

Article

# Coronavirus and the impact on output in the UK economy: October 2020

Analysis of monthly growth for the production, services and construction industries in the UK economy between September and October 2020, highlighting the impact from the coronavirus (COVID-19) pandemic.



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# 1 . Main points

- Monthly gross domestic product (GDP) rose by 0.4% during October 2020, but was 7.9% below February 2020 levels.
- October 2020 saw the sixth consecutive month of growth, but the rate of recovery has slowed each month since the largest rise of 9.1% in June 2020.
- Across services, the monthly growth was driven by health, wholesale, retail and motor trades, and education, while accommodation and food and beverage service activities declined.
- Within manufacturing there was widespread growth, led by a rise of 6.8% in motor vehicle production.
- Monthly construction output growth slowed to 1.0% in October 2020, the sixth consecutive month of growth but the lowest rise in that time, with the level of construction output in October 2020 still 6.4% below the February 2020 level.

## 2 . The UK economy during the coronavirus (COVID-19) pandemic

This article analyses the overall impact of the coronavirus (COVID-19) pandemic on the output measure of gross domestic product (GDP) during October 2020, providing an in-depth insight into the impacts of the coronavirus pandemic on the UK economy.

Monthly GDP in October 2020 was 7.9% below the level of February 2020, having risen by 0.4% compared with September 2020. October 2020 saw the sixth consecutive month of growth, but the rate of recovery has slowed each month since the largest rise of 9.1% in June 2020 (Figure 1).

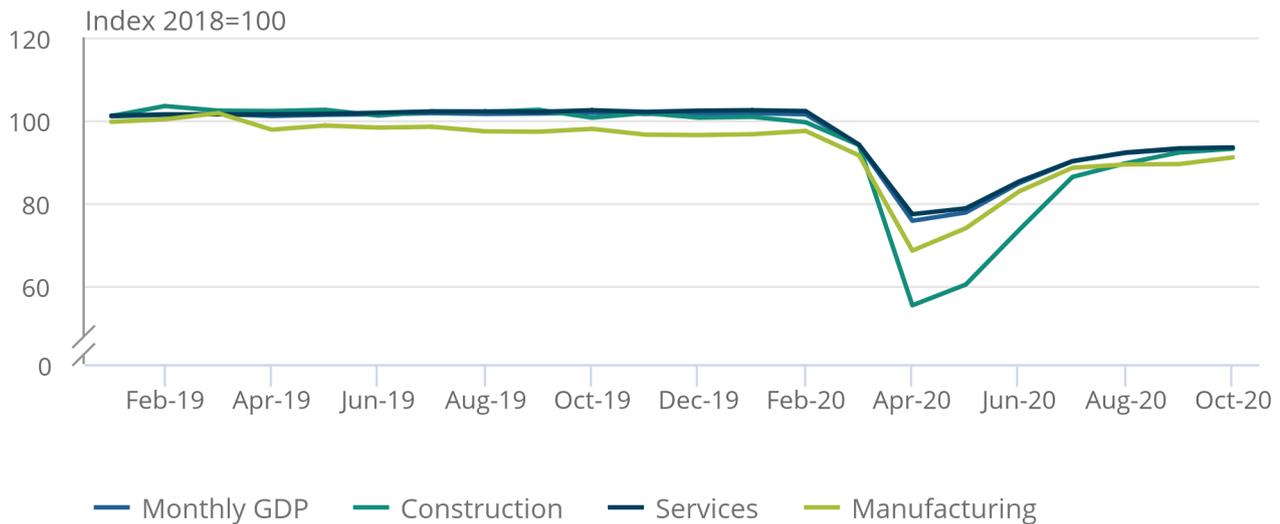
The most recent monthly rise reflects growth across construction, manufacturing and services.<sup>1</sup> For more details, please see [GDP monthly estimate, UK: October 2020](#).

**Figure 1: The recovery to February levels has slowed over recent months**

Monthly gross domestic product and components index, seasonally adjusted, UK, January 2019 to October 2020

## Figure 1: The recovery to February levels has slowed over recent months

Monthly gross domestic product and components index, seasonally adjusted, UK, January 2019 to October 2020



Source: Office for National Statistics – Monthly GDP

Notes:

1. Be mindful of a break in the side axis when interpreting this chart.

The output of:

- services industries remained 8.6% below the level of February 2020, growing by 0.2% in the latest month
- production industries remained 4.4% below their February 2020 level, growing by 1.3% in the latest month
- manufacturing has declined by 6.6% since February 2020, growing by 1.7% during October 2020
- the construction industry remained 6.4% below the February 2020 level, growing by 1.0% in the latest month

Within services, the decline in the accommodation and food and beverage services sector was supported by the data from our Business Impact of Coronavirus (COVID-19) Survey (BICS), which showed that during Wave 15 (21 September to 4 October 2020) 67.5% of businesses reported a decrease in their expected turnover for that time of year compared with 79.2% in Wave 17 (19 October to 1 November).

Within manufacturing, the BICS reported that during Wave 15 (21 September to 4 October) 41.3% of businesses were exporting at a lower than normal level. This compared with 28.7% of businesses reporting a lower than normal level of exports during Wave 17 (19 October to 1 November).

During October, business activity was restricted to varying degrees across each of the four nations to slow the spread of COVID-19 infections. This impacted growth at industry level and respondent evidence suggested this was most significant for accommodation and food and beverage services.

