

Statistical bulletin

Business investment in the UK: April to June 2023 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

- UK Business investment increased by 3.4% in Quarter 2 (Apr to June) 2023 and is 6.7% above where it was the same quarter a year ago.
- Investment in air transport was the main contributor to the 3.4% increase in Quarter 2 2023, increasing by 23.0%.
- Information and communication technology (ICT) equipment and other machinery and equipment have seen a reduction in investment after a strong Quarter 1 (Jan to Mar), which coincided with the end of the super-deduction incentive, which ended on 31 March 2023; the super-deduction incentive has been replaced with a 100% full expensing capital allowance as of 1 April 2023.
- Whole-economy investment (technically known as Gross Fixed Capital Formation (GFCF)), which includes business and public sector investment, was flat in Quarter 2 2023 and is 3.8% above where it was in the same quarter a year ago.

2 . Business investment

Business investment rose by 3.4% in Quarter 2 (Apr to June) 2023 following a 3.3% increase in the previous quarter. Quarter 1 2023 (Jan to Mar) marked the end of the super-deduction incentive, this saw some investment in qualifying assets brought forward from later quarters. For further information see [Section 3: Super-deduction](#).

Transport was the main contributor to the increase in business investment in Quarter 2 2023. Transport investment can be particularly volatile because of the high value of some transport equipment. Transport investment was particularly strong in air transport, which saw an increase in imports from the United States in April 2023 as shown by our [UK trade: April 2023 bulletin](#).

More about economy, business and jobs

- 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 . Super-deduction

The temporary tax relief on qualifying capital asset investment, known as super-deduction, ended on 31 March 2023. From 1 April 2023 this was replaced by a 100% full-expensing capital allowance. Despite some differences in qualifying items, the effect of the super-deduction incentive was most likely to be reflected in information and communication technology (ICT) equipment, other machinery and equipment, and transport.

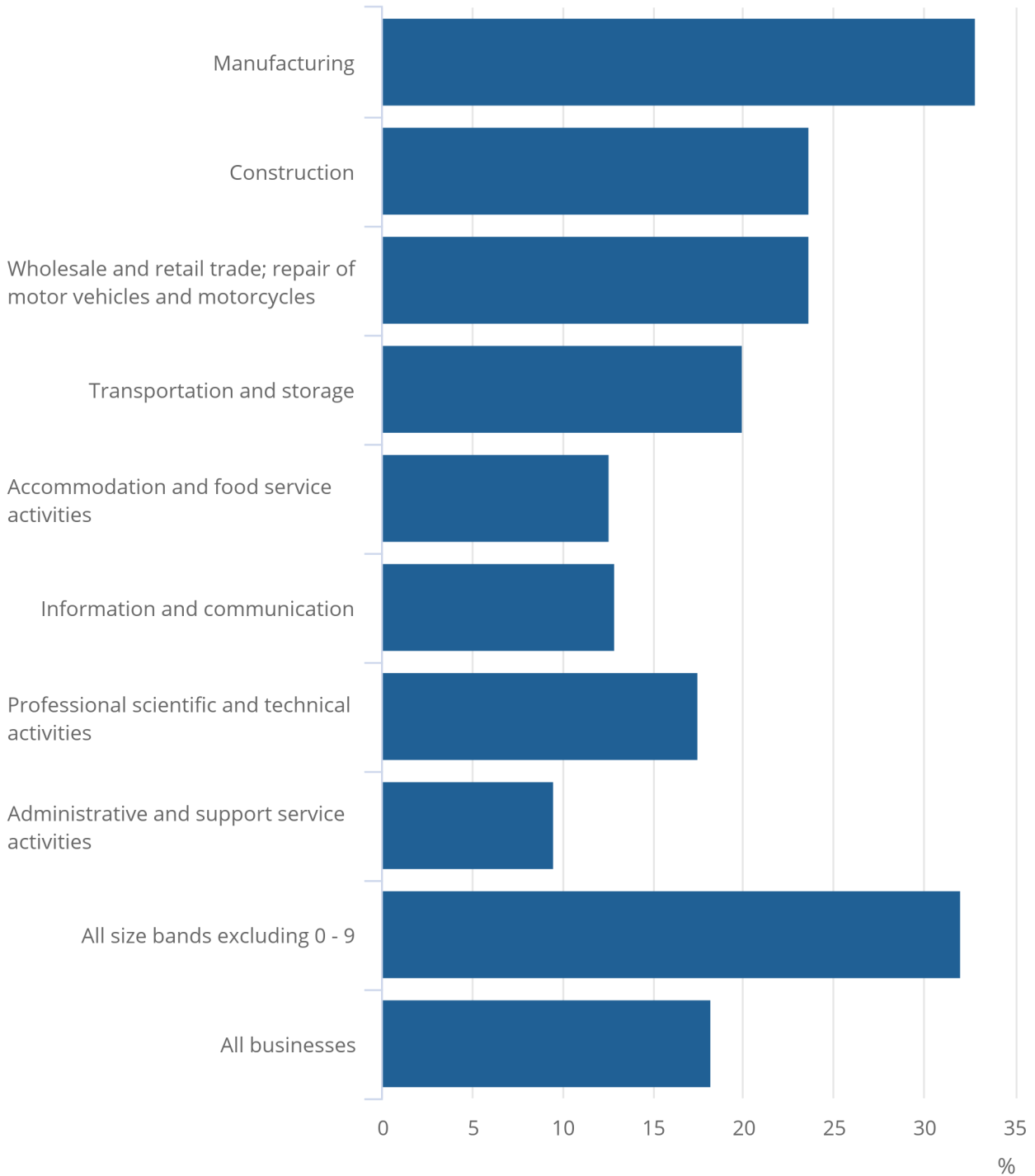
The [Business insights and impacts on the UK economy survey](#) (BICS), 13 July 2023, asked UK businesses about the impact of the super-deduction incentive on their investment and has provided further information since our [January to March 2023 revised Business Investment bulletin](#). Figure 1, data sourced from BICS, show a breakdown of which industries took advantage of the super-deduction incentives most often.

