

Statistical bulletin

Business investment in the UK: April to June 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.



Contact:
Alison McCrae
gcf@ons.gov.uk
+44 (0)1633 455250

Release date:
12 August 2021

Next release:
11 November 2021

Table of contents

1. [Main points](#)
2. [Divergence in growth of business investment and GFCF](#)
3. [ICT equipment and other machinery and equipment contributed most to business investment growth](#)
4. [Super-Deduction](#)
5. [Investment on an industry basis during the coronavirus pandemic](#)
6. [What survey comments told us during Quarter 2 2021](#)
7. [Business investment data](#)
8. [Measuring the data](#)
9. [Related links](#)

1 . Main points

- Business investment grew by 2.4% in Quarter 2 (April to June) 2021, leaving it 15.3% lower than the pre-coronavirus (COVID-19) pandemic level in Quarter 4 (October to December) 2019.
- Information and communication technology (ICT) equipment and other machinery and equipment, and intellectual property products contributed positively to growth in business investment.
- Gross fixed capital formation (GFCF) fell by 0.5% in Quarter 2 2021 and is now 4.8% below where it was at the end of 2019.
- Falls in other buildings and structures, and transport equipment contributed to the quarter-on-quarter fall in GFCF.
- When compared with the same quarter a year ago, business investment grew by 9.7% and GFCF increased by 21.4%.

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 [Measuring the data](#).

2 . Divergence in growth of business investment and GFCF

In Quarter 2 (April to June) 2021, business investment and gross fixed capital formation's (GFCF) growth diverged, with the latter falling by 0.5%, while business investment grew by 2.4%. The fall in GFCF was because of a fall in government investment of 9.7%, however, it is important to note that the data at this stage are preliminary and subject to revision.

Figure 1: Divergence between gross fixed capital formation and business investment continued as government investment fell in Quarter 2 2021

UK business investment, chained volume measure, seasonally adjusted, Quarter 1 (January to March) 1997 to Quarter 2 (April to June) 2021

[Download this chart](#)

[.XLSX](#)

3 . ICT equipment and other machinery and equipment contributed most to business investment growth

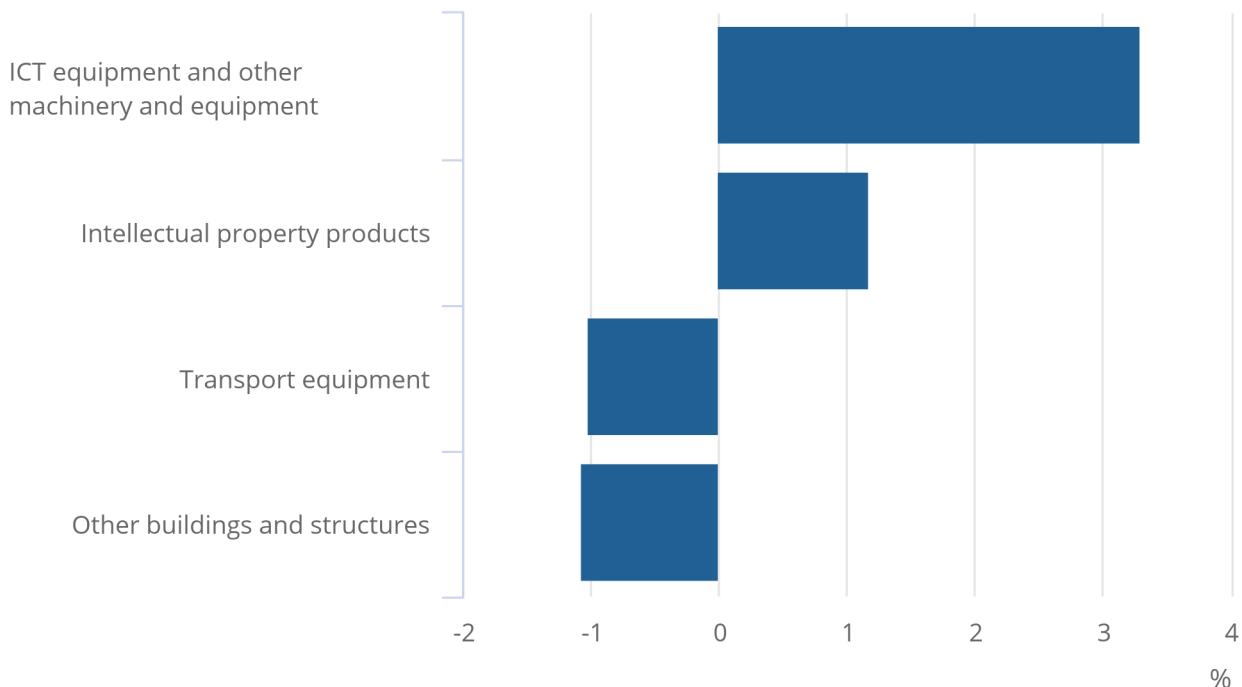
The asset that contributed most to the rise in business investment was Information and communication technology (ICT) equipment and other machinery and equipment. Anecdotal evidence showed that companies continued to invest in computer software and equipment to support home and hybrid working while others reported major refurbishments of offices with improved computer hardware and software.

