

Statistical bulletin

Business investment in the UK: January to March 2023 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 increased by 3.3% in Quarter 1 (Jan to Mar) 2023, revised up from the provisional estimate of 0.7% growth.
- The increase in business investment in the latest quarter reflects, in part, the bringing forward of investment in response to the super-deduction allowance, as supported by anecdotal evidence from businesses; the allowance enabled companies to cut their tax bill by up to £0.25 for every £1.00 invested, this expired on 31 March 2023.
- Business investment in Quarter 1 2023 is now 1.1% above that of Quarter 4 (Oct to Dec) 2019, the quarter before the coronavirus (COVID-19) pandemic.
- Information and communication technology (ICT) equipment and other machinery and equipment was the primary driver behind the 3.3% increase in Quarter 1 2023. It contributed 2.2 percentage points to Quarter 1 2023 Business Investment growth.
- Whole economy investment (technically labelled as gross fixed capital formation (GFCF)), which includes business and public sector investment, increased by 2.4% in Quarter 1 2023, revised up from the provisional estimate of 1.3%.
- GFCF in Quarter 1 2023 was 6.0% above where it was in Quarter 4 2019, the pre-coronavirus quarter, having first exceeded this level in Quarter 1 2022.

2 . Business investment growth revised up in the latest quarter

For this bulletin, only Quarter 1 (Jan to Mar) 2023 data is open to revision. Revisions were largely because of revised survey data and a review of adjustments previously applied to the dataset.

Business investment growth in Quarter 1 2023 has been revised upwards by 2.6 percentage points to 3.3%. The main contributor of this revision has been the effect of the “super-deduction” capital asset allowance, for further information see Section 3: Super-deduction.

Business investment is 1.1% above its Quarter 4 (Oct to Dec) 2019 level, the quarter before the coronavirus (COVID-19) pandemic. Contributions to business investment growth have been revised upwards for buildings and structures, transport equipment, intellectual property products (IPP), and information and communication technology (ICT) equipment and other machinery and equipment.

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 is most likely to be reflected in information and communication technology (ICT) equipment, other machinery and equipment, and transport.

