

Statistical bulletin

# Business investment in the UK: January to March 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 is estimated to have fallen by 11.9% in Quarter 1 (Jan to Mar) 2021; in comparison with pre-pandemic levels in Quarter 4 (Oct to Dec) 2019, it is 18.4% lower.
- Transport equipment contributed most to the decrease in business investment with a fall of 51.8%; intellectual property products fell by 5.4% – the largest quarterly fall on record.
- Gross fixed capital formation (GFCF) fell by 2.3% in Quarter 1 2021; GFCF is 4.8% lower than the end of 2019.
- Falls in all assets, except for other buildings and structures and dwellings, contributed to the quarter-on-quarter fall in GFCF.
- When compared with the same quarter a year ago, business investment has fallen by 18.1% and GFCF has fallen by 3.7%.

Current business investment estimates have been subject to more uncertainty than usual as a result of the data collection challenges caused by the coronavirus (COVID-19) pandemic. More information can be found in [Section 6](#).

## 2 . Business investment falls in first quarter of 2021

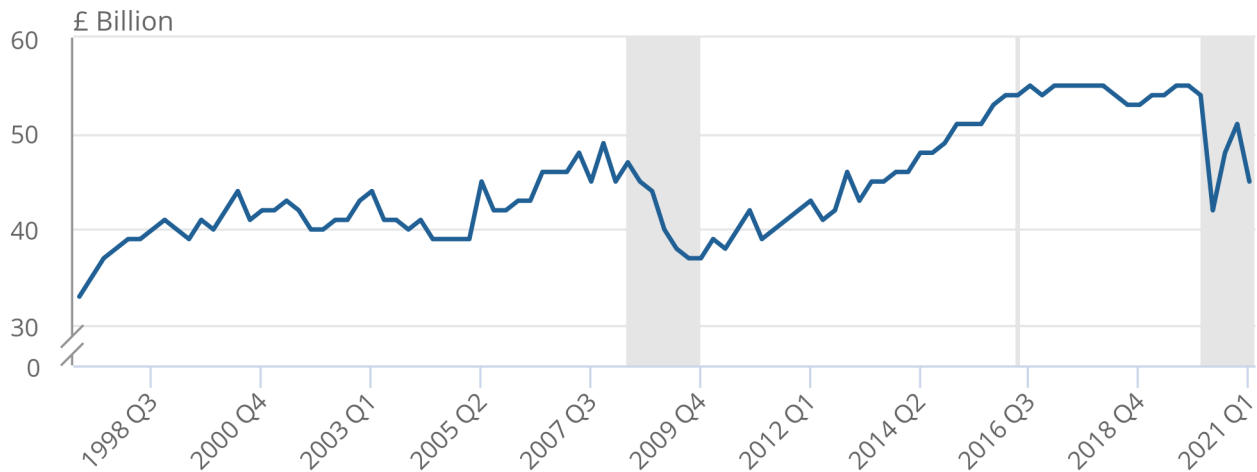
Business investment and gross fixed capital formation (GFCF) both fell in Quarter 1 (Jan to Mar) 2021. Excluding a re-classification effect in 2005, this is the second largest fall in business investment on record after the Quarter 2 (Apr to June) 2020 fall of 22.5%. In Quarter 1 2021, there were UK-wide lockdowns in response to the second wave of the coronavirus (COVID-19) pandemic . The weakness in business investment and GFCF, was primarily driven by falls in transport equipment and IPP (intellectual property products).

**Figure 1: Business investment fell in Quarter 1 2021 and is now 18.4% below Quarter 4 2019 levels**

UK business investment, chained volume measure, seasonally adjusted Quarter 1 (Jan to Mar) 1997 to Quarter 1 (2021)

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Source: Office for National Statistics – Business Investment provisional 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. UK business investment, chained volume measure, seasonally adjusted - excluding the reclassification of British Nuclear Fuels (BNFL) in Quarter 2 (Apr to June) 2005.

IPP fell by a record 5.4% in Quarter 1 2021, reflecting decreased investment in purchased software. This follows a 1.3% annual increase in IPP investment during 2020, driven in part by firms purchasing software to facilitate changes in working conditions brought about by the coronavirus (COVID-19) pandemic.

