

Statistical bulletin

# Business investment in the UK: July to September 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.



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Release date:  
11 November 2021

Next release:  
11 February 2022

## Notice

### 19 November 2021

We have identified an error within our production of gross fixed capital formation (GFCF) and Business Investment transport estimates, affecting both our current price and chained volume measures data. The periods affected are Quarter 2 (Apr to June) 2021 and Quarter 3 (July to Sept) 2021

We estimate that the impact of this error would be as follows:

In Quarter 2 2021, GFCF would revise upwards by 0.9 percentage points and Business Investment by 1.6 percentage points in our Chained Volume Measures Seasonally Adjusted estimates.

In Quarter 3 2021, GFCF would revise upwards by 0.5 percentage points and Business Investment by 1.0 percentage points in our Chained Volume Measures Seasonally Adjusted estimates.

As part of our regular production process, our GFCF and Business Investment estimates will be updated in-line with the National Accounts revision policy in the next release, which will be published on 22 December 2021. As part of this process, as is usual, we will also incorporate any additional later data received for the open revisions period.

There will be no impact on GDP as a result of this error in GFCF and business investment estimates. This is because we balance our GDP estimates using an alignment of the different approaches to measuring GDP, so the impact from this error would be offset during the GDP balancing process. This is because the new data increases the level of expenditure, and we were previously adjusting up this approach to GDP to align to the other GDP measures.

You can view our [Transportation and storage data at current prices not seasonally adjusted](#), which are consistent with this correction.

You can view our [Business investment by asset data](#), which are consistent with this correction.

A list of the Gross Fixed Capital Formation (GFCF) affected by this error is available upon request.

We apologise for this error and any inconvenience caused.

## 29 November 2021

While quality assuring the business investment by asset dataset, a discrepancy has been found, which has shown seasonally adjusted chained volume measure (CVM) figures for CDID EDRA (Non Gov: Intellectual Property Products: Total Industry) pre-2019 are incorrect. Data for 2019 and subsequent periods are unaffected. These errors arose during the production process of the version published on 30 September 2021. Total gross fixed capital formation and business investment figures are unaffected by this error. We are working to correct this issue and will publish corrected figures for CDID EDRA as soon as possible.

We apologise for any inconvenience caused.

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# 1 . Main points

- Business investment grew by 0.4% in Quarter 3 (July to Sept) 2021 and was 0.8% higher when compared with the same quarter a year ago.
- Information and communication technology (ICT) equipment and other machinery and equipment, and other buildings and structures both contributed positively to growth in business investment in Quarter 3.
- Gross fixed capital formation (GFCF) grew by 0.8% in Quarter 3 2021 and was 3.0% higher than Quarter 3 2020.
- Though investment in most asset types contributed positively to GFCF growth in the latest quarter, this was partially offset by decreases in transport equipment and dwellings investment.
- The level of business investment is now 12.4% below where it was before the coronavirus (COVID-19) pandemic in Quarter 4 (Oct to Dec) 2019; GFCF levels are 3.8% below, mainly because of the return to pre-pandemic levels for dwellings investment.

Current business investment estimates have been subject to more uncertainty than usual because of data collection challenges faced in the current conditions. These estimates include a bias adjustment which we had temporarily suspended between Quarter 2 (Apr to June) 2020 and Quarter 2 (Apr to June) 2021. More detail can be found in [Section 6](#).

## 2 . Gross fixed capital formation continues to outpace business investment on return to pre-pandemic level

Business investment and our economy-wide measure of gross fixed capital formation (GFCF) both grew in Quarter 3 (July to Sept) 2021, albeit at different rates. Business investment grew by 0.4% while GFCF saw stronger growth of 0.8%.

### 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](#).

The asset which contributed most to business investment growth was Information and communication technology (ICT) equipment and other machinery and equipment at 2.0 percentage points. Other buildings and structures also contributed positively with 0.5 percentage points growth. However, growth in these two assets was partly offset by negative contributions from transport equipment and intellectual property products at negative 1.9 and negative 0.3 percentage points respectively.