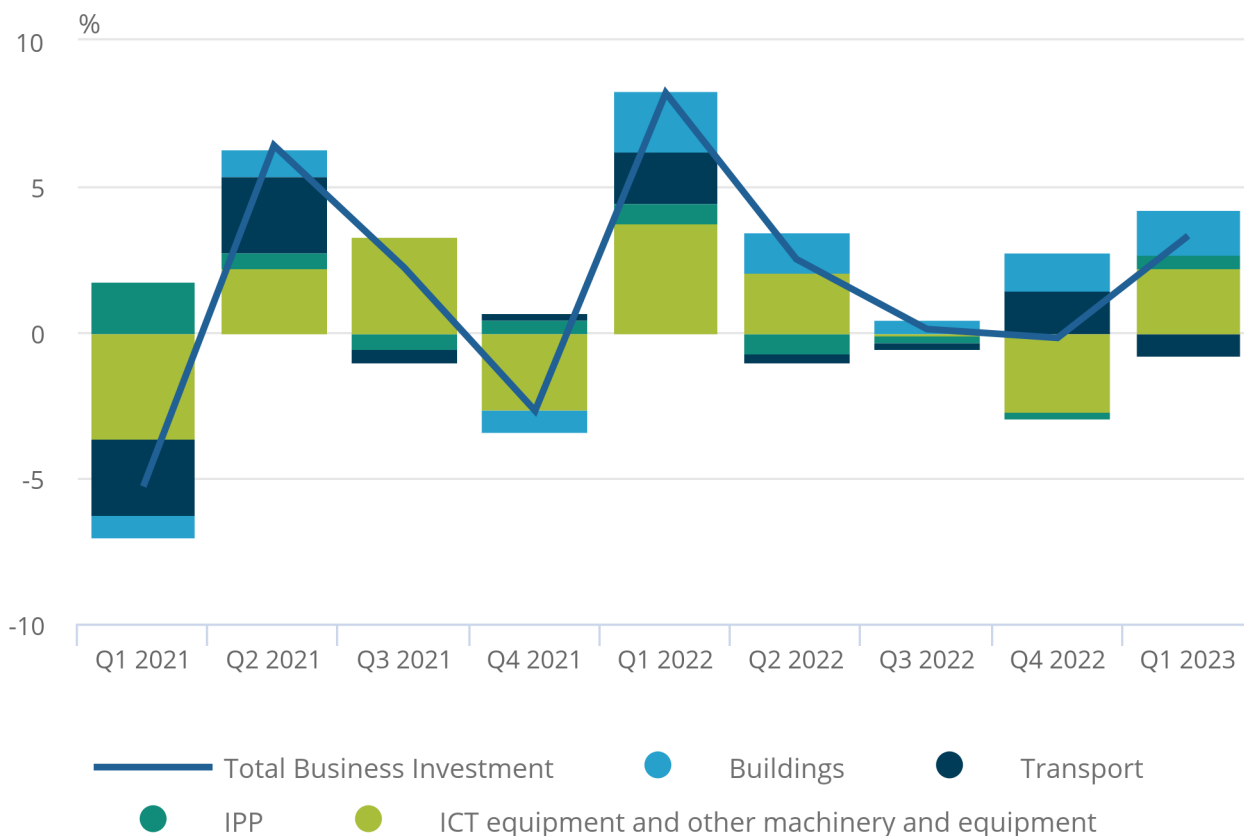
The super-deduction and the full-expensing capital allowance provide an incentive to bring forward investment that would have been planned for a later date. The Office for Budget Responsibility's (OBR) [Economic and fiscal outlook for March 2023](#) estimated that the super-deduction tax allowance increased business investment by around 5% at its peak. Full expensing is estimated to raise business investment by around 3% when the allowance's effect is at its peak. Full expensing was announced in the Spring Budget 2023, 15 March, therefore decisions made in Quarter 1 (Jan to Mar) 2023 will have largely been made without awareness of the upcoming policy.

Figure 1: The revised growth in headline business investment was primarily driven by ICT equipment and other machinery and equipment, and broadly reflects the impact of the super-deduction allowance

UK Business Investment Contributions by asset, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 2021 to Quarter 1 2023

Figure 1: The revised growth in headline business investment was primarily driven by ICT equipment and other machinery and equipment, and broadly reflects the impact of the super-deduction allowance

UK Business Investment Contributions by asset, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 2021 to Quarter 1 2023



Source: Business investment in the UK from the Office for National Statistics

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).

ICT equipment and other machinery and equipment has revised upwards rising by 3.2 percentage points to 20.8% in the revised estimate of Quarter 1 2023. This revision was driven primarily by later survey data. There was also additional evidence from respondents, reporting that they had increased investment to take advantage of the super-deduction temporary tax relief ahead of its closure.

Transport was revised upwards by 2.0 percentage points to negative 7.2% in Quarter 1 2023; this revision was driven by later survey data, with the largest revision coming from air transport data. Transport levels remained high in Quarter 1 2023, despite the negative quarter-on-quarter growth and were 2.3% above levels in Quarter 1 2022. Transport investment can be particularly volatile because of the high value of some transport equipment.

ICT equipment and other machinery equipment provided the largest contribution to business investment growth for Quarter 1 2023; it contributed 2.2 percentage points to headline business investment growth. This coincided with a record number of respondent comments to the Quarterly Acquisition and Disposal of Capital Assets Survey (QCAS) referencing the super-deduction as it entered its final quarter and businesses utilised the final period of this tax relief. QCAS provides one of the largest data sources of business investment.