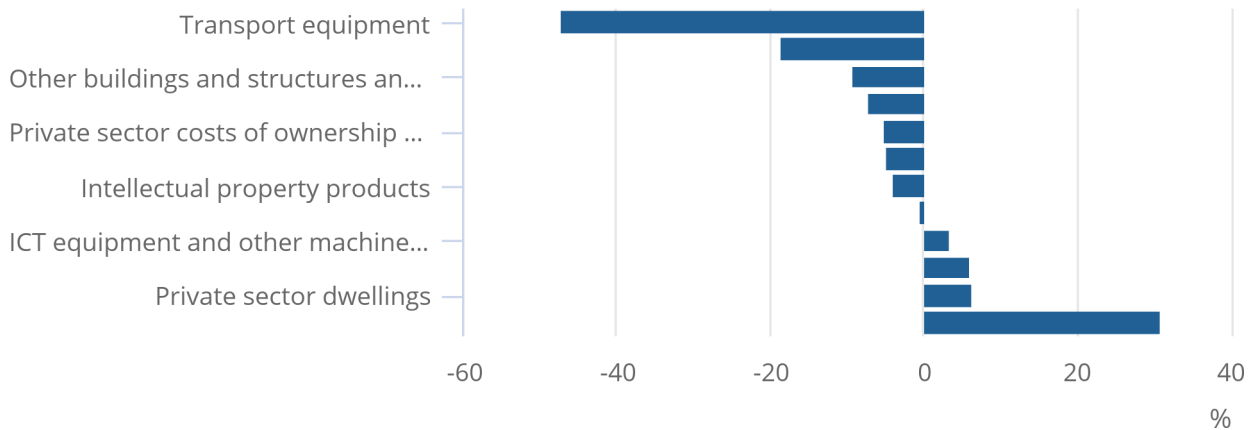
Respondent [comments to our Quarterly Acquisition and Disposal of Capital Assets Survey \(QCAS\)](#) showed that 8.6% of companies referenced investment in software and ICT during the latest quarter, down from 10.2% of comments in Quarter 4 (Oct to Dec) 2020. Comments mentioning increasing their investment in ICT also fell by 1.1%. This reduction in comments mentioning increased investment in software and ICT takes levels back to those last seen during 2018 and 2019.

## Figure 2: Transport equipment is now 47% below its Quarter 4 2019 level

UK, Quarter 4 (Oct to Dec) 2019 to Quarter 1 (Jan to Mar) 2021, index is referenced to Quarter 4 2019.

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Transport equipment fell by 51.8% in the latest quarter, following two consecutive quarters of increased investment. Transport investment is particularly volatile because of the nature of high-value transport equipment items. Contributing to the fall in transport was reduced investment in motor vehicles, which has now decreased to below pre-pandemic levels. This is in contrast to Quarter 4 2020 when companies reported above-average investment. Respondent comments from vehicle rental and leasing companies showed investment by companies in long-term leasing fell back to below pre-pandemic levels after above-average investment in Quarter 4 2020.

Those in the short-term leasing and holiday market reported retaining current vehicles and reducing overall fleet size. This disparity came as lockdown restrictions reduced the need for short-term leasing, while the need for long-term leasing and fleet hire remained. When looking at comments from transportation and storage industries respondents overall, 29.2% mentioned delaying investment, particularly larger businesses.

### 3 . More businesses report delaying investment

Respondent comments to our [Quarterly Acquisition and Disposal of Capital Assets Survey \(QCAS\)](#) continue to provide important insight into business investment decisions during Quarter 1 (Jan to Mar 2021). The coronavirus has led to many businesses delaying or cancelling their investment; the number of respondents mentioning investment delays rose by a further 2.3% in Quarter 1 2021 from the 25.3% seen in Quarter 4 2020.

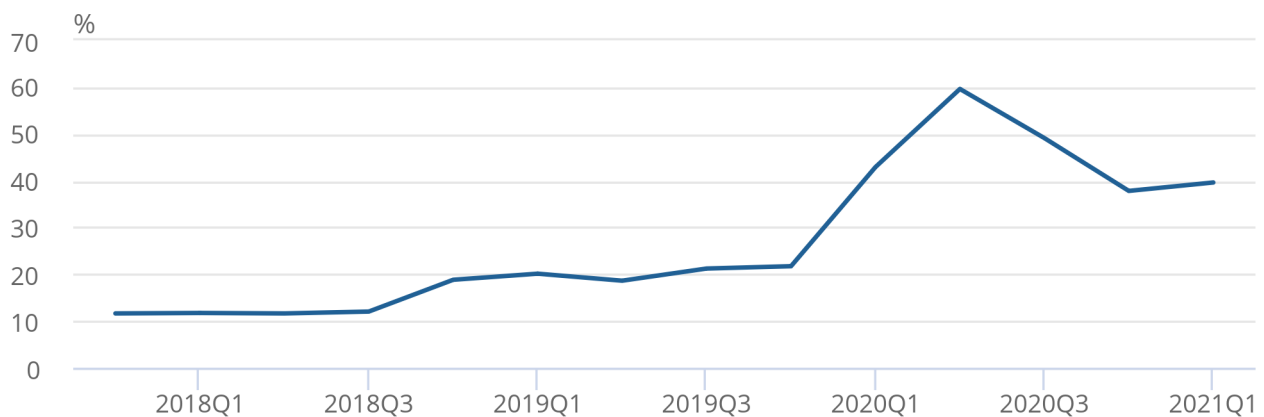
The underlying reason for delaying investment in 28.6% of cases was the coronavirus, while Brexit accounted for 3.4%, and the Quarter 1 2021 UK-wide lockdown 8.1%. Overall, the number of comments mentioning the coronavirus fell to 20.2% and those referencing Brexit fell to 2.6%. Respondent comments expressing uncertainty increased slightly to 39.6%.

