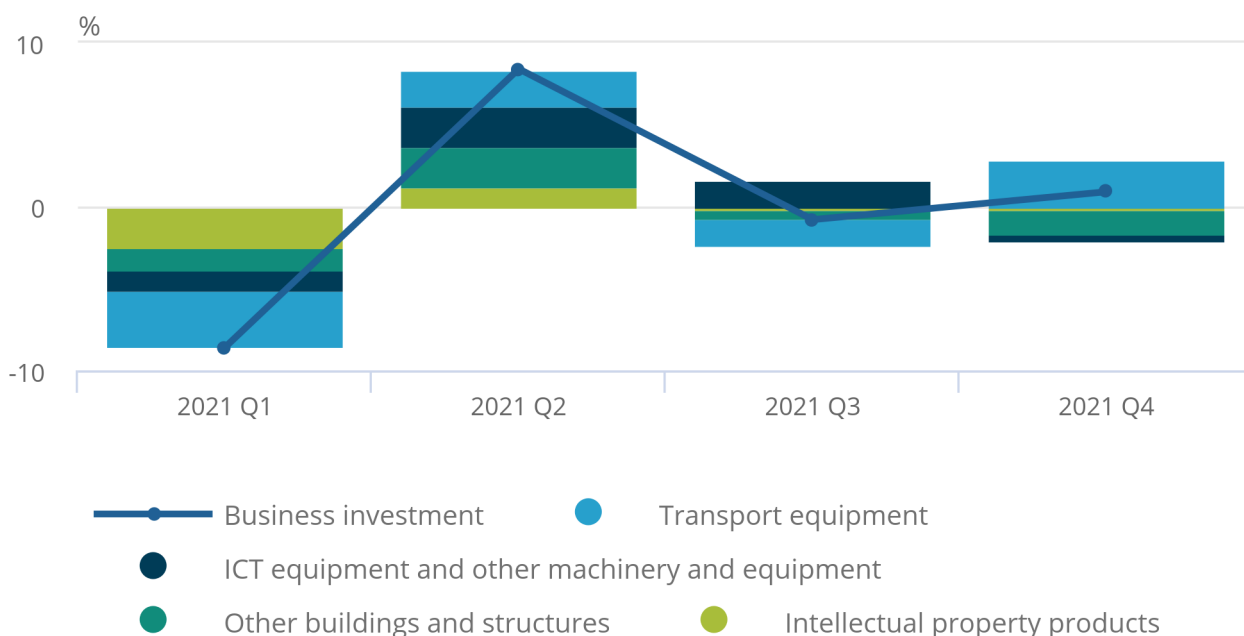
Government investment increased by 11.9% between 2020 and 2021, the highest increase since 2008; compared with 2019, the year before the coronavirus pandemic, government investment has increased by 14.8%.

Figure 2: Transport equipment contributes most to the quarter-on-quarter growth in business investment

UK business investment, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 2021 to Quarter 4 (Oct to Dec) 2021

Figure 2: Transport equipment contributes most to the quarter-on-quarter growth in business investment

UK business investment, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 2021 to Quarter 4 (Oct to Dec) 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 due to rounding.

Contributing to the growth in business investment was transport equipment at 2.9ppt. All other assets contributed negatively to the growth in business investment, with other buildings and structures being the largest drag at negative 1.5ppt.

3 . Transport grows in Quarter 4 (Oct to Dec) 2021

Transport equipment grew 60.0% in Quarter 4 (Oct to Dec) 2021, the largest periodic growth since Quarter 3 (July to Sept) 2020. This growth comes at the end of another weak year for transport equipment, with an annual decrease of 20.4% in 2021. 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. The global semiconductor shortage continues to be a factor when looking at the weakness in transport equipment investment.

4 . Transfer costs fall after removal of stamp duty holiday

Transfer costs are the costs associated with transferring ownership of an asset, for example, stamp duty payable when buying a home. Transfer costs are included in the other buildings and structures asset within gross fixed capital formation, and are also shown for public corporations and private sector dwellings.