### Figure 1: Business investment's recovery has lagged behind that of gross fixed capital formation since the start of the coronavirus pandemic

UK business investment, chained volume measure, seasonally adjusted, Quarter 1 (Jan to Mar) 1997 to Quarter 3 (July to Sept) 2021

#### 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.

[Download the data](#)

Following record falls in both business investment and GFCF after the onset of the coronavirus (COVID-19) pandemic and first UK lockdown in Quarter 2 (Apr to June) 2020, GFCF has moved closer to its pre-pandemic level faster than business investment. When indexed to Quarter 1 (Jan to Mar) 1997, GFCF is currently 6.2 percentage points lower than Quarter 4 (Oct to Dec) 2019 (the pre-pandemic quarter), while the level of business investment remains 20.2 percentage points lower. The difference between business investment and GFCF is mainly because of the return to pre-pandemic levels for dwellings investment, which is now above that of Quarter 4 2019, and by government investment, which is now 15.8% higher than the pre-pandemic level.

### **3 . Semiconductor shortage continues to hit transport industry**

Investment in transport equipment fell by 29.3% in Quarter 3 (July to Sept) 2021. Recognising transport investment can be particularly volatile because of the high value of some transport equipment (such as ships and aircrafts), a significant contributor to the Quarter 3 2021 fall in transport was reduced investment in motor vehicles, particularly in the rental and leasing industry. This was in part because of a shortage in semiconductors which has slowed the production of new cars, decreasing the availability of new cars, and therefore limiting the ability to invest in vehicles. Data from the Office for National Statistics (ONS) Quarterly Stocks Survey (QSS) show that levels of stock of new and used cars have diverged in the most recent quarter. The level of new cars has fallen in Quarter 3 2021, while the stock of used cars has increased as it remains unaffected by the semiconductor shortage. Subdued investment in transport equipment by other industries has also contributed to the fall in this quarter.

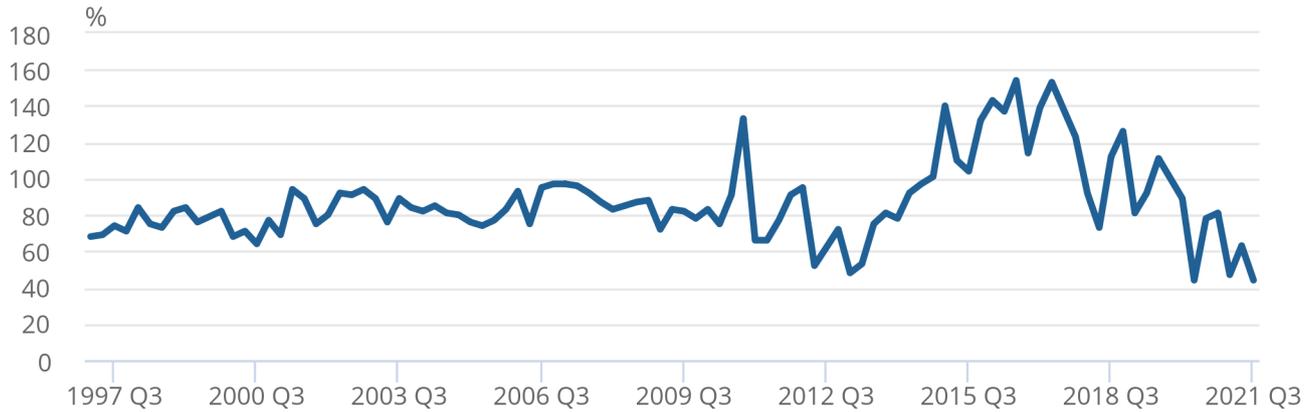
Uncertainty within the motor vehicle industry, driven in part by this lack of supply, is also evident from survey comments. The transportation and storage industries recorded the highest number of respondent comments mentioning delayed investment for Quarter 3 2021, when compared with other industries; these were alongside fewer comments mentioning investment in cars.