Figure 1: Businesses in the manufacturing industry took most advantage of the super-deduction incentive

BICS question: "Did your business use the super-deduction incentive between 1 April 2021 and 31 March 2023?" UK, 26 June 2023 to 9 July 2023, by industry

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Notes:

1. More information on the BICS data can be found in the [BICS dataset](#)

The BICS data show that 18.2% of all businesses used the super-deduction incentives between 1 April 2021 and 31 March 2023, this increases to 32.0% of all businesses when excluding businesses with fewer than 10 employees. The manufacturing industry had the most businesses taking advantage of the super-deduction at 32.9%. From the businesses that reported they had used the super-deduction incentives, 37.4% stated their capital expenditure was higher during the period the super-deduction incentives were active, and less than 1% reported lower capital expenditure.

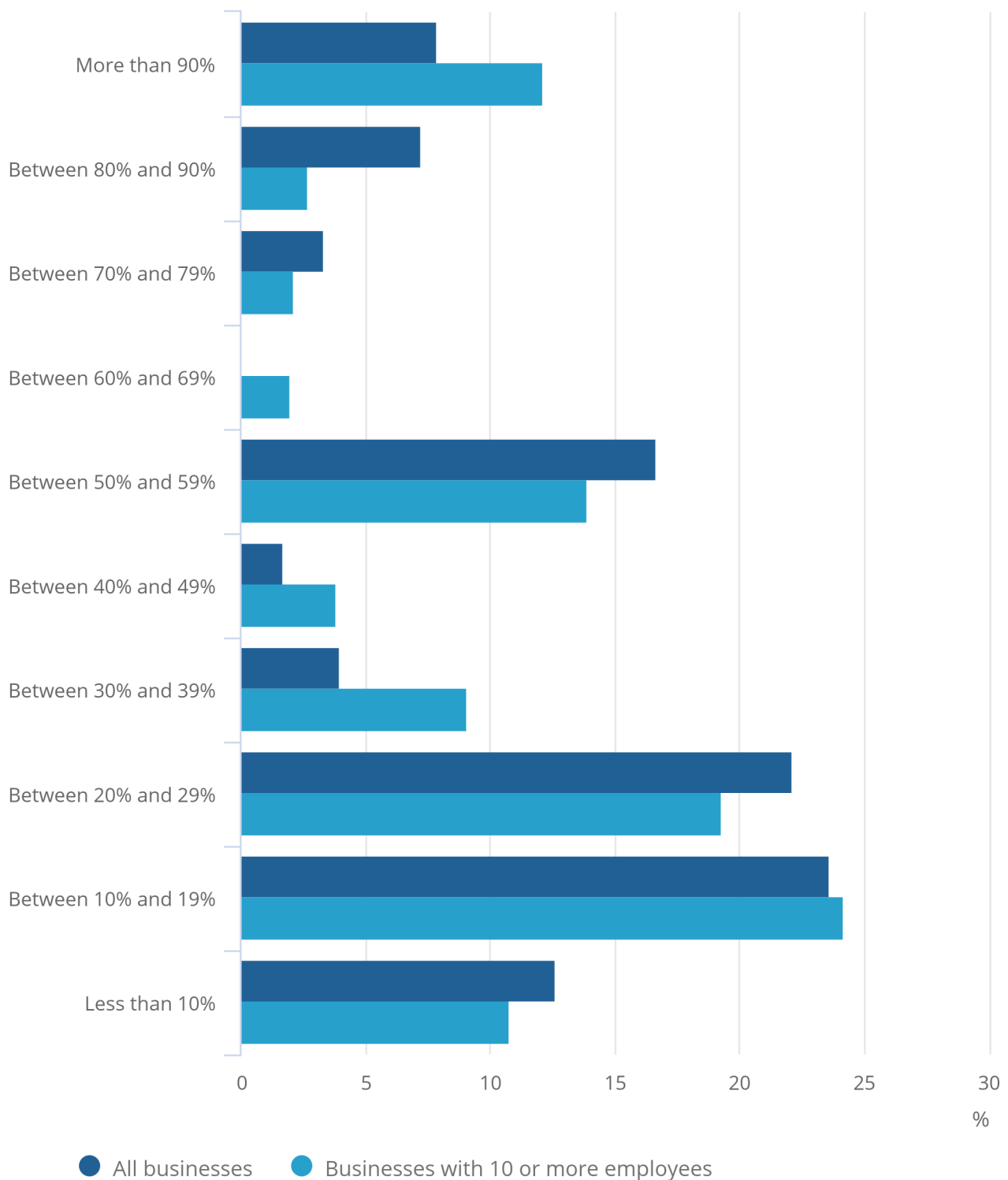
Businesses that responded that their capital expenditure was higher during the super-deduction period were surveyed further about how much their capital expenditure increased (as shown in figure 2) and how much of this higher capital expenditure was brought forward from future years.

