

Statistical bulletin

Business investment in the UK: January to March 2022 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 fell by 0.5% in Quarter 1 (Jan to Mar) 2022.
- Other buildings and structures, and transport equipment contributed negatively to the fall in business investment in Quarter 1 while intellectual property products (IPP), and information and communications technology (ICT) equipment and other machinery and equipment grew.
- Gross fixed capital formation (GFCF) increased by 5.4% in Quarter 1 2022; investment in dwellings, and other buildings and structures contributed most to the increase.
- The level of business investment in Quarter 1 (Jan to Mar) 2022 is now 9.1% below where it was pre-coronavirus (COVID-19) pandemic in Quarter 4 (Oct to Dec) 2019; GFCF has exceeded pre-coronavirus levels for the first time this quarter being 3.4% higher, mainly because of strong growth from dwellings and government investment.

Current business investment estimates are 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 6: Measuring the data](#).

2 . Business investment and gross fixed capital formation

Business investment and our economy-wide measure of gross fixed capital formation (GFCF) growth diverged in Quarter 1 (Jan to Mar) 2022; business investment decreased by 0.5% while GFCF increased by 5.4%.

The different growth patterns between GFCF and business investment are largely because of the strong growth of dwellings investment and government investment since the beginning of the coronavirus (COVID-19) pandemic. This strong growth in dwellings and government investment means that the level of GFCF is now 3.4% higher than the pre-coronavirus level in Quarter 4 (Oct to Dec) 2019. Dwellings investment is 13.2% higher than the pre-coronavirus level and government investment is 36.4% higher.

Business investment is 9.1% below the pre-coronavirus level in the latest quarter. Transport equipment, and other buildings and structures are the two weakest assets contributing most to bringing down the level of business investment in relation to the pre-coronavirus quarter; transport equipment is 26.8% lower and private sector other buildings and structures is 20.4% lower.

Figure 1: Business investment's recovery has lagged behind that of economy-wide gross fixed capital formation (GFCF) since the coronavirus pandemic

UK business investment, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 1997 to Quarter 1 (Jan to Mar) 2022

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 2005.
3. Quarter 2 2020 is the largest fall on record for gross fixed capital formation excluding the reclassification of British Nuclear Fuels (BNFL) in Quarter 2 2005.
4. Index is reference to Quarter 1 (Jan to Mar) 1997.

Download the data

[.xlsx](#)

3 . GFCF asset growth

Transport equipment

Following growth in Quarter 4 (Oct to Dec) 2021, investment in transport equipment fell by 9.4% in Quarter 1 (Jan to Mar) 2022.

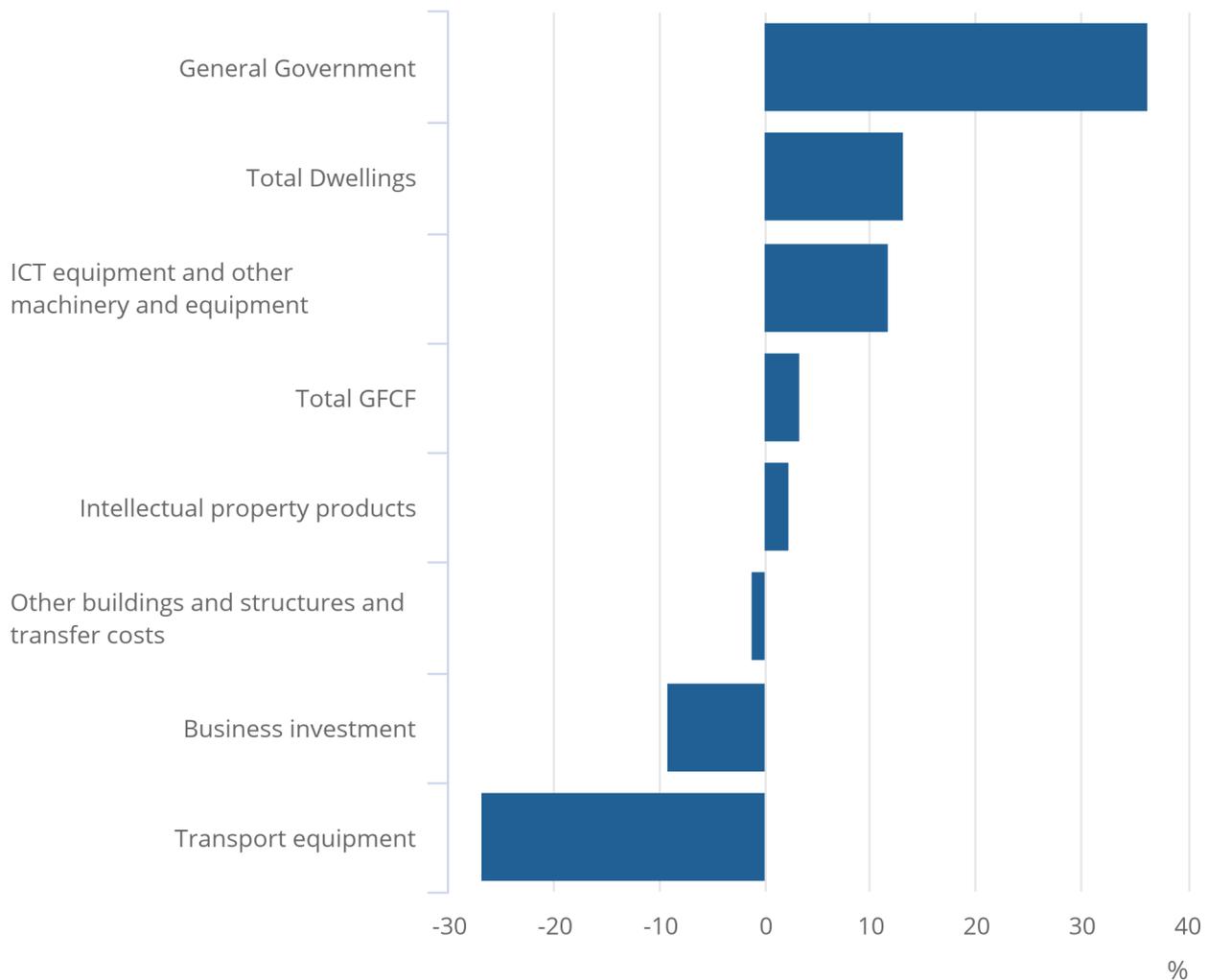
The shortage of semi-conductors continues to be a reason behind the weakness in transport equipment. The lack of availability of semi-conductors is slowing investment in new vehicles as manufacturers and customers are seeing long wait times for cars to be made and shipped to the UK. Transport equipment investment can be particularly volatile because of the high value of some transport equipment, such as ships and aircraft, so movements of this size are not unusual.