## **Analysis of selected industries**

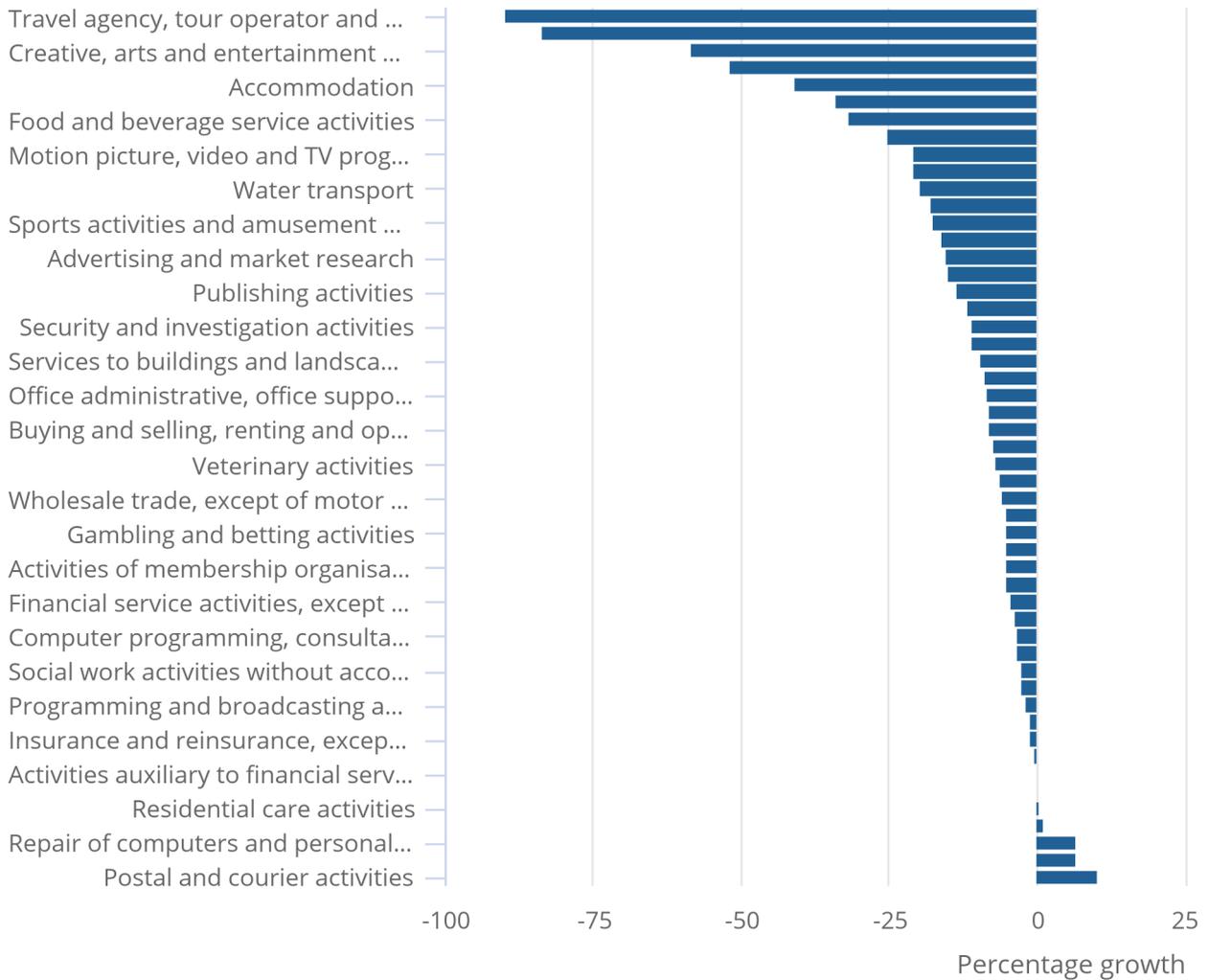
In October 2020, 6 of the 51 services industries surpassed their level of output compared with February 2020, led by postal and courier services. In contrast, four services industries remain below 50% of their February 2020 level, with travel agents performing the weakest.

**Figure 2: Four services industries remained below 50% of their February 2020 level**

Services industries, monthly growth, seasonally adjusted, UK, October 2020 compared with February 2020

Figure 2: Four services industries remained below 50% of their February 2020 level

Services industries, monthly growth, seasonally adjusted, UK, October 2020 compared with February 2020



Source: Office for National Statistics – Index of Services

In October 2020, 17 of the 44 manufacturing industries surpassed their level of output in February 2020, led by other chemicals. Four industries failed to reach 80% of their February 2020 level of output, with aircraft maintenance performing the weakest.

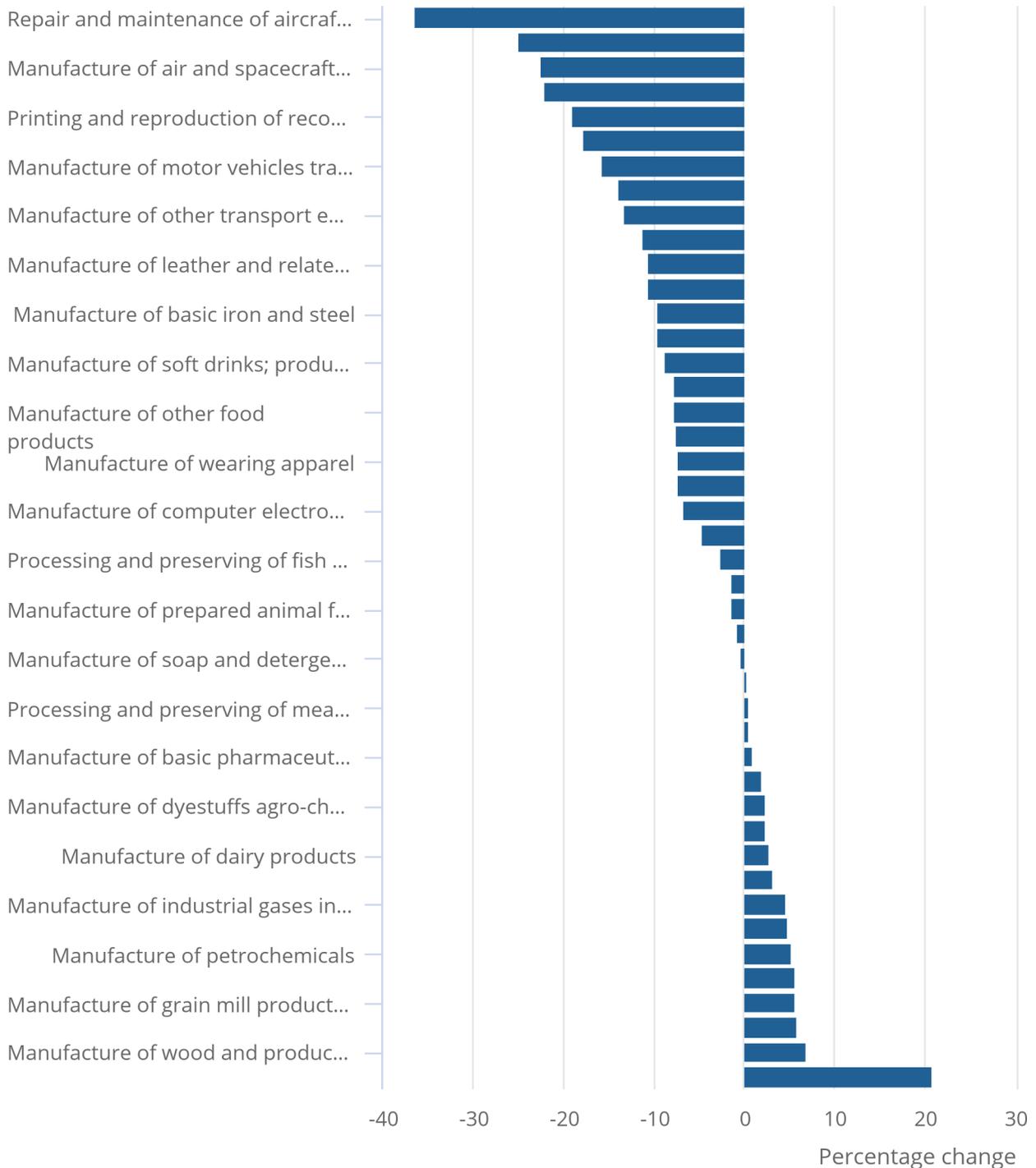


**Figure 3: Most of the manufacturing industries remained below their February 2020 level**

Manufacturing industries, monthly growth, seasonally adjusted, UK, October 2020 compared with February 2020

