

Compendium

# Gross fixed capital formation supplementary tables

Gross fixed capital formation estimates of net capital expenditure on fixed assets by public and private sectors.



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# 1 . Gross fixed capital formation supplementary tables

Gross fixed capital formation (GFCF) is the estimate of net capital expenditure (acquisitions less the proceeds from disposals) on fixed assets by both the public and private sectors. Fixed assets are purchased assets used in production processes for more than one year.

Examples of capital expenditure include: spending on machinery and equipment, transport equipment, software, artistic originals, new dwellings and major improvements to dwellings, other buildings and major improvements to buildings, and structures such as roads. Additional assets consisting of research and development and military weapons systems were introduced into the definition of GFCF in the UK National Accounts, The Blue Book 2014.

Following a quality review after Blue Book 2016, it was identified that the methodology used to estimate elements of purchased software within GFCF had led to some double-counting from 1997 onwards. This issue has now been resolved and has reduced the level of GFCF across the period by around 1.1% per year. The average impact on quarter-on-quarter GFCF growth is negative 0.02% and the average impact on quarter-on-quarter gross domestic product (GDP) growth is 0.00%.

In Blue Book 2017, we have also introduced a number of other methodology changes to the estimates of GFCF and business investment. These include:

- the final integration of the new GFCF estimation system, first used for the Quarter 4 (Oct to Dec) 2016 provisional publication
- changes to methodology affecting the transfer costs asset, including:
  - the addition of transfer costs associated with the buying and selling of players in the sports industries, that is, club and agents' fees and any taxes associated with the buying and selling of players from one sports club to another; it is important to distinguish this from the transfer fee itself (that is, the monies paid from one sports club (the buyer) to another sports club (the seller))
  - the inclusion of Office for National Statistics's (ONS's) updated House Price Index methodology, used by GFCF in part for the calculation of current price transfer costs data
  - a new method to estimate the breakdown of transfer costs by institutional sector, replacing the previous method, which was based on historical proportions
- the separation of households and non-profit institutions serving households within Blue Book, as elsewhere in the UK National Accounts; this is in line with recommendations in the European System of National Accounts: ESA 2010 (Eurostat, 2013), which requires their presentation as separate entities
- reclassification of private registered providers of social housing (PRPs) in England, following a review in October 2015, which concluded that PRPs are public, market producers and should be reclassified to the public non-financial corporations' sector for the purpose of national accounts and our other economic statistics; this has impacted sectoral estimates of GFCF for public corporations and private non-financial corporations but not total GFCF
- additionally, new data has been introduced for investment in aircraft, which is included in transport equipment

Detailed explanations of these changes can be found in the [Annual improvements to gross fixed capital formation source data for Blue Book 2017](#) article published on 16 February 2017.