

Statistical bulletin

# Business investment in the UK: April to June 2017 provisional results

Investment trends by businesses, contains capital expenditure estimates at current prices, constant prices and seasonally adjusted.



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# 1 . Main points

- Gross fixed capital formation (GFCF), in volume terms, was estimated to have increased by 0.7% to £79.4 billion in Quarter 2 (Apr to June) 2017 from £78.9 billion in Quarter 1 (Jan to Mar) 2017.
- Business investment was estimated to have been broadly unchanged at £43.8 billion in Quarter 2 2017 at 0.0%.
- Between Quarter 2 2016 and Quarter 2 2017, GFCF was estimated to have increased by 2.5%, from £77.5 billion and business investment was estimated to be broadly unchanged from Quarter 2 2016 (£43.7 billion).
- The sectors contributing most to GFCF growth between Quarter 1 2017 and Quarter 2 2017 were general government, public sector dwellings and private sector transfer costs.
- The assets that contributed most to GFCF growth for the same period were other buildings and structures (such as non-residential buildings, bridges, factories and roads), along with information and communication technology (ICT) equipment and other machinery and equipment (such as computer hardware and machinery).

## 2 . Things you need to know about this release

The estimates in this release are short-term indicators of investment in non-financial assets in the UK, such as dwellings (residential buildings), transport equipment (planes, trains and automobiles), machinery (electrical equipment), buildings (non-residential buildings and roads) and intellectual property products (assets without physical properties – formerly known as intangibles). This release covers not only business investment, but asset and sector breakdowns of total gross fixed capital formation (GFCF), of which business investment is one component.

Business investment is net investment by private and public corporations. These include investments in transport, information and communication technology (ICT) equipment, other machinery and equipment, cultivated assets (such as livestock and vineyards), intellectual property products (IPP, which includes investment in software, research and development, artistic originals and mineral exploration), and other buildings and structures.

Business investment does not include investment by central or local government, investment in dwellings, or the costs associated with the transfer of non-produced assets (such as land). Business investment is not an internationally recognised concept and it should not be used to make international comparisons, however, GFCF is an internationally recognised standard and is therefore internationally comparable. Please see [A short guide to GFCF and business investment](#) for more detailed information, including asset and sector hierarchies.

All investment data referred to in this bulletin are estimates of seasonally adjusted chained volume measures. To see a time series of the data please use our [time series datasets](#).

### 3 . GFCF and business investment main figures

**Table 1: Gross fixed capital formation and business investment headline figures by sector and by asset, UK, Quarter 2 (Apr to June) 2017, chained volume measure, seasonally adjusted**

		% change	% change	£ million
		Most recent quarter on previous quarter	Most recent quarter on same quarter a year earlier	Most recent level
Gross fixed capital formation		0.7	2.5	79,434
GFCF by sector	Business investment	0.0	0.0	43,752
	General government	5.0	11.4	13,205
	Public corporations dwellings	27.4	12.9	1,172
	Public corporations cost of ownership transfer on non-produced assets	1.7	5.4	-176
	Private sector dwellings	-3.0	0.5	15,963
	Private sector cost of ownership transfer on non-produced assets	3.3	7.1	5,518
GFCF by asset	Transport equipment	-18.1	-22.3	4,022
	ICT equipment and other machinery and equipment	5.3	4.2	15,169
	Dwellings	-1.5	1.2	17,175
	Other buildings and structures and transfer costs	5.6	9.0	26,039
	Intellectual property products	-2.3	0.7	17,029