### Figure 3: Most of the manufacturing industries remained below their February 2020 level

Manufacturing industries, monthly growth, seasonally adjusted, UK, October 2020 compared with February 2020



## More about coronavirus

- Find the latest on [coronavirus \(COVID-19\) in the UK](#).
- All ONS analysis, summarised in our [coronavirus roundup](#).
- View [all coronavirus data](#).
- Find out how we are [working safely in our studies and surveys](#)

## Notes: The UK economy during the coronavirus (COVID-19) pandemic

1. Services comprise 79.0% of the UK economy, while production (including manufacturing) and construction comprise 13.9% and 6.4% respectively.

## 3 . Services industries

The output of services industries grew by 0.2% during October 2020 and was 8.6% below the level of February 2020.

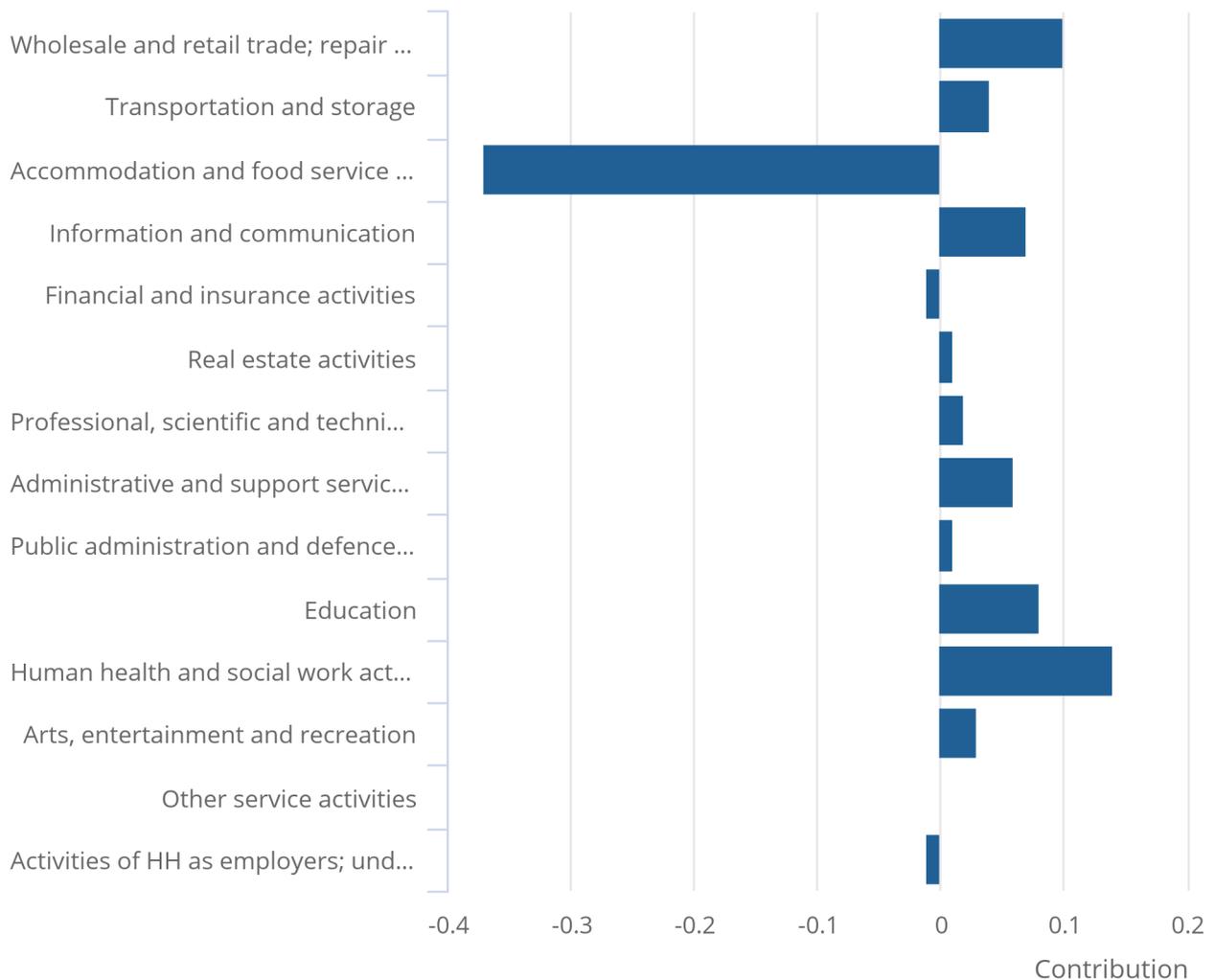
Of the 14 sections, 11 saw monthly growth during October (Figure 4), led by health, wholesale, retail and motor trades, and education. However, accommodation and food and beverage services fell significantly. If these industries were excluded, services would have grown by 1.7% between September 2020 and October 2020 while gross domestic product (GDP) would have grown by 1.3% over the same period.

**Figure 4: The strong decline from accommodation and food and beverage service activities resulted in a significant drag on services growth**

Services sectors, contribution to growth, seasonally adjusted, UK, October 2020

Figure 4: The strong decline from accommodation and food and beverage service activities resulted in a significant drag on services growth

Services sectors, contribution to growth, seasonally adjusted, UK, October 2020



Source: Office for National Statistics – Index of Services

Notes:

1. Parts might not sum to total because of rounding.

## Human health and social work activities

Growth of 3.1% in human health was the main driver during October 2020, as patient services continued to increase, particularly because of general practice volumes. However, since the 7.2% rise in July 2020, growth continues to weaken following rises of 6.5% in August 2020 and 4.6% in September 2020. The human health industry remains 25.0% below February 2020 levels.

## Wholesale and retail trade: repair of motor vehicles

Retail grew by 1.2% during October 2020 (see [Retail sales, Great Britain: October 2020](#)), with output 6.9% above February 2020 levels for the industry.