#### Figure 3: The coronavirus has led to growing uncertainty among UK businesses

Percentage of QCAS comments reporting words associated with uncertainty, Quarter 4 (Oct to Dec) 2017 to Quarter 1 (Jan to Mar) 2021

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Percentage of QCAS comments reporting words associated with uncertainty, Quarter 4 (Oct to Dec) 2017 to Quarter 1 (Jan to Mar) 2021



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2. Quarter 4 2017 was the first quarter of large-scale comment collection on our QSS and QCAS surveys.

## 4 . Divergence in growth of business investment and gross fixed capital formation

Despite business investment seeing its second largest fall on record, gross fixed capital formation (GFCF) saw a comparatively small fall during Quarter 1 (Jan to Mar) 2021. This largely reflects a 19.7% increase in government investment, as well as a 3.3% rise in dwellings investment. Figure 4 shows that the difference between the level of business investment and GFCF (when indexed to Quarter 1 1997) now stands at 23 percentage points. This is the largest divergence on record.

By comparison, during the 2008 economic downturn, the disparity between the two was at most 12 percentage points. Since 1997, the average difference between the level of GFCF and business investment stood at 3 percentage points, with GFCF on average seeing slightly higher quarterly growth than business investment.

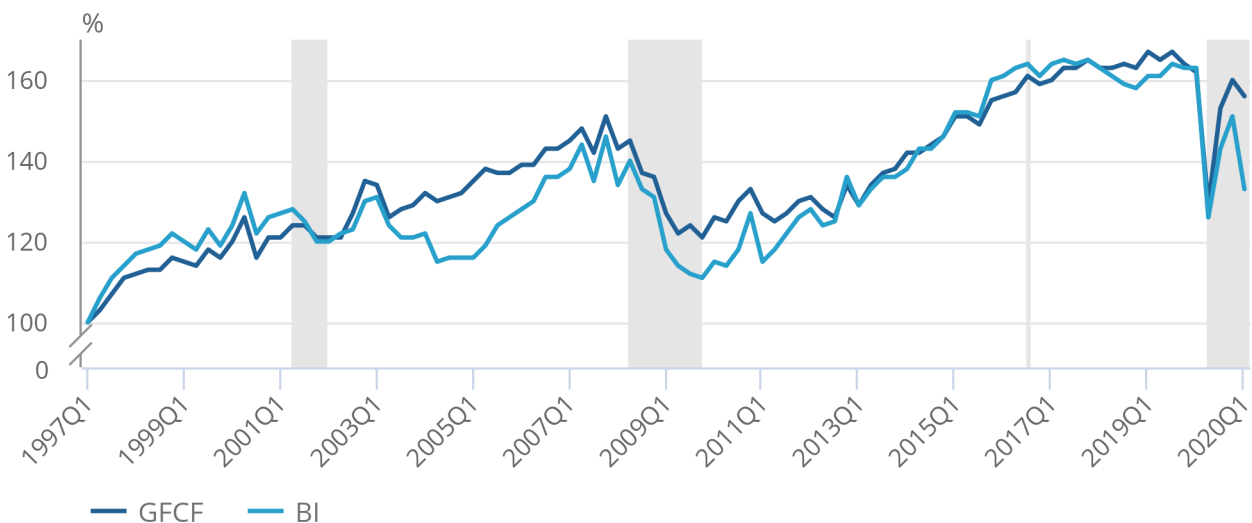
**Figure 4: Quarter 1 2021 represents the largest divergence on record between growth rates of business investment and GFCF**

Quarter 1 (Jan to Mar) 1997 to Quarter 1 2021, indexed to Quarter 1 1997

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Quarter 1 (Jan to Mar) 1997 to Quarter 1 2021, indexed to Quarter 1 1997



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## 5 . Business investment data

### [Gross fixed capital formation – by sector and asset](#)

Dataset | Released 12 May 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 12 May 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 Capital Assets (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.

## 6 . 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

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 latest estimates of business investment and gross fixed capital formation are also discussed in more detail in [GDP first quarterly estimate, UK: January to March 2021](#).

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

In Quarter 1 (Jan to Mar) 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 55.1%. This compares with an average response rate of 56.5% during 2020, and 67.3% for 2019 at provisional results.

As a result of these challenges, business investment estimates for Quarter 1 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 on the UK economy and population are available on a [coronavirus page](#). 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](#).

## 7 . Related links

[GDP first quarterly estimate, UK: January to March 2021](#)

Bulletin | Released 12 May 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.