Source: Office for National Statistics

### 4 . Which sectors and assets are contributing to growth in GFCF in Quarter 2 2017?

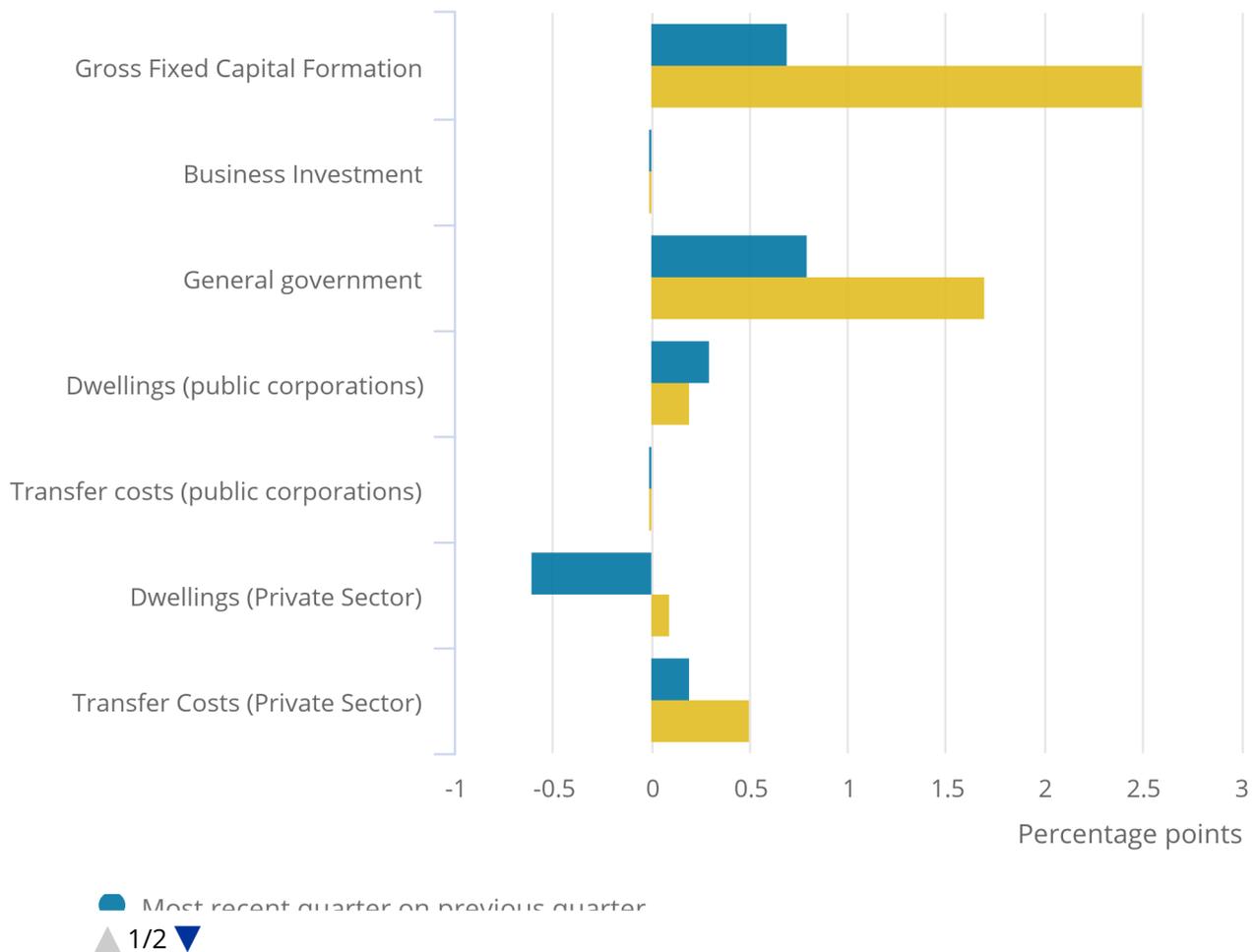
Between Quarter 1 (Jan to Mar) 2017 and Quarter 2 (Apr to June) 2017, gross fixed capital formation (GFCF) increased by 0.7%. On a sector basis, general government contributed 0.8 percentage points to overall GFCF growth, while public corporations dwellings and private sector transfer costs contributed 0.3 and 0.2 percentage points respectively (Figure 1). The largest negative contributor to GFCF growth was private sector dwellings, which fell by 0.6 percentage points over the same period.

Between Quarter 2 2016 and Quarter 2 2017, GFCF increased by 2.5%. The general government sector again was the biggest factor in this increase, having contributed 1.7 percentage points to growth. Private sector transfer costs also increased, contributing 0.5 percentage points to growth. This follows a 6.8% fall in private sector transfer costs in Quarter 2 2016. The [Bank of England's Summary of Business Conditions](#) from May 2016 suggested that fall could have been due to the bringing forward of buy-to-lets, ahead of the introduction of the rise in Stamp Duty on additional properties in April 2016. There were no sectors that saw a significant fall when compared with the same quarter a year earlier.

**Figure 1: Contributions to growth in gross fixed capital formation by sector for Quarter 2 (Apr to June) 2017, chained volume measure, seasonally adjusted**

Reference year: 2013 Coverage: UK

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Reference year: 2013 Coverage: UK



■ Most recent quarter on previous quarter  
▲ 1/2 ▼

Source: Office for National Statistics

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**Notes:**

1. Q1 equals Quarter 1 (January to March), Q2 equals Quarter 2 (April to June), Q3 equals Quarter 3 (July to September), Q4 equals Quarter 4 (October to December).
2. The data in this chart covers Quarter 2 (Apr to June) 2017.