Wholesale (excluding motor vehicles) also increased by 0.6% during October 2020 but remained 5.7% below February 2020 levels. Rises in other machinery and household goods more than offset a fall in fuels in October 2020.

Motor trades similarly grew by 0.3% in October 2020, the first increase since growth of 37% in July 2020 when the industry benefitted from pent-up demand following the end of restrictions. Output in October 2020 was 0.3% above February 2020 levels.

## Education

Education grew by 1.4% during October 2020, in part because of schools making further advances in returning to normal levels of teaching, primarily through increased attendance. The recent blog, [School's Out: measuring education output in the summer of the pandemic](#), explains our approach in this area, which builds on an earlier blog, [Public services: measuring the part they play in the economy through the pandemic](#), which outlined our approach to measuring education output.

However, higher education was the more significant element behind growth in October 2020. Output for this industry is measured by turnover data collected through our Monthly Business Survey (MBS) in which September and October of each year represent the highest values when income from tuition and the start of the academic year is at its peak. Figure 5 details the data from MBS at current prices, non-seasonally adjusted.

In September and October 2019 combined, the industry reported £14.2 billion in turnover, while during the same period in 2020 it reported £14.1 billion. However, a rise of £726 million was recorded in October 2020 compared with a fall of £207 million in the same month last year, showing that the phasing of income has changed. There is limited anecdotal evidence from our survey. However, it is possible that admission delays may have contributed to this change. Universities may also have brought income forward from later periods.

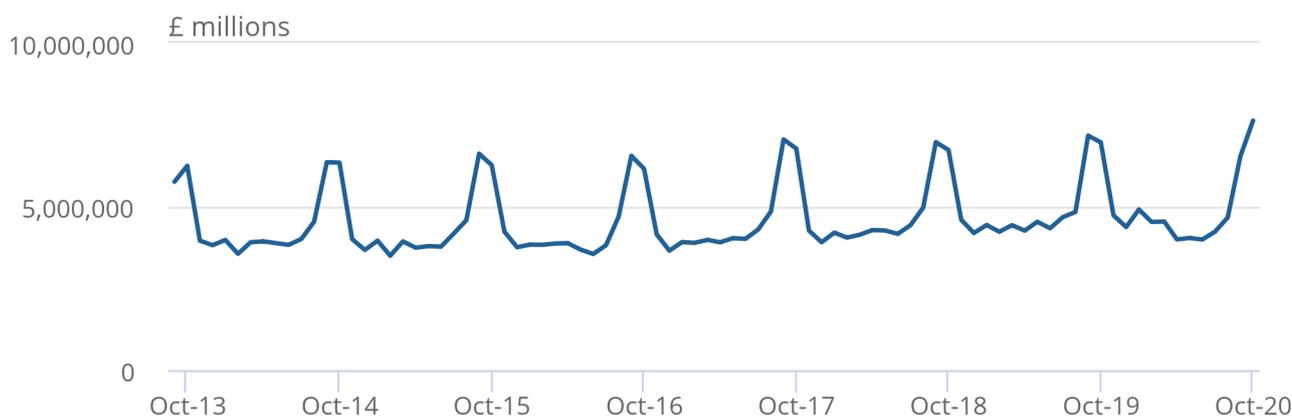
The Consumer Prices Index for education, used to derive volumes, had risen by 2.3% between October 2019 and October 2020. Between September and October 2019 and September and October 2020, output at constant prices, non-seasonally adjusted declined by 1.3%.

## Figure 5: Universities grew during October 2020 underpinned by stronger levels of turnover compared with October 2019

Higher education, Monthly Business Survey (MBS) turnover, current prices, non-seasonally adjusted, UK, September 2013 to October 2020

### Figure 5: Universities grew during October 2020 underpinned by stronger levels of turnover compared with October 2019

Higher education, Monthly Business Survey (MBS) turnover, current prices, non-seasonally adjusted, UK, September 2013 to October 2020



Source: Office for National Statistics – Monthly Business Survey (MBS)

## Information and communication

In October 2020, the information and communication sector was 6.7% below the level of output it achieved in February 2020. The most significant industry behind this fall is film and TV production, which is 20.8% below its February 2020 level of output in the latest month (Figure 6). This is despite growth of 6.7% in October 2020, with anecdotal evidence suggesting that production levels increased. We also received evidence that streaming activities grew.

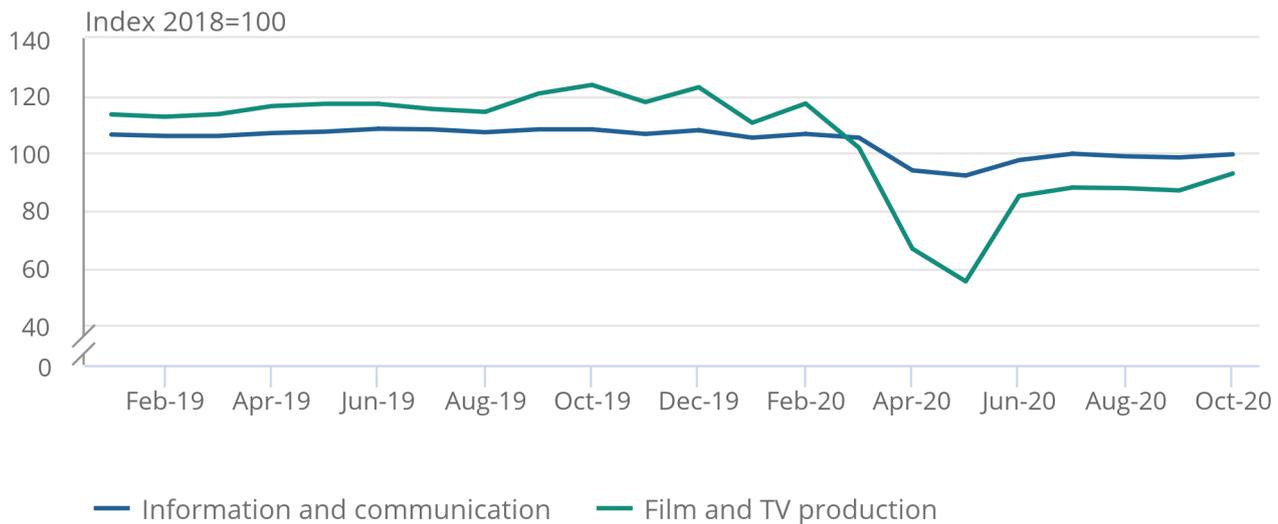
In addition, the telecommunications industry also grew by 1.9%, driven by large businesses, to post its strongest growth since June 2020.