Figure 2: Businesses increased their capital expenditure in Quarter 1 2023 to take advantage of the super-deduction incentive

BICS question: "If your business used the super-deduction incentive and reported having higher capital expenditure, approximately, how much higher was your business's level of total capital expenditure between 1 April 2021 and 31 March 2023?" UK, 26 June 2023 to 9 July 2023

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The BICS data show most businesses that used the super-deduction incentive increased their investment by up to 29%. Some businesses had larger increases in their investment levels; 7.9% of businesses increased investment by more than 90%, this would likely have a larger impact on the investment brought forward from later quarters. We have additional BICS data from the question: "If your business used the super-deduction incentive and reported having higher expenditure, approximately, how much of this higher capital expenditure was brought forward from future years after March 2023 because of the super-deduction incentive?". These data showed that 38.4% of businesses reported that less than 10% of this capital expenditure was brought forward from future years after March 2023 because of the super-deduction incentive. The other businesses reported some portion of this higher capital expenditure was brought forward from future years; 15.1% of businesses reported this amount was more than 90%.

The BICS questions provided further evidence in support of the ICT equipment and other machinery equipment growth for business investment in Quarter 1 (Jan to Mar) 2023 as businesses utilised the super-deduction incentives. However, a proportion of this growth will have been brought forward from later periods. The effect of full expensing could mitigate some of this impact.

4 . Whole-economy investment

Figure 3: Business investment continues to grow as the level of Gross fixed capital formation (GFCF) was unchanged in Q2 2023

UK business investment and whole-economy investment, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 1997 to Quarter 2 2023

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 was 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 referenced to Quarter 1 (Jan to Mar) 1997 = 100.

Download the data

[.xlsx](#)

Whole-economy investment (technically known as Gross Fixed Capital Formation (GFCF)) was unchanged at 0.0% in Quarter 2 (Apr to June) 2023 following a 2.4% increase in the previous quarter.

The main contribution to GFCF in the latest quarter came from an increase in Transport as well as smaller positive contributions from IPP and other buildings and structures. This was offset by negative contributions from ICT equipment and other machinery and equipment, and Dwellings.