Figure 2: ICT equipment and other machinery and equipment was the biggest contributor to the rise in business investment

UK business investment, chained volume measure, seasonally adjusted, Quarter 2 (April to June) 2021

Figure 2: ICT equipment and other machinery and equipment was the biggest contributor to the rise in business investment

UK business investment, chained volume measure, seasonally adjusted, Quarter 2 (April to June) 2021



Source: Office for National Statistics – Business Investment results

Notes:

1. The data in this chart covers Quarter 2 (April to June) 2021.

4 . Super-Deduction

On 1 April 2021 a new temporary tax relief on qualifying capital asset investment took effect, known as "Super-Deduction". This introduced a 130% super-deduction capital allowance on qualifying plant and machinery investments and a 50% first-year allowance for qualifying special rate assets.

Notwithstanding some differences in qualifying items, the impact of this new incentive is most likely to be reflected in Information and communication technology (ICT) equipment and other machinery and equipment. Provisional estimates show that after falling back in Quarter 1 (January to March) 2021, investment in ICT equipment and other machinery and equipment has grown by 6.9% in Quarter 2, surpassing its pre-coronavirus (COVID-19) pandemic level of Quarter 4 (October to December) 2019, by 11.2%.

Respondent comments to our Quarterly Acquisitions and Disposals of Capital Assets Survey (QCAS) provided some insight into business investment decisions during this period. In these provisional estimates, 12% of comments reported increasing their investment during the quarter, one in eight of those comments mentioned “Super-deduction”. Comments relating to Super-deduction were concentrated in the construction, wholesale, retail, and transportation and storage industries.

5 . Investment on an industry basis during the coronavirus pandemic

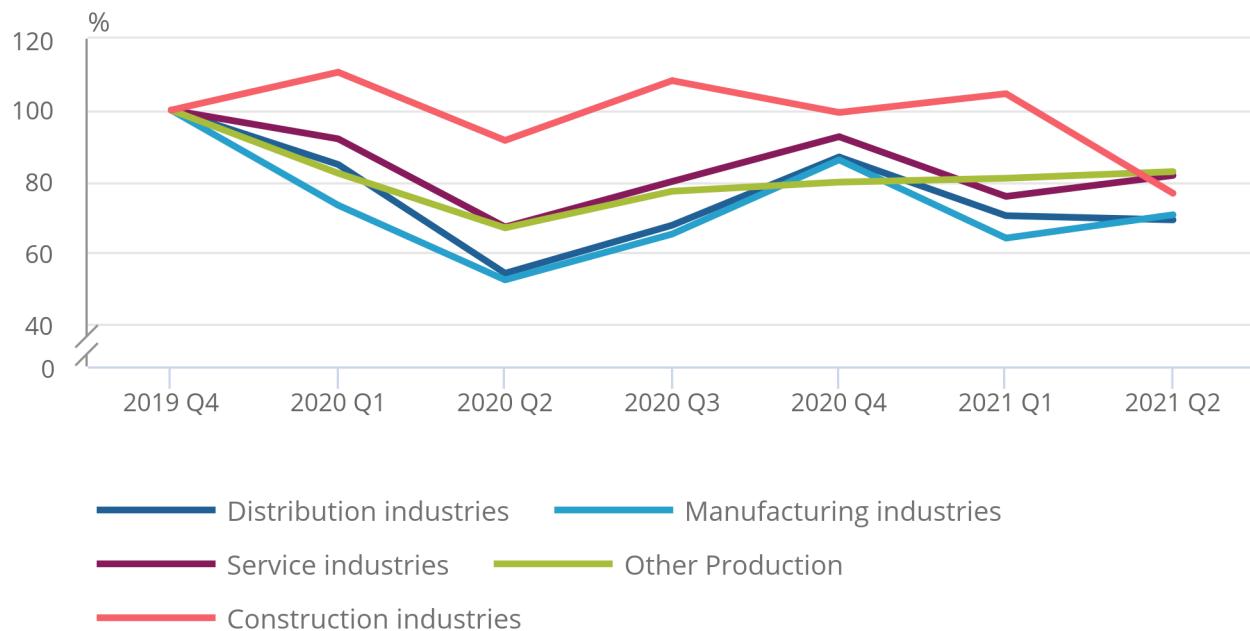
Throughout the coronavirus (COVID-19) pandemic, business investment has seen both the largest fall on record, Quarter 2 (April to June) 2020, and the largest growth on record, Quarter 3 (July to September) 2020, both excluding a re-classification effect in 2005. Data from the [Quarterly Acquisitions and Disposals of Capital Assets Survey \(QCAS\)](#), an important source of business investment data, show how investment at broad industry level has fared relative to Quarter 4 (October to December) 2019, the quarter before the coronavirus pandemic.