## Figure 6: Film and television production activity continued to recover during October 2020 but remained well below pre-lockdown levels

Index of information and communication and film and television production, seasonally adjusted, UK, January 2019 to October 2020

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Index of information and communication and film and television production, seasonally adjusted, UK, January 2019 to October 2020



Source: Office for National Statistics – Index of Services

#### Notes:

1. Be mindful of a break in the side axis when interpreting this chart.

## Accommodation and food and beverage services

This sector decreased by 14.4% in October 2020 following a fall of 8.3% in September. This resulted in output in the latest month being 34.6% weaker than the February 2020 level.

Food and beverage services, which includes restaurants, cafés, takeaways, pubs, canteens and catering, fell back by 11.5% in October 2020 (Figure 7). There were modest widespread falls across all sub-industries, but the dominant fall came from pubs, which saw a significant fall in turnover of 19.2% at current prices, non-seasonally adjusted compared with a fall of 1.1% during the same period in 2019. We received anecdotal evidence that trading restrictions had a negative impact on output. The industry was 31.8% below its February 2020 level in October.

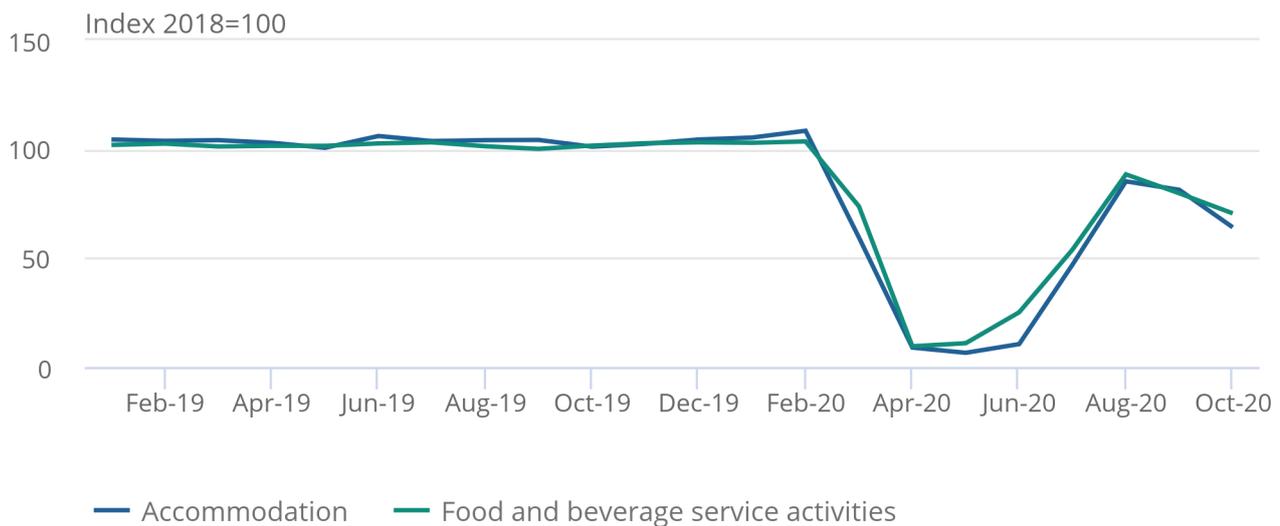
Hotels and accommodation similarly fell by 21.2% during October 2020 (Figure 7), with consistent large falls across hotels, camping and caravan sites and other accommodation, although the strength of the fall in camping and caravan sites was partly because of a fall back from a record September. We received anecdotal evidence that trading restrictions had a negative impact as well as poor weather decreasing demand. The industry was 40.8% below its February 2020 level in October.

**Figure 7: There was a decline during September and October 2020 for both accommodation and food and beverage service activities**

Index of accommodation services and food and beverage service activities, seasonally adjusted, UK, January 2019 to October 2020

Figure 7: There was a decline during September and October 2020 for both accommodation and food and beverage service activities

Index of accommodation services and food and beverage service activities, seasonally adjusted, UK, January 2019 to October 2020



Source: Office for National Statistics – Index of Services

## Other notable growth

Elsewhere, advertising grew by 4.0% in the latest month mostly from large businesses. This follows growth of 8.7% during September but the industry remained 15.3% below February 2020 levels.

Warehousing grew for the sixth month in a row by 2.6% led by retail logistics.

Architects and engineers fell by 1.6% primarily because of a fall back from a strong September.

Air transport and travel agents fell by 27.4% and 17.8% respectively, after comparatively high demand in September.

## 4 . Production industries

Production output increased during October 2020 by 1.3%, driven by positive contributions from all four subsectors (Figure 8).

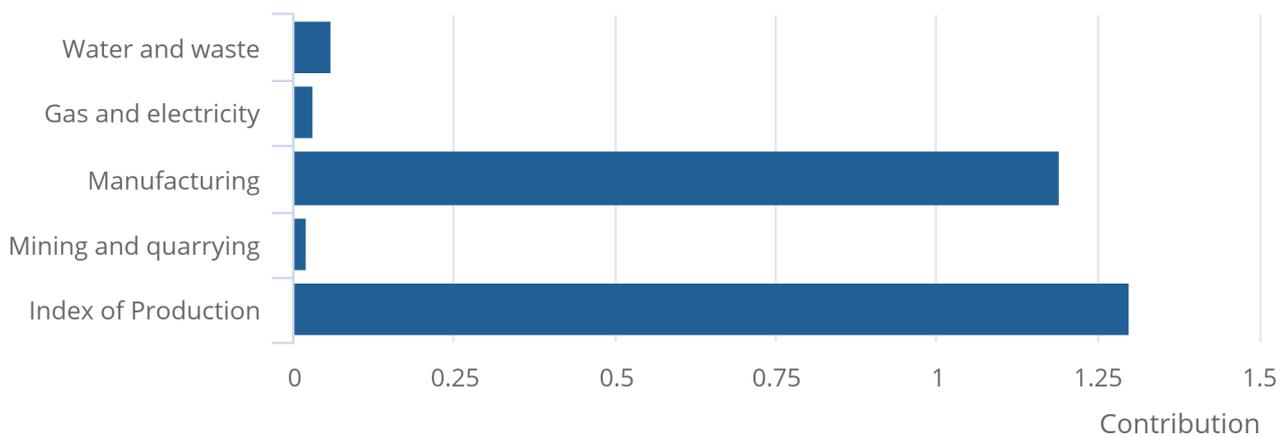
Production output during October 2020 continued to be affected by the coronavirus (COVID-19) pandemic, and it was 4.4% below the level of February 2020, the last full month of “normal” operating conditions.