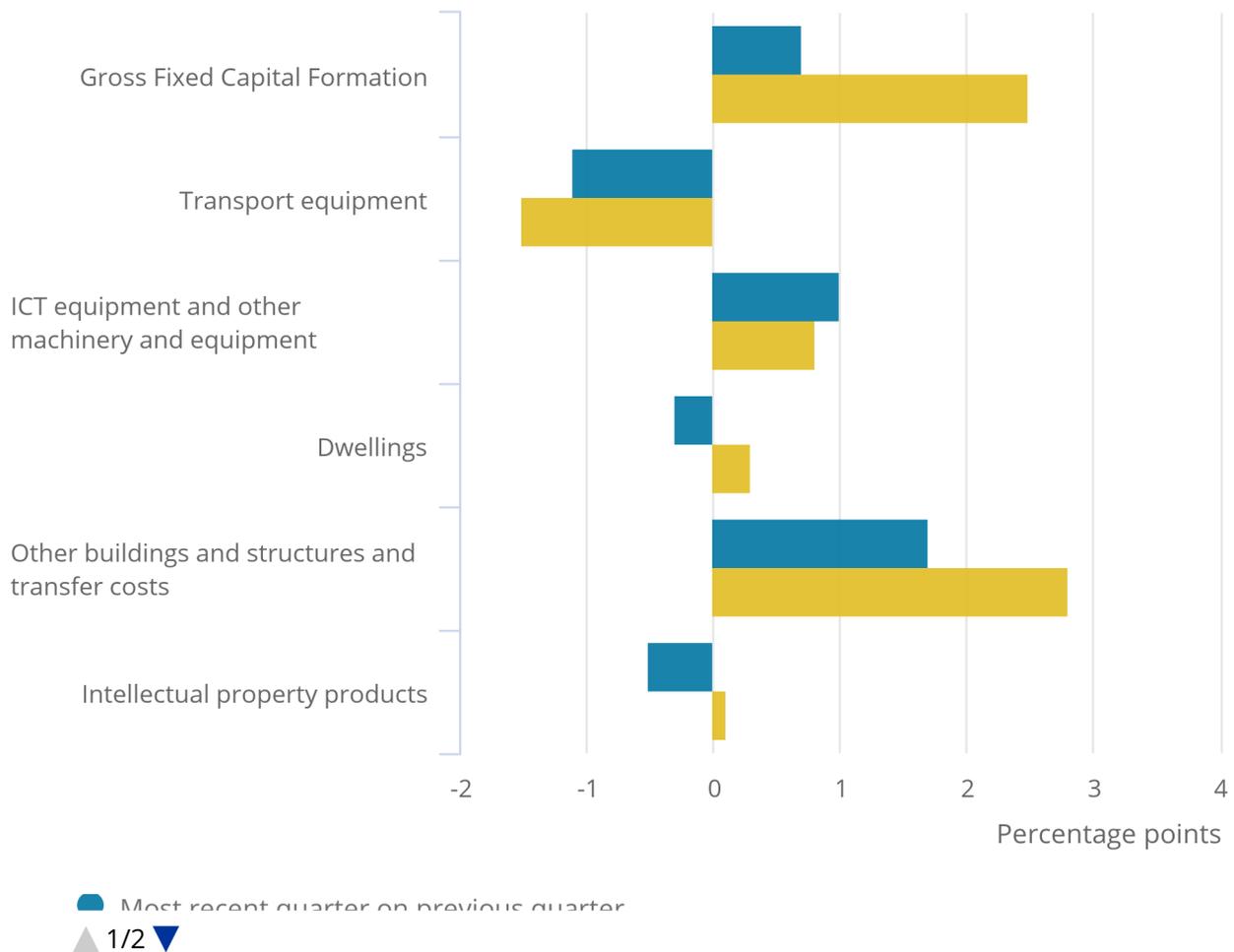
On an asset basis, other buildings and structures and transfer costs (costs associated with transferring ownership of an asset), and information and communication technology (ICT) equipment and other machinery and equipment contributed 1.7 and 1.0 percentage points respectively to the 0.7% increase in GFCF in Quarter 2 2017.

This was partially offset by falls in transport equipment, intellectual property products and dwellings, which contributed negative 1.1, 0.5 and 0.3 percentage points respectively. The 2.5% quarter on same quarter a year ago increase in GFCF for Quarter 2 2017 saw large positive contributions from other buildings and structures and transfer costs, along with ICT equipment and other machinery and equipment (Figure 2). A negative contribution of 1.5 percentage points was seen in transport equipment across the same period.

**Figure 2: Contributions to growth in gross fixed capital formation by asset for Quarter 2 (Apr to June) 2017, chained volume measure, seasonally adjusted**

Reference year: 2013 Coverage: UK

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## 5 . How has GFCF performed over a longer period?

Gross fixed capital formation (GFCF) is now 3.8% above the pre-economic downturn peak of Quarter 1 (Jan to Mar) 2008 and 32.8% above the level seen at the trough of the financial crisis in Quarter 2 (Apr to June) 2009.