4 . Whole economy investment

Figure 2: Gross fixed capital formation (GFCF) and business investment both show positive growth as government and private investment increased

UK business investment and whole economy investment, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 1997 to Quarter 1 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 (Apr to June) 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](#)

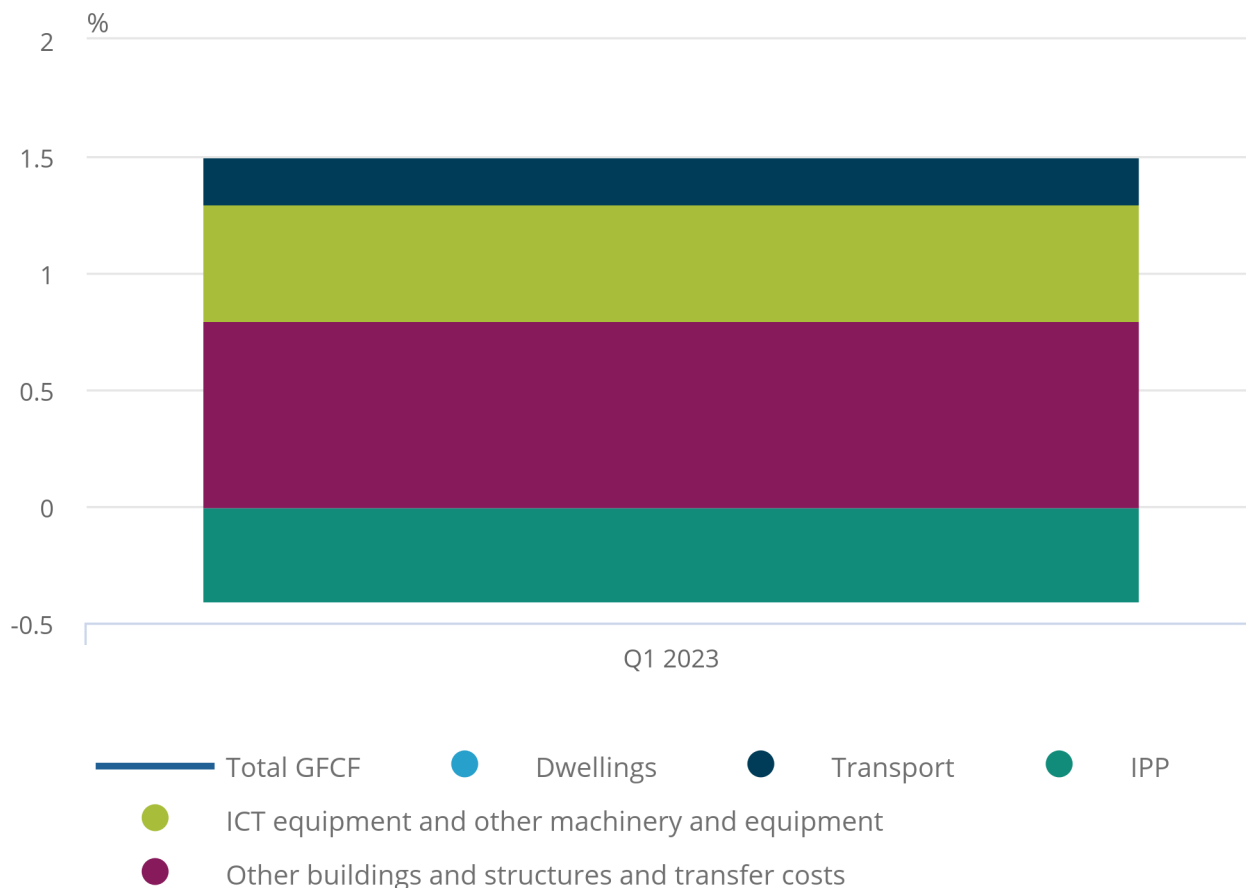
Quarterly whole economy investment growth, technically known as gross fixed capital formation (GFCF) was revised up in Quarter 1 2023 to 2.4% from the provisional estimate by 1.1 percentage points. The revisions to whole economy investment were driven by upwards revisions in buildings and structures and transfer costs, transport equipment, and information and communication technology (ICT) equipment and other machinery and equipment. This was offset by downwards revisions to intellectual property products (IPP), while dwellings remained broadly unchanged.