**Figure 8: Production output during October 2020 was led by positive contributions from all main sectors**

Total production and main sectors, contribution to Index of Production, seasonally adjusted, UK, October 2020

Figure 8: Production output during October 2020 was led by positive contributions from all main sectors

Total production and main sectors, contribution to Index of Production, seasonally adjusted, UK, October 2020



Source: Office for National Statistics – Index of Production

Notes:

1. Parts may not sum because of rounding.

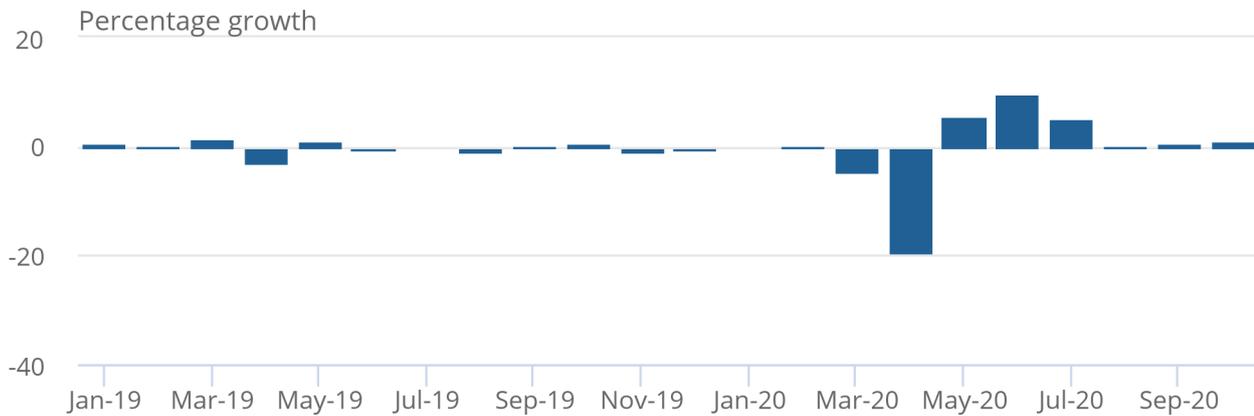
October's growth is the sixth consecutive period of monthly growth and the strongest since July 2020 but should be interpreted in the context of the ongoing recovery. It should also be noted that strength during the three months to October 2020 was muted, at 0.7% in comparison with growth during the three months to July 2020, at 6.9%, highlighting a slowdown in the recovery (Figure 9).

**Figure 9: Strength during the past few months has been subdued compared with May to July 2020**

Production output, monthly growth, seasonally adjusted, UK, January 2019 to October 2020

Figure 9: Strength during the past few months has been subdued compared with May to July 2020

Production output, monthly growth, seasonally adjusted, UK, January 2019 to October 2020



Source: Office for National Statistics – Index of Production

Monthly growth from manufacturing of 1.7% was widespread, with 11 of the 13 subsectors displaying upward contributions, led by transport equipment (Figure 10).

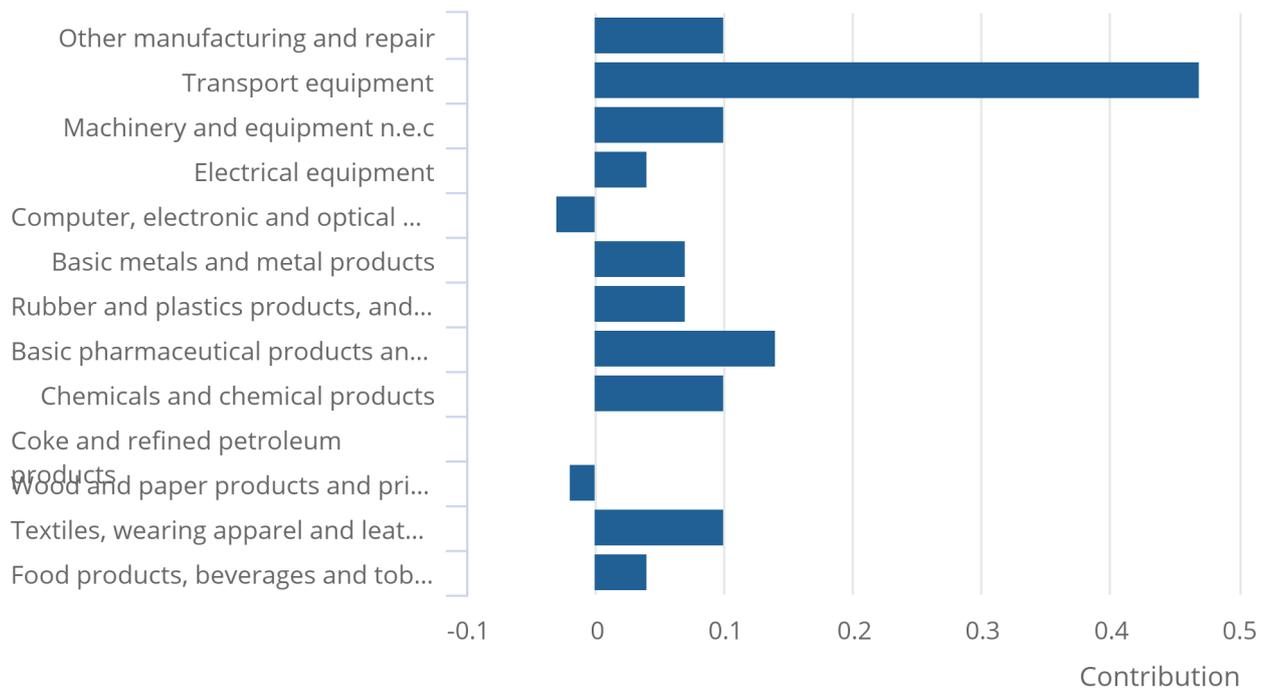
Despite being the sixth consecutive monthly growth since April 2020, manufacturing output was still 6.6% below the level of February 2020.

## Figure 10: Widespread strength across manufacturing was led by transport equipment

Manufacturing subsectors, contributions to growth, UK, seasonally adjusted, October 2020

### Figure 10: Widespread strength across manufacturing was led by transport equipment

Manufacturing subsectors, contributions to growth, UK, seasonally adjusted, October 2020



Source: Office for National Statistics – Index of Production

#### Notes:

1. Parts may not sum because of rounding.

Following strong growth from the manufacturing sector during May, June and July 2020, as lockdown restrictions were eased, growth in August and September was muted, despite a comparatively limited number of lockdown restrictions.