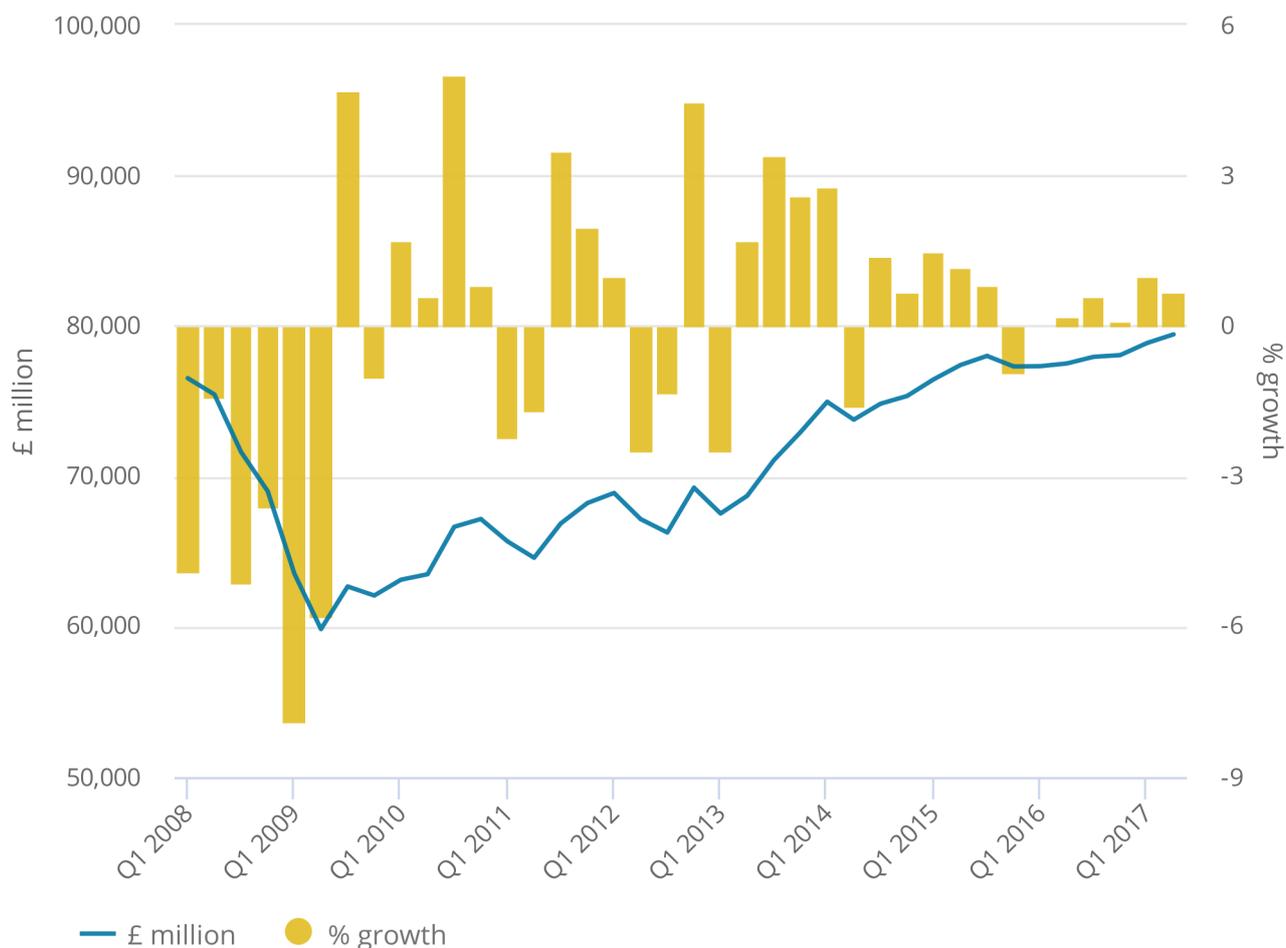
GFCF has experienced modest growth since Quarter 4 (Oct to Dec) 2016. Values of 0.0% and 0.2% were seen in Quarter 1 2016 and Quarter 2 2016 respectively, whilst growth of 0.6% in Quarter 3 (July to Sept) 2016 was followed by growth of 0.1% in Quarter 4 2016 (Figure 3). The growth seen in Quarter 1 2017 was driven by private sector dwellings and business investment, while the growth in Quarter 2 2017 was driven by the general government sector.

**Figure 3: Quarterly levels and quarter-on-quarter growth of gross fixed capital formation, chained volume measure, seasonally adjusted**

Reference year: 2013 Coverage: UK. Quarter 1 (Jan to Mar) 2008 to Quarter 2 (Apr to June 2017)

Figure 3: Quarterly levels and quarter-on-quarter growth of gross fixed capital formation, chained volume measure, seasonally adjusted

Reference year: 2013 Coverage: UK. Quarter 1 (Jan to Mar) 2008 to Quarter 2 (Apr to June 2017)



Source: Office for National Statistics

Source: Office for National Statistics

**Notes:**

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2. The data in this chart covers Quarter 1 (Jan to Mar) 2008 to Quarter 2 (Apr to June) 2017.