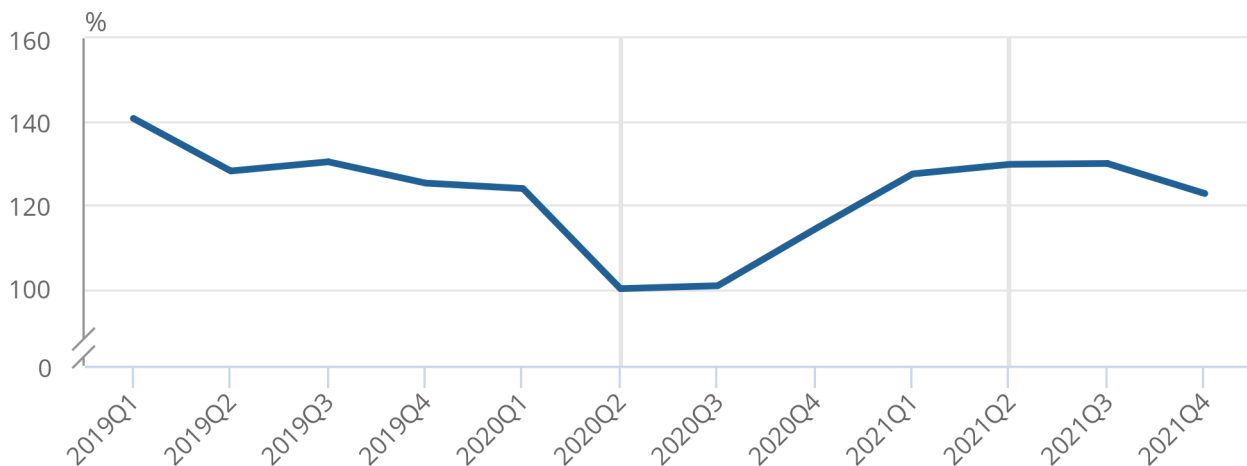
On 8 July 2020, the government and devolved administrations reduced the rate of stamp duty land tax for residential properties until 30 June 2021 (three months earlier in Scotland, until 31 March 2021). Reducing the rate of stamp duty on homes contributed towards housing market stimulation and led to an increase in the number of stamp duty receipts. Following this period of growth caused by the stamp duty holiday, which ended in Quarter 3 (July to Sept) 2021, we have seen a fall of 5.6% in transfer costs for Quarter 4 (Oct to Dec) 2021. Along with transfer costs, other buildings and structures have also fallen this quarter by 0.7%, leading to a 0.6ppt downwards contribution to GFCF, the largest downwards contribution. Positive contributions from transport equipment and dwellings in the latest quarter more than offset these falls.

Figure 3: Transfer costs fall after the removal of the stamp duty reduction

UK gross fixed capital formation, transfer costs, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 2019 to Quarter 4 (Oct to Dec) 2021

Figure 3: Transfer costs fall after the removal of the stamp duty reduction

UK gross fixed capital formation, transfer costs, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 2019 to Quarter 4 (Oct to Dec) 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. Index is referenced to Quarter 2 (Apr to June) 2020.

5 . Survey comments during Quarter 4 (Oct to Dec) 2021

Respondent comments to our Quarterly Acquisition and Disposal of Capital Assets Survey (QCAS) continue to be an informative qualitative data source. In Quarter 4 (Oct to Dec) 2021, analysis into survey comments continued to observe falls in the level of uncertainty, with 20% of comments mentioning uncertainty; these levels are comparable with Quarter 2 (Apr to June) 2019 and 2018 levels. On an industry basis, uncertainty remains highest among manufacturing, and transportation and storage industries.

Mentions of the coronavirus (COVID-19) pandemic impacting investment intentions were recorded in 7% of comments, the lowest level recorded since the start of the coronavirus pandemic. The arts and entertainment industries, and accommodation and food service activities, however, recorded above average mentions of COVID-19 at 20% and 15% of industry level comments, respectively. This disparity in the level of uncertainty among industries is likely to reflect the differing impacts of COVID-19.

The number of comments noting increased investment fell to 9% in Quarter 4 2021. On an industry basis, the driver of the fall was the construction industry, where comments noting increasing investment fell from 33% in Quarter 3 (July to Sept) to 4% in Quarter 4 2021.

6 . Business investment in the UK data

[Business investment by industry and asset](#)

Dataset | Released 11 February 2022

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 11 February 2022

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 11 February 2022

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 11 February 2022

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 28 October 2022

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

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

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, for Quarter 4 (Oct to Dec) 2021, after further investigation and analysis of its impact, the bias adjustment has been reintroduced to business investment and GFCF. The bias adjustment for this provisional release is £1.4 billion.

Changes to 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).

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

In Quarter 4 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 60.6%. This compares with an average response rate of 65.5% during 2020, and 67.3% for 2019 at provisional results.

As a result of these challenges, business investment estimates for Quarter 4 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 the coronavirus pandemic on the UK economy and population are available on [the coronavirus homepage](#). 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. Specific queries should be directed to the Media Relations Office.

8 . Related links

[GDP first quarterly estimate, UK: October to December 2021](#)

Bulletin | Released 11 February 2022

First quarterly estimate of gross domestic product (GDP). Contains current and constant price data on the value of goods and services to indicate the economic performance of the UK.

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

Released 2 December 2021

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

[Capital stocks and fixed capital consumption, UK: 2021](#)

Released 25 November 2021

Annual estimates of the value and types of non-financial assets used in the production of goods or services within the UK economy and their loss in value over time.