

Statistical bulletin

# Business investment in the UK: January to March 2021 revised 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 fell by an estimated 10.7% in Quarter 1 (Jan to Mar) 2021, leaving it 17.3% lower than the pre-pandemic level in Quarter 4 (Oct to Dec) 2019.
- Gross fixed capital formation (GFCF) fell by an estimated 1.7% in Quarter 1 2021 and is now 4.3% below where it was at the end of 2019.
- When compared with the same quarter a year ago, business investment fell by 16.9% and GFCF fell by 3.2%.
- Business investment is revised upwards by 1.2 percentage points and GFCF by 0.6 percentage points in this Quarter 1 2021 release, as a result of updated source data, mainly on other buildings and structures.

Current business investment estimates have been subject to more uncertainty than usual as a result of data collection challenges faced in the current conditions. More information can be found in [Section 7](#).

## 2 . Second-largest fall in business investment on record in first quarter of 2021

Business investment and our economy-wide investment measure of gross fixed capital formation (GFCF) both fell in Quarter 1 (Jan to Mar) 2021, by 10.7% and 1.7% respectively. 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%. Weakness in transport equipment and intellectual property products (IPP) contributed the most to the falls in business investment and GFCF. Strong government and dwellings investment partially offset the weakness in other assets leading to a smaller fall in GFCF compared with business investment.

### Figure 1: Business investment's recovery has lagged behind that of GFCF since the start of the coronavirus pandemic

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

#### Footnotes

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.
3. Quarter 2 (April to June) 2020 is the largest fall on record for gross fixed capital formation excluding the reclassification of British Nuclear Fuels (BNFL) in Quarter 2 (Apr to June) 2005.

**Download this chart**

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- All ONS analysis, summarised in our [economy, business and jobs roundup](#).
- Explore the latest trends in employment, prices and trade in our [economic dashboard](#).
- View [all economic data](#).

### 3 . Large falls in investment for intellectual property products and transport equipment

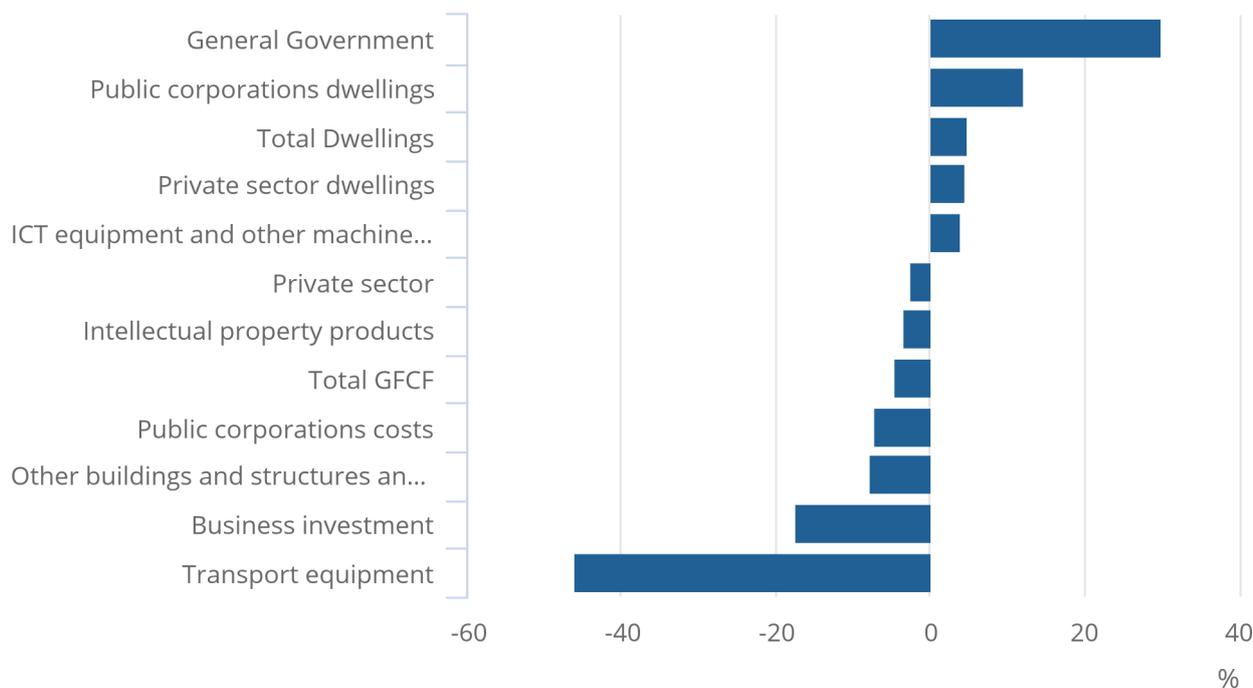
Transport equipment investment fell by 50.8% in the latest quarter. This contrasts with Quarter 4 (Oct to Dec) 2020 when companies reported above-average investment. Transport investment is particularly volatile because of the nature of high-value equipment items. Contributing to the fall in transport was reduced investment in motor vehicles, which has decreased to below pre-pandemic levels. Respondent comments showed that companies 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. Survey comments from the transportation industry reveal that 30% mentioned delaying investment, particularly larger businesses.