For the calendar year of 2016, GFCF increased by 0.5%, the weakest growth for a calendar year since 2009. Total GFCF growth has been slowing since 2014. Quarter on same quarter a year ago growth averaged 6.8% in 2014, fell to 3.5% in 2015, and then fell further to 0.5% for 2016.

## **6 . What other information can tell us more about investment?**

Developments in the housing market can be an important indicator of investment and wider activity in the economy. Construction fell by 1.3% in the 3 months to June 2017 (see [Construction output in Great Britain: June 2017](#) for more information). This is mainly driven by a decrease in new building work, which is reflected in the decrease of private sector dwelling when compared with Quarter 1 (Jan to Mar) 2017.

## **7 . How has business investment performed over a longer period?**

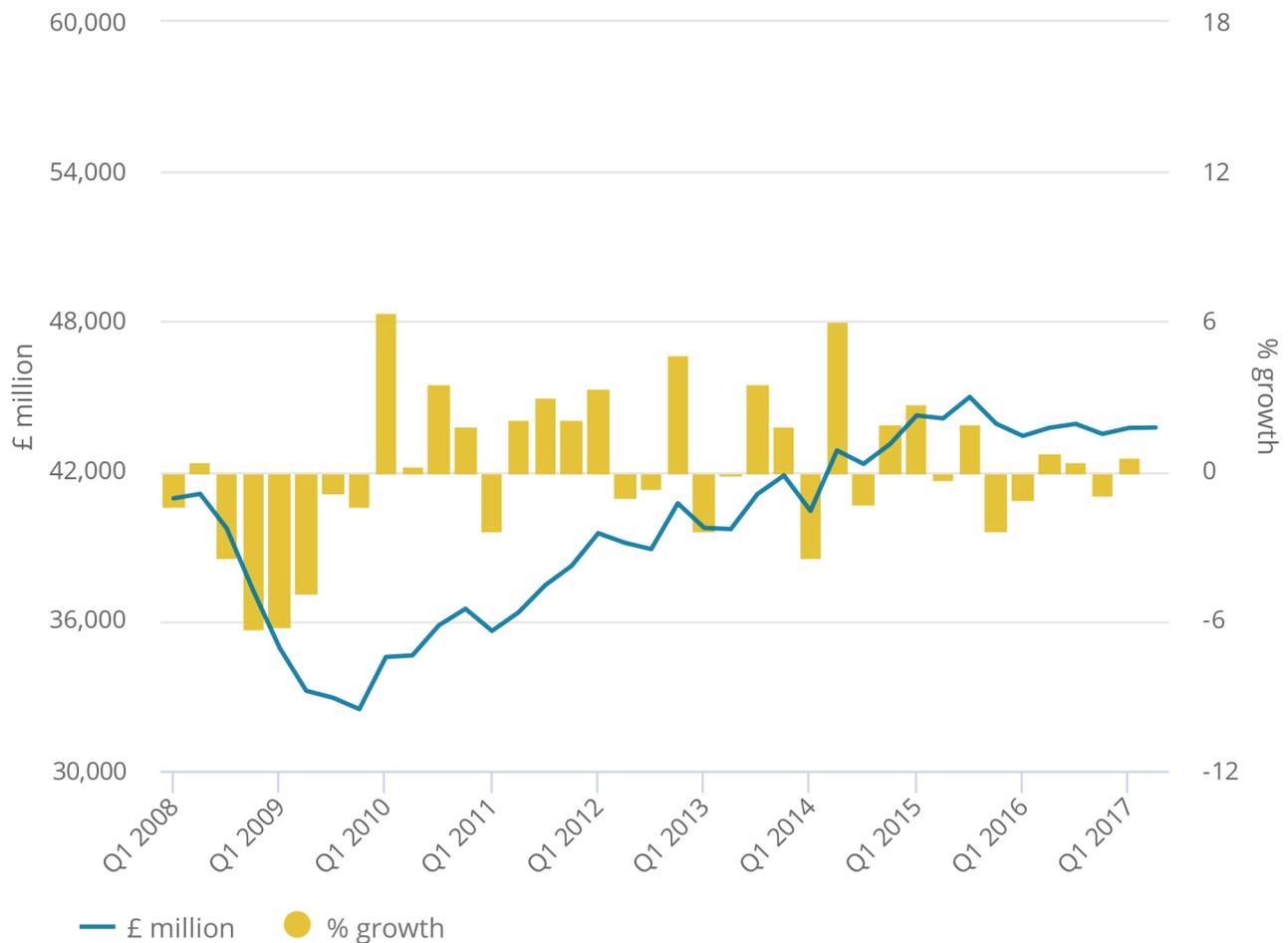
The level of business investment has remained broadly unchanged for over 2 years, since Quarter 1 (Jan to Mar) 2015 (Figure 4). Business investment in 2016 saw two consecutive quarters of positive growth in Quarter 2 (Apr to June) 2016 (0.8%) and Quarter 3 (July to Sept) 2016 (0.4%) and two quarters of more negative growth in Quarter 1 2016 (1.1%) and Quarter 4 (Oct to Dec) 2016 (0.9%).