Figure 3: All industries except for the construction and distribution industries saw increases in investment

UK business investment, chained volume measure, seasonally adjusted, Quarter 2 (April to June) 2021

Figure 3: All industries except for the construction and distribution industries saw increases in investment

UK business investment, chained volume measure, seasonally adjusted, Quarter 2 (April to June) 2021



Source: 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. Index is referenced to Quarter 4 (Oct to Dec) 2019.

6 . What survey comments told us during Quarter 2 2021

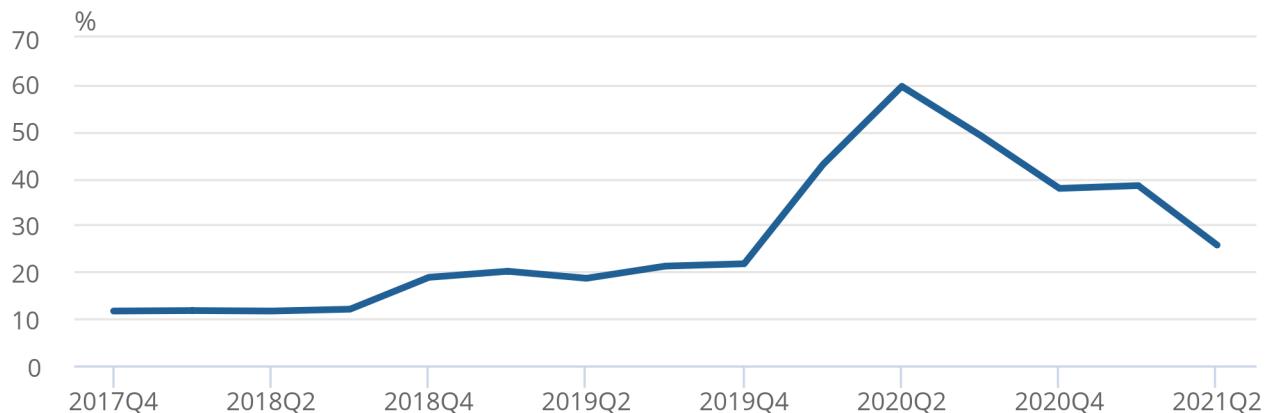
In Quarter 2 (April to June) 2021, there was an easing of coronavirus (COVID-19) restrictions on non-essential activities and COVID-19 vaccination rollout continued. Coronavirus was referenced by 14% of comments; this is down from a peak of 50% during the same quarter a year ago. Though all industries saw comments referencing coronavirus, those mentioning it most were the transportation and storage, and wholesale and retail trade industries. This quarter also saw the largest fall in the percentage of respondent comments expressing uncertainty - down to 26%. Though all industries saw quarter-on-quarter falls in comments expressing uncertainty, the transportation and storage, and the arts, entertainment and recreation industries, saw the highest levels of uncertainty.

Figure 4: Uncertainty among UK businesses fell in Quarter 2 2021

Percentage of comments from the Quarterly Acquisitions and Disposals of Capital Assets Survey reporting words associated with uncertainty, Quarter 2 2021

Figure 4: Uncertainty among UK businesses fell in Quarter 2 2021

Percentage of comments from the Quarterly Acquisitions and Disposals of Capital Assets Survey reporting words associated with uncertainty, Quarter 2 2021



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

Despite a fall in transport equipment investment in this quarter, an emerging theme for respondent comments was an increase in the number of references to green investment in environment-friendly technologies. Most of these comments referenced investment in electric vehicles, with others mentioning installing electric charging points for consumers. This investment comes at a time when the electric car market continues to make up an increasing proportion of motor sales.

7 . Business investment data

[Business investment by industry and asset](#)

Dataset | Released 12 August 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 12 August 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 August 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 Survey (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. Annual 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.

8 . 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).

The latest estimates of business investment and gross fixed capital formation are also discussed in the [First quarterly estimate of GDP: April to June 2021](#).

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

In Quarter 2 (April to June) 2021, the Quarterly Acquisitions and Disposals of Capital Assets Survey (QCAS), one of the largest data sources for GFCF and business investment, had a response rate of 62.0%. 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 2 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 coronavirus (COVID-19) 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.

Definitions and explanations

More information on the terms and concepts described on this page can be found in [A short guide to GFCF and Business Investment](#).

Strengths and Limitations

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

9 . Related links

[GDP- National Accounts UK, April to June 2021](#)

Bulletin | Released 12 August 2021

First quarterly estimate of gross domestic product (GDP). Contains current and constant price data on the value of goods and services to indicate the economic performance of the UK.

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

Bulletin | Released 29 April 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).