**Figure 2: Transport equipment weighs most on investment recovery**

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



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 4 (Oct to Dec) 2019.

Intellectual property products (IPP) fell by a record 4.7% in Quarter 1 (Jan to Mar) 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 in the latest quarter from 10% of companies referenced investment in software and ICT, taking the level of comments back to those seen during 2018 and 2019.

## 4 . What survey comments told us during Quarter 1 2021

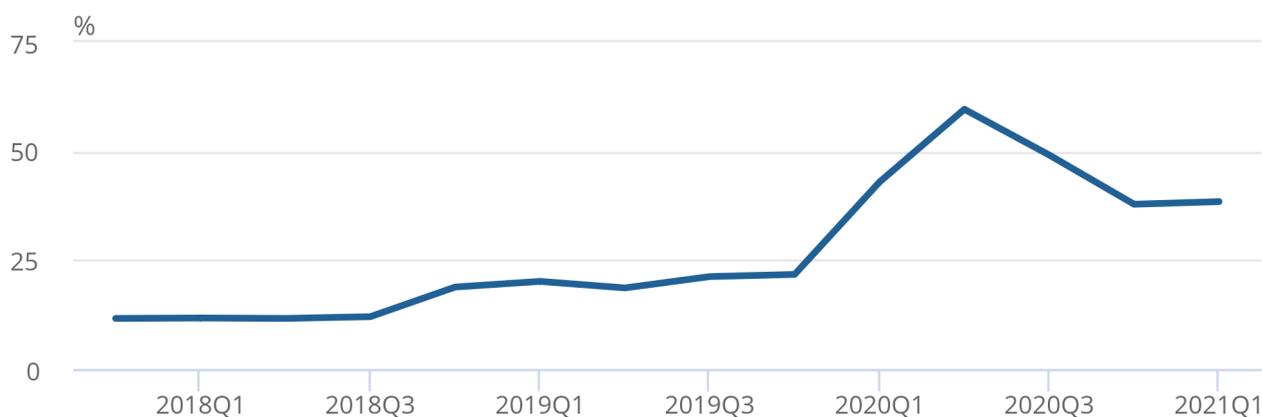
In Quarter 1 (Jan to Mar) 2021, there were UK-wide lockdowns in response to the coronavirus (COVID-19) pandemic. COVID-19 was referenced by 20% of survey comments. Though all industries saw comments referencing coronavirus, the two highest were the arts, entertainment and recreation industries, with 45% of comments mentioning COVID-19; and the accommodation and food service industries (43%). Quarterly Acquisitions and Disposals of Capital Assets (QCAS) data for these industries showed that Quarter 1 2021 investment by the accommodation and food service industries was 39% lower than pre-pandemic levels; in the arts, entertainment and recreation industries it was 51% lower.

### Figure 3: Uncertainty continues to affect business investment decisions

Percentage of QCAS comments reporting words associated with uncertainty and coronavirus, 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 and coronavirus, Quarter 4 (Oct to Dec) 2017 to Quarter 1 (Jan to Mar) 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. Quarter 4 2017 was the first quarter of large-scale comment collection on our QSS and QCAS surveys.

With the departure of the UK from the EU's single market and customs union, Brexit was referenced by 2% of QCAS respondents. Wholesale, manufacturing and transportation industries had the largest share of these comments. The transportation industry referenced Brexit most in comments, noting travel restrictions, lower UK exports to the EU and staff-shortages, as reasons behind lower investment intentions.