**Figure 4: Quarterly levels and quarter-on-quarter growth of business investment, chained volume measure, seasonally adjusted**

Reference year: 2013 Coverage: UK. Quarter 1 (Jan to Mar) 2008 to Quarter 2 (Apr to June) 2017

Figure 4: Quarterly levels and quarter-on-quarter growth of business investment, chained volume measure, seasonally adjusted

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Source: Office for National Statistics

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## **8 . Asset contributions to business investment for Quarter 2 2017**

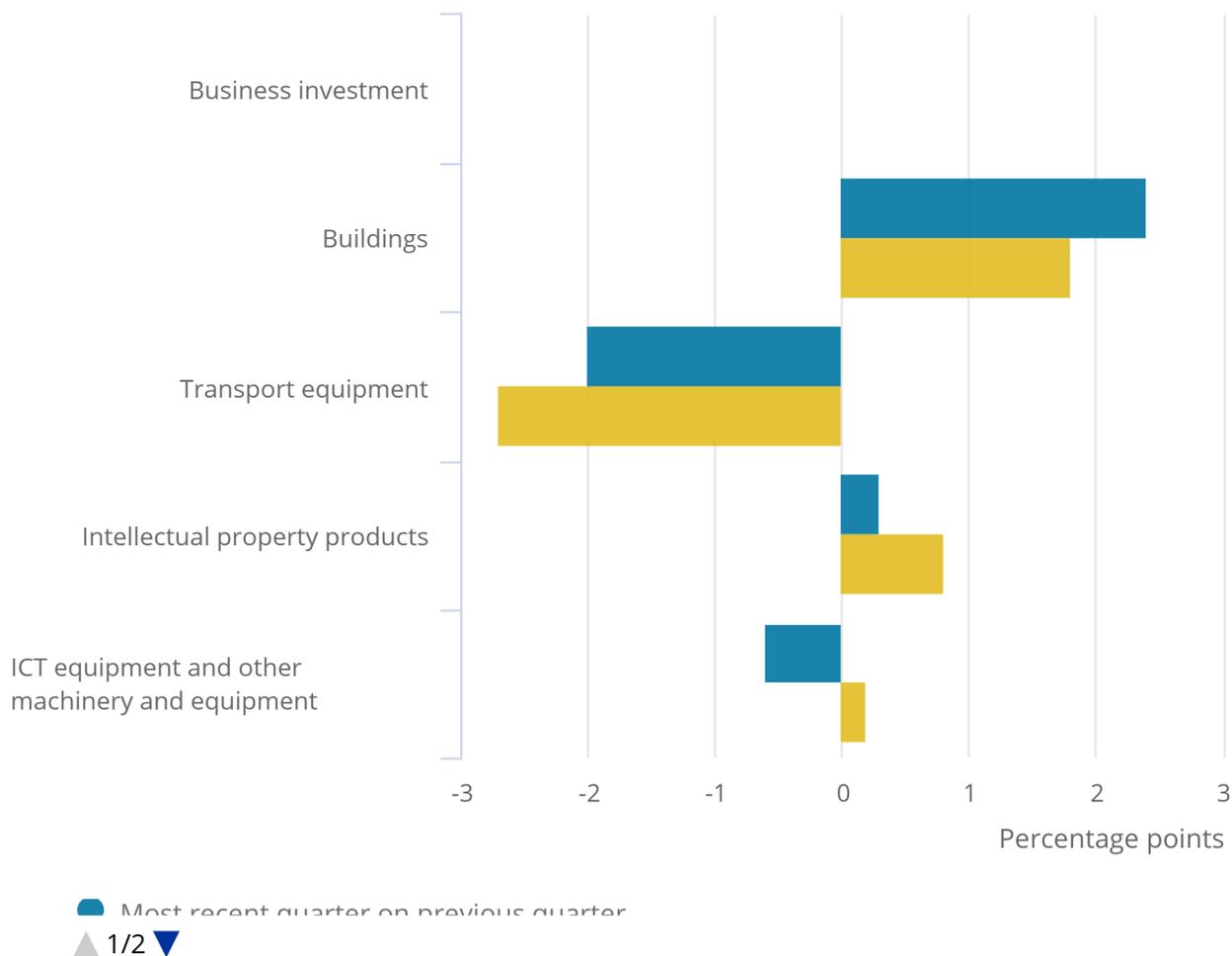
The assets that contributed positively to business investment between Quarter 1 (Jan to Mar) 2017 and Quarter 2 (Apr to June) 2017 were buildings and intellectual property products (IPP). These two assets contributed 2.4 and 0.3 percentage points to growth respectively. This growth, however, was almost entirely offset by counteracting falls in transport equipment and information and communication technology (ICT) equipment and other machinery and equipment, which left business investment broadly unchanged. The biggest negative contributor was a broad-based fall in transport equipment, which contributed negative 2.0 percentage points to business investment.