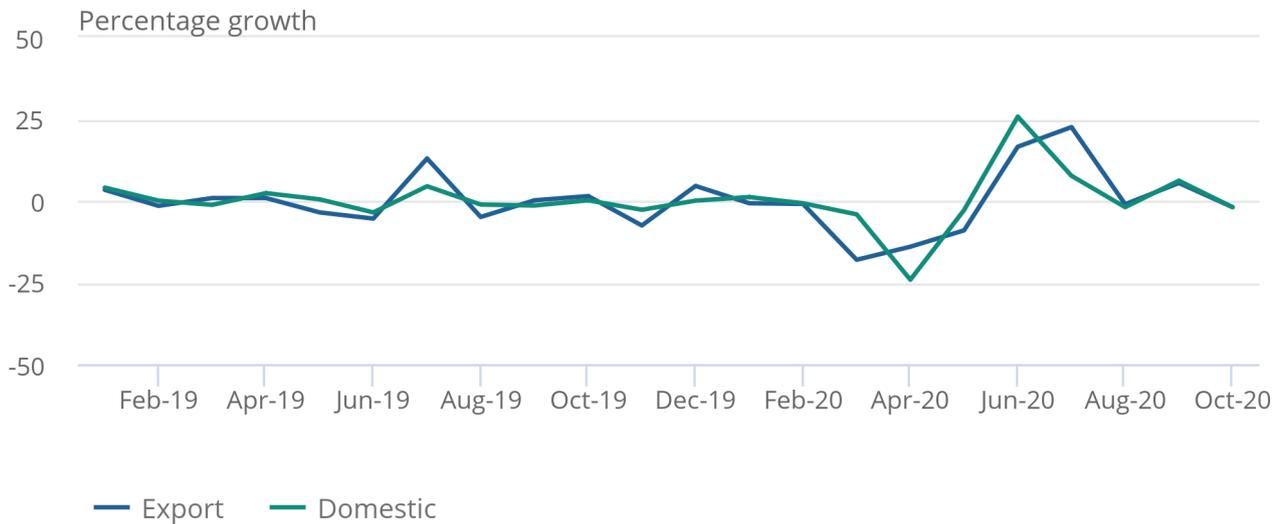
Growth across manufacturing for current price seasonally adjusted export and domestic turnover remained broadly similar in October and throughout the pandemic. However, looking back there was a stronger decline in export compared with domestic growth during March 2020, mainly because of the significant worldwide impact on supply chains, as many countries went into an earlier lockdown than the UK. This was followed by a variance in the rate of recovery from May to July, following the re-opening of UK and worldwide supply chains amid the easing of lockdown restrictions (Figure 11).

## Figure 11: Export and domestic monthly growth remained broadly similar throughout the pandemic

Total manufacturing, export and domestic monthly turnover growth, current price, UK, seasonally adjusted, January 2019 to October 2020

### Figure 11: Export and domestic monthly growth remained broadly similar throughout the pandemic

Total manufacturing, export and domestic monthly turnover growth, current price, UK, seasonally adjusted, January 2019 to October 2020



Source: Office for National Statistics – Index of Production

Given the continued impact of the pandemic across production and manufacturing, we have highlighted the most interesting anecdotal evidence, both positive and negative, on subsector- and industry-level growth during October 2020, with focus also given to the recovery to February 2020 levels.

## Food products

The food products industries were 2.0% weaker in October 2020 than in February 2020, with the other food products category (this includes sugar, tea and coffee processing, manufacture of prepared meals, condiments and seasonings) the hardest hit. October saw a 1.1% increase compared with September 2020. Five of the eight sub-industries within this sector rose but the only notable contribution came from other food products, which rose by 2.7%.

The subdued nature of the growth across the rest of the sector is because of a variance in demand for food products, with rises from meat and meat products; bakery and other farinaceous products; and dairy products being partially offset by falls from fish, fruit and vegetables; prepared animal feeds; and grain mill products, and starches and other starch products.

Those businesses supplying the food retailing sector may have benefitted from a rise in volume sales in food stores of 3.5% during October 2020 compared with February 2020, as reported by our latest [Retail Sales Index](#) release. In contrast, some businesses facing the hospitality sector have been negatively impacted as a result of tightened restrictions for services such as bars and restaurants.

## Alcoholic beverages and soft drinks

There was a monthly decline of 2.4% for this industry, with brewers of beer and lager hardest hit. Output was 8.0% weaker in September than in February 2020.

We received responder-led evidence that decreased output from both the alcoholic beverages and soft drinks industries is reflective of a downturn in demand from the hospitality sector because of the ongoing impact of curfews and tiered restrictions during October 2020.

## Textiles

Following two consecutive periods of decline, there was strong monthly growth of 5.3% during October 2020, because of widespread strength across the industry. As a result, output remained 5.9% above February 2020 levels.

Although responder-led evidence was sparse this month, some of the strength could possibly be linked to increased demand for personal protective equipment (PPE) during the second wave of the pandemic.

## Wood and wood products except furniture

Following notable growth over recent months, the wood and wood products except furniture industry fell by 1.2% during October 2020.

Output remained 6.9% above its February 2020 level, primarily because of the evidence of increased demand for DIY products as people spent more time making home improvements during the first few months of lockdown.

## Basic pharmaceutical products

The monthly rise of 2.2% was mainly because of the cumulative impact of strength from large businesses and highlights the volatile nature of growth in the basic pharmaceutical products industry, following a decline of 9.8% during September 2020. Output was 1.0% above its February 2020 level.

## Transport equipment

Sector-level growth of 5.4% during October 2020 continued the recovery, but this should be noted in the context of output being 18.2% weaker than in February 2020.

Monthly strength was led by motor vehicles, trailers and semi-trailers. This industry displayed a rise of 6.8%, although output was 15.7% lower than the February 2020 level. Furthermore, this industry had declined prior to the pandemic, with output during October at 25.7% below the most recent peak in July 2019 (Figure 11).

Because of ongoing weak global demand, car production remained significantly below normal levels. The Society of Motor Manufacturers and Traders (SMMT) reported that during October 2020, [the total number of cars manufactured had declined by 18.2% compared with October 2019 levels.](#)

The air, spacecraft and related machinery industry rose by 5.2% during October 2020, but output was 22.4% weaker than in February 2020. As a result of the widely reported negative impact on global civil aviation, manufacturers facing this sector have been severely impacted. Continued uncertainty over worldwide travel and quarantine restrictions has impacted passenger numbers.