Figure 3: Upwards revisions to headline gross fixed capital formation (GFCF) were driven by buildings and structures and transfer costs, transport equipment, and ICT equipment and other machinery and equipment.

Revisions to UK whole economy investment contributions to growth by asset, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 2023

Figure 3: Upwards revisions to headline gross fixed capital formation (GFCF) were driven by buildings and structures and transfer costs, transport equipment, and ICT equipment and other machinery and equipment.

Revisions to UK whole economy investment contributions to growth by asset, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 2023



Source: Business Investment in the UK from the Office for National Statistics

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. We have changed the appearance of this chart for clarity. It previously showed contributions from total GFCF as well as its individual components. Showing the components alone is clearer and more informative.

5 . International comparisons of whole economy investment for the G7 nations

Using data collated by the Organisation for Economic Co-operation and Development (OECD) from relevant national statistical institutes, we can compare whole economy investment (labelled gross fixed capital formation (GFCF) in OECD data tables) within the G7 nations. Figure 4 shows whole economy investment for the G7 nations as a percentage of gross domestic products (GDP) back to Quarter 1 (Jan to Mar) 1997.

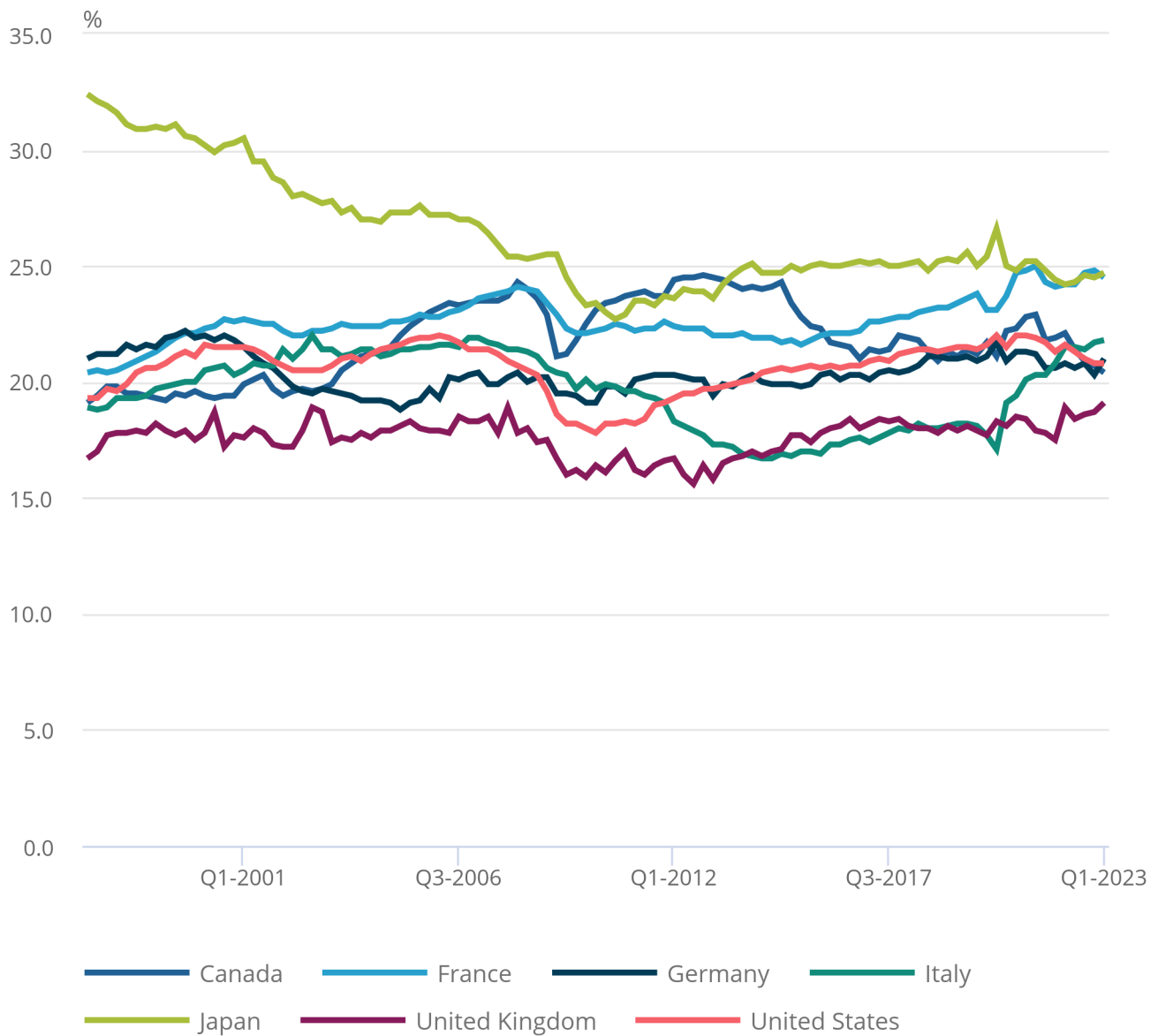
Whole economy investment in the UK increased by 2.4% in Quarter 1 2023, the second largest of the G7 nations, surpassed only by Germany at 3.0%. GFCF in the UK in Quarter 1 2023, as a percentage of gross domestic product (GDP), is the lowest out of all G7 nations at 19.1%.