## 5 . International comparisons of gross fixed capital formation

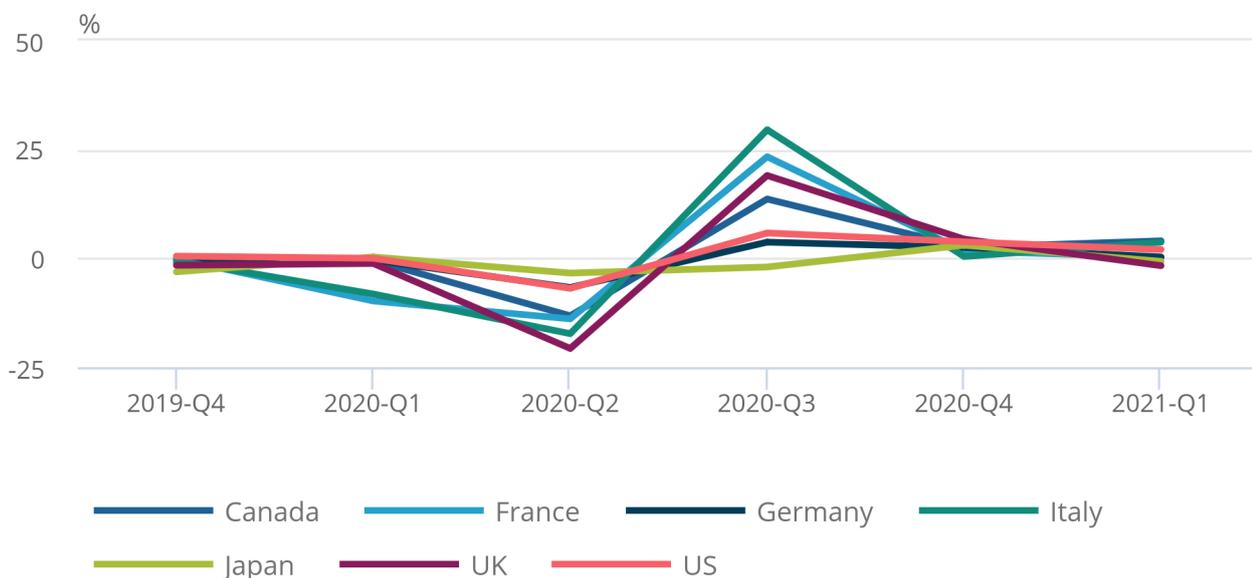
In Quarter 1 (Jan to Mar) 2021, the UK had the weakest gross fixed capital formation (GFCF) growth amongst the G7 with five out of the seven nations growing positively while growth fell for the UK and Japan. Despite a strong vaccine rollout across the UK, the [Bank of England's Agents' summary of business conditions](#) highlights that investment intentions remain weak and "conditional on demand recovering".

**Figure 4: The UK saw the largest fall in GFCF of any G7 nation in Quarter 1 (Jan to Mar) 2021**

G7 nations GFCF, current price seasonally adjusted, Quarter 4 (Oct to Dec) 2019 to Quarter 1 (Jan to Mar) 2021, quarter-on-quarter growth

Figure 4: The UK saw the largest fall in GFCF of any G7 nation in Quarter 1 (Jan to Mar) 2021

G7 nations GFCF, current price seasonally adjusted, Quarter 4 (Oct to Dec) 2019 to Quarter 1 (Jan to Mar) 2021, quarter-on-quarter growth



Source: Organisation for Economic Co-operation and Development (OECD)

### Notes:

1. The Group of Seven (G7) is an intergovernmental organisation consisting of Canada, France, Germany, Italy, Japan, the UK and the United States.
2. The coronavirus pandemic has affected each country in different ways and as a result, restrictions have been put in place at differing times by each country.
3. Data shown in this chart reflect the latest available at the time of production of this bulletin including provisional data, which may subsequently have been revised.

## 6 . Business investment data

### [Business investment by industry and asset](#)

Dataset | Released 30 June 2021

Detailed breakdown of business investment by industry and 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 30 June 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 | 30 June 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 (QCAS) and Quarterly Stocks Survey (QSS).

### [Annual gross fixed capital formation by industry and asset](#)

Dataset | Released 21 October 2020

Annual estimates of gross fixed capital formation (investment) by industry and asset, in current prices and chained volume measures, consistent with the UK National Accounts.

## 7 . Measuring the data

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).

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

### Revisions

Later Quarterly Acquisitions and Disposals of Capital Assets Survey (QCAS) returns fed into business investment estimates for this quarter. The business investment components affected are:

- information and communication technology equipment (ICT) and other machinery and equipment, which has been revised up by 0.4% from provisional
- other buildings and structures and transfer costs, which have been revised up by 1.5%
- intellectual property products (IPP), which has been revised up by 0.7%
- transport equipment, which has been revised up by 1.0%

These upwards revisions to each of the business investment components led to a positive revision of 1.2%, which contributed to the 0.6% positive gross fixed capital formation (GFCF) revision. These were offset slightly by both dwellings and government being revised downwards, by 0.9% and 0.5% respectively.

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

In Quarter 1 (Jan to Mar) 2021, the QCAS, one of the largest data sources for GFCF and business investment, had a response rate of 69.4%. This compares with an average response rate for revised estimates of 71.1% during 2020, and 82% for 2019.

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 [media.relations@ons.gov.uk](mailto:media.relations@ons.gov.uk).

## 8 . Related links

### [GDP quarterly national accounts UK: January to March 2021](#)

Bulletin | Released 30 June 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.

### [The national balance sheet and capital stocks, preliminary estimates, UK: 2021](#)

Bulletin | Released 30 June 2021

Preliminary annual estimates of the nation's net worth, by type of financial and non-financial asset for the UK. Includes estimates of produced assets used in the production process and their loss of value over time.

### [Quarterly sector accounts, UK: January to March 2021](#)

Bulletin | Released 30 June 2021

Detailed estimates of quarterly sector accounts that can be found in the UK Economic Accounts (UKEA).