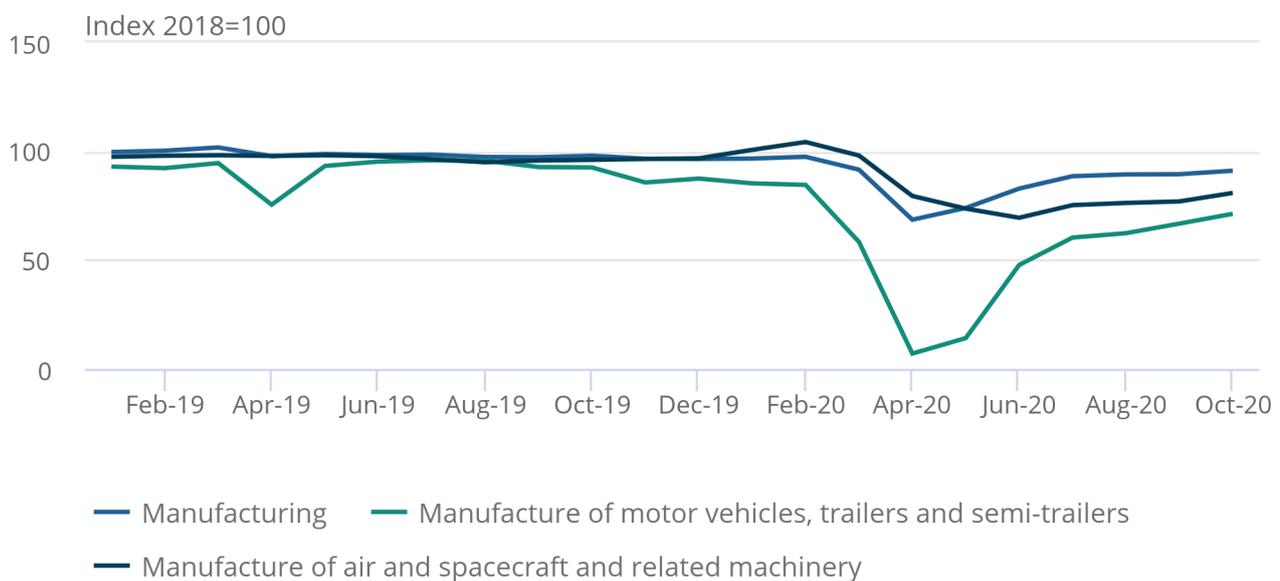
The lack of demand has reduced output for both industries, in comparison with total manufacturing output and with their February 2020 level, as shown in Figure 12. Additionally, supply chains for both industries have been negatively impacted, which in turn had a negative effect on associated industries in other subsectors across manufacturing.

**Figure 12: A lack of demand is a prime factor in reduced output for motor vehicles, trailers and semi-trailers and air, spacecraft and related machinery compared with manufacturing**

Index of Manufacturing, motor vehicles, trailers and semi-trailers and air, spacecraft and related machinery, seasonally adjusted, UK, January 2019 to October 2020

Figure 12: A lack of demand is a prime factor in reduced output for motor vehicles, trailers and semi-trailers and air, spacecraft and related machinery compared with manufacturing

Index of Manufacturing, motor vehicles, trailers and semi-trailers and air, spacecraft and related machinery, seasonally adjusted, UK, January 2019 to October 2020



Source: Office for National Statistics – Index of Production

## Other manufacturing

Following the decline last month, the other manufacturing industry rose by 2.9% during October 2020, with output remaining above February 2020 levels, at 5.7%.

Respondent-led evidence suggested a continued positive effect in October from increased demand for medical equipment (for example, PPE, ventilators and oxygen tubing). In contrast, we also received respondent-led evidence of decreased demand for other medical equipment, linked to restricted access to some NHS services, closed surgeries and a reduction in elective surgeries.

## 5 . Construction

Construction output grew by 1.0% (£128 million) in October 2020 compared with September 2020 because of increases in most sectors.

New work grew by 0.3% (£23 million) in October 2020 compared with September 2020. This was because of increases in most new work sectors, the largest of which was public other new work, which grew by 7.5% (£54 million).

In comparison, private new housing and private commercial new work were the only two sectors to decline in October 2020, falling by 1.9% (£56 million) and 1.5% (£30 million) respectively. For more information, please see [Construction output in Great Britain: October 2020](#).

Output in the all work construction output series in October 2020 remains 6.4% (£898 million) below the February 2020 level, before the full impact of the coronavirus (COVID-19) pandemic.

## 6 . Data sources and quality

The Monthly Business Survey (MBS) is the primary data source for 75% of production industries and 50% of services industries. This is an online questionnaire where businesses are asked to provide their turnover and, if they are within manufacturing, export turnover.

### Survey response

Response by turnover for services industries in October 2020 was 79.0%, down on the 86.0% achieved in October 2019 (see [Historical MBS \(services\) response rates](#)).

Response by turnover for production industries was 83.4% in October 2020, up on the 77.7% achieved in October 2019 (see [MBS \(production\) response rates](#)).

The response by turnover for the construction industries for October 2020 was 74.3% (see [Table 4 in the Construction output in Great Britain: October 2020](#) release). This is partially because data collection for the MBS for construction and allied trades has been transitioning to an online questionnaire since April 2020.

### Other data sources

Other data are primarily sourced from the Office for National Statistics (ONS) (for example, government expenditure, household expenditure and financial corporations expenditure) but also other bodies such as the Department for Transport, the Civil Aviation Authority and the Department for Business, Energy and Industrial Strategy. These account for 50% of services industries and 25% of production industries. We are also able to gain intelligence from these data providers regarding monthly changes in their data.

We also use the fortnightly Business Impact of Coronavirus (COVID-19) Survey (BICS) as part of our quality assurance and validation process.

## 7 . Related links

### [GDP monthly estimate, UK: October 2020](#)

Bulletin | Released 10 December 2020

Gross domestic product (GDP) measures the value of goods and services produced in the UK. It estimates the size of and growth in the economy and includes the Index of Production, Index of Services and construction output in Great Britain.

### [Coronavirus and the latest indicators for the UK economy and society: 10 December 2020](#)

Bulletin | Released 10 December 2020

Early experimental data on the impact of the coronavirus (COVID-19) on the UK economy and society. These faster indicators are created using rapid response surveys, novel data sources and experimental methods.

### [Coronavirus \(COVID-19\) roundup](#)

Article | Updated as and when data become available

Catch up on the latest data and analysis related to the coronavirus pandemic and its impact on our economy and society.

### [Coronavirus \(COVID-19\) latest data and analysis](#)

Web page | Updated as and when data become available

Latest data and analysis on the coronavirus in the UK and its effect on the economy and society.

### [Coronavirus and the effects on UK GDP](#)

Article | Released 6 May 2020

How the global coronavirus pandemic and the wider containment efforts are expected to impact on UK GDP as well as some of the challenges that National Statistical Institutes are likely to face.

### [Meeting the challenge of measuring the economy through the coronavirus pandemic](#)

Blog | Released 6 May 2020

The new challenges we face in terms of data collection during the coronavirus pandemic.