Figure 4: UK investment as a proportion of gross domestic product (GDP) remains lower than other G7 economies

G7 nations GFCF as a percentage of GDP, chained volume measures, seasonally adjusted, Quarter 1 (Jan to Mar) 1997 to Quarter 1 2023

Figure 4: UK investment as a proportion of gross domestic product (GDP) remains lower than other G7 economies

G7 nations GFCF as a percentage of GDP, chained volume measures, seasonally adjusted, Quarter 1 (Jan to Mar) 1997 to Quarter 1 2023



Source: Business investment in the UK from the Office for National Statistics and OECD

Notes:

1. The Group of 7 (G7) nations is an intergovernmental organisation consisting of Canada, France, Germany, Italy, Japan, the UK and the US.
2. The coronavirus (COVID-19) 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 be revised.

6 . Business investment data

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

Dataset | Released 30 June 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 30 June 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.

7 . Glossary

8 . 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 \(QMI\)](#).

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

Revisions

In line with our [National Accounts Revisions Policy](#), the only period open in this bulletin is Quarter 1 (Jan to Mar) 2023.

Data within 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).

In Quarter 1 (Jan to Mar) 2023, the Quarterly Acquisitions and Disposals of Capital Assets Survey (QCAS), one of the largest data source for gross fixed capital formation (GFCF) and business investment, had a response rate of 76.6% for estimates used in the revised release.

The release of the annual national accounts consistent business investment in the UK dataset on 30th 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, have 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.

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, as is usual, has been removed for the revised release.

9 . User consultation

As publishers of the ‘Business Investment in the UK’ statistical bulletin, the Office for National Statistics (ONS) is conducting a user consultation to gather feedback. We are interested to learn which components of the bulletin our users find most useful, which data could be useful to our users in the future, and if the current publication meets user needs. As a user of ‘Business Investment in the UK’ and its components, we at the ONS would like you to complete our [Business Investment User Consultation](#).

10 . Related links

[GDP quarterly national accounts UK: January to March 2023](#)

Dataset | Released 30 June 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: 2022](#)

Bulletin | Released 5 May 2022

Preliminary annual estimates of the value and types of non-financial assets used in the production of goods or services within the UK economy and their loss in value over time.

[A short guide to gross fixed capital formation and business investment](#)

Article | Released 25 May 2017

A useful background of how to interpret, compare and analyse statistics regarding gross fixed capital formation and business investment.

11 . Cite this statistical bulletin

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