Figure 2: Transport equipment weighs most on investment recovery

UK, Quarter 4 (Oct to Dec) 2019 to Quarter 1 (Jan to Mar) 2022, index is referenced to Quarter 4 2019

Figure 2: Transport equipment weighs most on investment recovery

UK, Quarter 4 (Oct to Dec) 2019 to Quarter 1 (Jan to Mar) 2022, 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.

Other buildings and structures and transfer costs

Other buildings and structures and transfer costs have also contributed to business investment being below its pre-coronavirus (COVID-19) level. Growth in government other buildings investment is being hampered by weak private sector other buildings investment. Some evidence from respondent comments to the Quarterly Acquisition and Disposal of Capital Assets Survey suggests that investment in this asset is directed towards building refits and refurbishments as opposed to construction of new buildings.

ICT equipment and other machinery and equipment

Investment in information and communications technology (ICT) equipment and other machinery and equipment is above its pre-coronavirus level. Growth in this asset since Quarter 4 2019 is partially because of initial investment from firms into computer hardware and equipment to enable staff to work from home and adapt to coronavirus restrictions.

On 1 April 2021, a new temporary tax relief on qualifying capital asset investment took effect, known as "super-deduction". Since Quarter 1 2021, this asset has outpaced all other business investment assets in a return to pre-coronavirus levels and is 12.3% greater than the quarter prior to the introduction of the super-deduction allowance. However, it is hard to distinguish how much of this increase in investment is because of the "super-deduction" scheme, as there is potential impact from other factors such as the pandemic and supply chain restrictions.

4 . Comments analysis

Respondent comments to our Quarterly Acquisition and Disposal of Capital Assets Survey (QCAS) continue to be an informative qualitative data source. In Quarter 1 (Jan to Mar) 2022, analysis into survey comments continued to see falls in the level of uncertainty, with 11% of comments mentioning uncertainty; these levels are comparable with levels seen throughout 2018. On an industry basis, uncertainty remains highest among the transportation and storage, and wholesale industries.

Mentions of the coronavirus (COVID-19) pandemic impacting investment intentions were recorded in 6% of comments, similar to the level seen in the previous two quarters. Mentions of the EU exit continue to fall and appeared in just 2% of all comments.

The percentage of comments mentioning "green" investment continues to rise with almost 2% of all comments mentioning green investment. We have seen a steady growth in the percentage of comments mentioning green investment, particularly over the last few years as firms look for alternative methods to help combat climate change as well as cutting internal costs.

5 . Business investment data

[Business investment by asset](#)

Dataset | Released 12 May 2022

Detailed breakdown of business investment by 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 May 2022

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 2022

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 sector and asset](#)

Dataset | Released 28 October 2022

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

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

In Quarter 1 (Jan to Mar) 2022, 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 provisional response rate of 54.6%.

As a result of these challenges, business investment estimates for Quarter 1 2022 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).

7 . Strengths and limitations

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

8 . Related links

[GDP first quarterly estimate, UK: January to March 2022](#)

Bulletin | Released 12 May 2022

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, preliminary estimates, UK: 2022](#)

Released 5 May 2022

Preliminary annual estimates of the nation's net worth, by type of financial and non-financial asset for the UK.

[Productivity overview, UK: October to December 2021](#)

Released 7 April 2022

The main findings from official statistics and analysis of UK productivity, presenting a summary of recent developments.