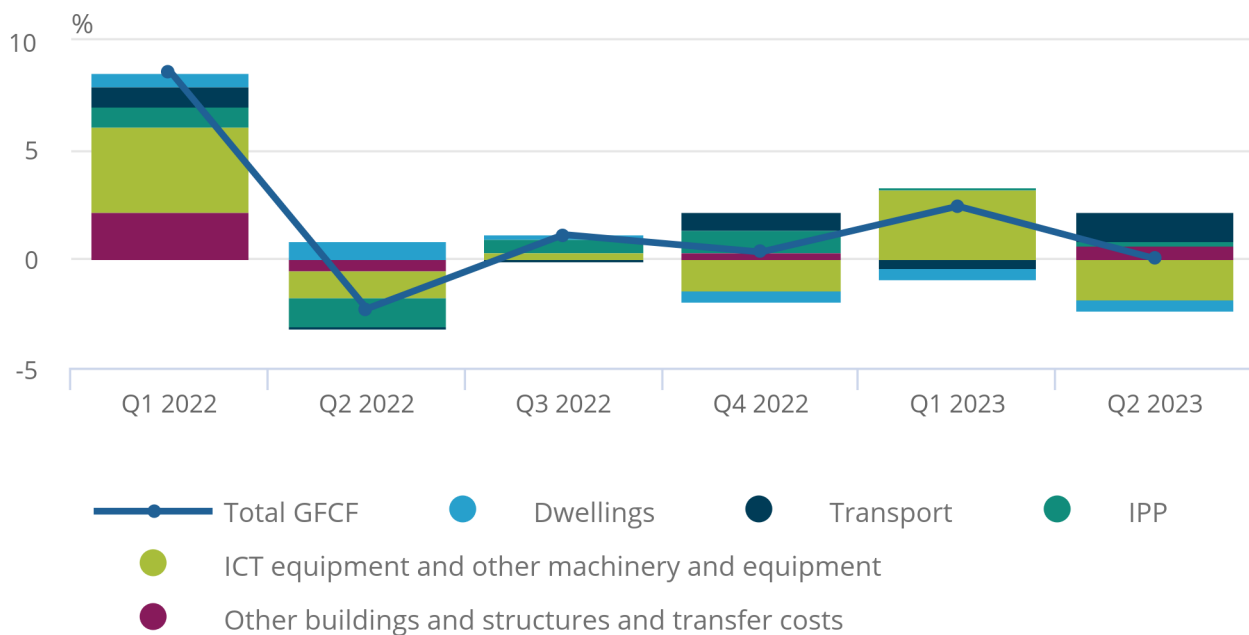
ICT equipment and other machinery and equipment fell by 9.8% as the super-deduction incentive came to an end. Despite this decrease, ICT equipment and other machinery and equipment was 1.5% higher than the same quarter a year ago. Government investment decreased in Quarter 2 2023, having increased in Quarter 1 2023 ahead of the close of the financial year – this follows a similar pattern to previous years.

Figure 4: Transport growth offset the fall in ICT equipment and other machinery and equipment

Asset contributions to GFCF, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 2021 to Quarter 2 2023

Figure 4: Transport growth offset the fall in ICT equipment and other machinery and equipment

Asset contributions to GFCF, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 2021 to Quarter 2 2023



Source: BICS and business investment in the UK from the Office for National Statistics

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5 . Business investment data

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

Dataset | Released 11 August 2023

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 11 August 2023

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 2021

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 our [Business investment Quality and Methodology Information \(QMI\)](#).

In August 2022 we reviewed the methods used for estimating data from the Quarterly Acquisitions and Disposals of Capital Assets Survey (QCAS). The imputation review found that the methods used were appropriate and no changes were made.

Revisions

In line with the [National Accounts Revisions Policy](#), the earliest period open in this publication is Quarter 2 (Apr to Jun) 2023.

Data within this bulletin

All data within this bulletin, unless specified, are presented in chained volume measure (CVM). This means that the effect of price changes is removed (in other words, the data are deflated).

In Quarter 2 (Apr to Jun) 2023, the Quarterly Acquisitions and Disposals of Capital Assets Survey (QCAS), the largest data source for gross fixed capital formation (GFCF) and business investment, had a response rate of 63.6% for estimates used in the provisional release.

The release of the annual national accounts consistent Business investment in the UK dataset on 30 September 2022 excluded an update to the following data:

- “Annual gross fixed capital formation by industry and asset”
- business investment by asset
- business investment by industry and asset
- business investment within the transportation and storage industries

Additional challenges linked to the introduction of the improved GFCF system has meant delays in producing data on the new, improved, basis.

We plan to reintroduce these outputs as part of our Blue Book 2023 suite of publication outputs.

7 . Adjustments

Large capital expenditure tends to be reported later in the data collection period than smaller capital expenditure. This means that larger expenditures are often included in the revised (month 3) results but are not reported in time for the provisional (month 2) results. This can lead to a tendency toward upward revisions in the later estimates for business investment and gross fixed capital formation (GFCF). Following investigation of the impact of this effect, from Quarter 3 (July to Sept) 2013, a bias adjustment was introduced in the provisional estimate.

This adjustment was suspended in Quarter 2 (Apr to June) 2020 because of uncertainties surrounding the effect of the coronavirus (COVID-19) pandemic. However, since Quarter 4 (Oct to Dec) 2021, after further investigation and analysis of its impact, the bias adjustment was reintroduced to business investment and GFCF. The bias adjustment for this provisional release is £1.8 billion.

8 . Related links

[GDP first quarterly estimate, UK: April to June 2023](#)

Bulletin | Released 11 August 2023

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.

[National balance sheet estimates for the UK: 1995 to 2021](#)

Bulletin | Released 23 January 2023

Annual estimates of the market value of financial and non-financial assets for the UK, providing a measure of the nation's wealth.

[The national balance sheet and capital stocks, preliminary estimates, UK: 2023](#)

Bulletin | Released 14 August 2023

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.

9 . Cite this statistical bulletin

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