**Figure 5: Contributions to growth in business investment by asset for Quarter 2 ( Apr to June) 2017**

Reference year: 2013 Coverage: UK

Figure 5: Contributions to growth in business investment by asset for Quarter 2 ( Apr to June) 2017

Reference year: 2013 Coverage: UK



Source: Office for National Statistics

Source: Office for National Statistics

**Notes:**

1. Q1 equals Quarter 1 (January to March), Q2 equals Quarter 2 (April to June), Q3 equals Quarter 3 (July to September), Q4 equals Quarter 4 (October to December).
2. The data in this chart covers Quarter 2 (Apr to June) 2017.

Quarter on same quarter a year ago data show that business investment, again, was broadly unchanged compared with Quarter 2 2016. Buildings, intellectual property products and ICT equipment and other machinery and equipment all showed positive contributions compared with Quarter 2 2016. The largest of these was buildings, which contributed 1.8 percentage points. Positive contributions in all three of these assets were cancelled out by a negative 2.7 percentage points contribution from transport equipment.

## 9 . Business investment in the wider economy

Quarter 2 (Apr to June) 2017 marks 1 year since the UK voted to leave the EU. The Bank of England recently stated that investment intentions had “strengthened a little further” in its most recent [Agents' summary of business conditions](#). However, it is also noted in the publication that heightened uncertainty is playing a part in some firms' unwillingness to invest. In its most recent [inflation report](#), the Bank of England also states that sterling's depreciation is likely to increase the cost of investment for most firms, as investment is relatively import intensive.

Another important factor to consider when looking at business investment is the availability or supply of credit. In the most recent [Bank of England Credit Conditions Review](#), the supply of lending to firms was found to have remained broadly unchanged in Quarter 2 2017, and no change is expected leading in to Quarter 3 (July to Sept) 2017. Lenders reported increased demand for both small- and medium-sized firms over Quarter 2 2017, the first increase reported for either since Quarter 2 2016. However, demand for credit from large firms “fell significantly” in the same period and this is expected to continue into Quarter 3 2017.

## 10 . What's new in this release

Alongside this Business Investment release we are publishing headline Business Investment data prior to 1997, in response to user requests. This time series goes back to 1965 and contains Business Investment Current Price Seasonally Adjusted and Chained Volume Measure Seasonally Adjusted data. These pre-1997 data are to be regarded as indicative only, due to methodological limitations. They do not, for example, reflect any impact that the introduction of annual methods improvements, might have had on the annual and quarterly path of Business Investment, such as the inclusion of R&D. These limitations have been explained in more detail within the spreadsheet, which can be found in the [User Requested Data section](#) of our website.

## 11 . Upcoming changes

The next business investment release to be published on 29 September 2017 will be our Blue Book 2017-consistent publication.

Each year in the Blue Book-consistent publications of business investment we incorporate methodological and data changes that will impact on the business investment and gross fixed capital formation (GFCF) datasets. The regular annual changes include:

- seasonal adjustment reviews
- updating the reference year used for price comparisons to 2015
- updating annual benchmark data from the Annual Business Survey (ABS)
- annual supply-use balancing

This year, we will also be implementing further improvements to the estimation of business investment statistics. A detailed description of these improvements can be found in [Annual improvements to gross fixed capital formation source data for Blue Book 2017](#). As a summary, these improvements include:

- improving the coherence and consistency of data through a review of the conversion of sources across different classifications
- changes to the treatment of transfer costs on non-produced, non-financial assets
- improvements to the deflation and chain-linking methodology
- changes to the methods used to balance the data in the supply and use tables

Finally, following a quality review, it was identified that the methodology used to estimate elements of purchased software within GFCF led to some double-counting from 1997 onwards. When this issue is amended in our Blue Book 2017-consistent publication, it will reduce 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%.

## 12 . Quality and methodology

The [Business investment Quality and Methodology Information \(QMI\) report](#) contains important information on:

- the strengths and limitations of the data and how it compares with related data
- uses and users
- how the output was created
- the quality of the output including the accuracy of the data

The changes signposted in this bulletin have not yet been reflected in either the [Quarterly Acquisitions and Disposals of Capital Assets Survey QMI](#) or the [Business investment QMI](#), but changes will be incorporated into revised QMIs in the future.

In February 2017, we introduced an improved gross fixed capital formation (GFCF) estimation system, which incorporated methodological changes including improved deflation and seasonal adjustment. A data impact assessment of the new GFCF system for the periods Quarter 1 (Jan to Mar) 2016 to Quarter 3 (July to Sept) 2016 can be found in an accompanying article: [Gross fixed capital formation \(GFCF\) new system deployment and data impact assessment](#).

Further information on the methods changes introduced in the new GFCF estimation system can be found in the article [Changes to the Gross Fixed Capital Formation methodology and processing](#).

### 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, leading to a tendency towards upwards 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, in the provisional estimate a bias adjustment is introduced to business investment and its components. The bias adjustment for this quarter was £0.8 billion.

To improve the quality of the response from our data suppliers, clearer instructions were added to the Quarterly Acquisitions and Disposals of Capital Assets Survey. These updates are outlined in the [provisional Quarter 1 \(Jan to Mar\) 2015 business investment](#) release. Feedback from some respondents indicated that they had been misreporting their asset breakdown and were correcting this on the new questionnaire. We found that some respondents were reporting new construction work as other capital equipment (OCE).

From Quarter 1 2015, respondents to the survey are now reporting more in new construction work at the expense of other capital equipment. To remain consistent with the previous data, we have made some adjustments to the assets in the current price series in Quarter 1 2015 to Quarter 2 (Apr to June) 2017. These adjustments are shown in Table 2.

**Table 2: Adjustments made to buildings and other machinery to account for improved survey information, UK, Quarter 1 (Jan to Mar) 2015 to Quarter 2 (Apr to June) 2017**

Period	Adjustment to Buildings (£ billion)	Adjustment to machinery (£ billion)
Q1 2015	-1.5	1.5
Q2 2015	-2.1	2.1
Q3 2015	-1.9	1.9
Q4 2015	-1.9	1.9
Q1 2016	-1.9	1.9
Q2 2016	-1.9	1.9
Q3 2016	-2.1	2.1
Q4 2016	-2.2	2.2
Q1 2017	-3.0	3.0
Q2 2017	-2.0	2.0

Source: Office for National Statistics

Notes:

1. Q1 is Quarter 1 (Jan to Mar), Q2 is Quarter 2 (Apr to June), Q3 is Quarter 3 (July to Sept), Q4 is Quarter 4 (Oct to Dec).

## Survey response rates

Table 3 presents the provisional (month 2) and revised (month 3) response rates for the Quarterly Acquisitions and Disposals of Capital Assets Survey (QCAS). The estimates in this release are based on the Quarter 2 (Apr to June) 2017 provisional survey results.

**Table 3: UK response rates for quarterly acquisitions and disposals of capital assets survey for Quarter 4 (Oct to Dec) 2015 to Quarter 2 (Apr to June) 2017**

At month 2 (provisional)			At month 3 (revised)		
Period		Survey response rates/%	Period		Survey response rates/%
2015	Q4	68.6	2015	Q4	89.8
2016	Q1	69.2	2016	Q1	89.4
	Q2	71.4		Q2	89.1
	Q3	72.8		Q3	83.5
	Q4	68.5		Q4	84.5
2017	Q1	68.2	2017	Q1	82.8
	Q2	70.8			

Source: Office for National Statistics

Notes:

1. Q1 is Quarter 1 (Jan to Mar), Q2 is Quarter 2 (Apr to June), Q3 is Quarter 3 (July to Sept), Q4 is Quarter 4 (Oct to Dec).

## 13 . Links to related statistics

International business investment comparisons are not available on a like-for-like basis, as the compilation of European statistics on business investment differs from the data provided within this release. However, European estimates of business investment provided by Eurostat, the European statistical office, can be found on the [Eurostat website](#).

Business investment in the UK accounts for over half of total gross fixed capital formation (GFCF).

The [GSS Business Statistics – interactive user guide](#) is an interactive tool to help you find what business and economic statistics are available, and choose the right data for your needs.

We publish the following statistical releases, which provide complementary information on UK business and economic performance:

- [Profitability of UK companies](#) – quarterly data on capital employed by private non-financial corporations (PNFCs); contains annual, net and gross rates of return (expressed as percentages) on capital used by PNFCs
- [Quarterly national accounts](#) – includes UK data on GFCF and changes in inventories
- [UK Economic Accounts](#) – quarterly detailed estimates of national product, income and expenditure, UK Sector Accounts and UK Balance of Payments, including data on GFCF
- [UK National Accounts: the Blue Book](#) – annual publication of the UK National Accounts, including data on GFCF
- [Retail sales](#) – monthly estimate of UK retail sales
- [UK manufacturers' sales by product \(PRODCOM\)](#) – annual output by manufacturers
- [Labour market statistics](#) – monthly data on employment, unemployment, economic inactivity, claimant count, average earnings, labour productivity, vacancies and labour disputes
- [Business demography](#) – annual statistics on UK business births, deaths and survival