**Figure 2: Business investment in transport equipment fell in Quarter 3 (July to Sept) 2021 and is now 56% below Quarter 4 (Oct to Dec) 2019 levels**

UK, Quarter 1 1997 to Quarter 3 2021, index is referenced to Quarter 4 2019

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Source: Office for National Statistics – Business Investment results

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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.

## 4 . What survey comments told us during Quarter 3 2021

Respondent comments to our Quarterly Acquisition and Disposal of Capital Assets Survey (QCAS) continue to be an informative qualitative data source. For Quarter 3 (July to Sept) 2021 we also analysed respondent comments to the Business Insights and Conditions Survey (BICS), giving further insight into businesses' investment decisions and intentions. The BICS survey is operated on a two-weekly reference period, with questions on business investment and inventories asked every four weeks. Using data from the three datasets with business investment and inventories content available in the calendar quarter, we have derived an average to approximate quarterly data.

In Quarter 3 2021, a number of coronavirus (COVID-19) public health restrictions were lifted and QCAS respondent mentions of COVID-19 fell to their lowest level since the start of the pandemic. Just 8% of comments noted that COVID-19 affected investment intentions; this is down from a peak of 49% in Quarter 2 (Apr to June) 2020. There was also a fall in comments expressing uncertainty observed for both QCAS and BICS. On QCAS, 21% of comments included words associated with uncertainty, a fall of 4 percentage points from the previous quarter.

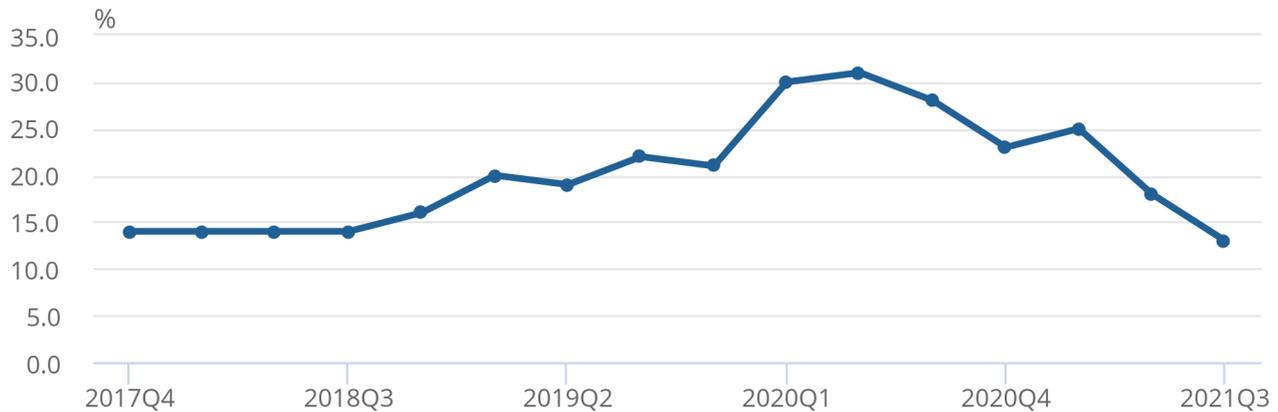
During Quarter 3 2021, business investment increased by 0.4%, while comments reporting increasing investment during this quarter remained 4 percentage points higher than during the pre-pandemic period (pre-Quarter 4 (Oct to Dec) 2019). Comments mentioning delaying investment recorded a fall of 5 percentage points; BICS comments reported a similar 7 percentage point fall. On an industry basis, all industries except the transportation and storage industries recorded falls in the number of respondents indicating delaying investment. The 4% increase in respondents recording delayed investment for the transportation and storage industries was indicated as being because of the semiconductor shortage restricting the output of vehicles and the ability to invest.

### Figure 3: Comments reporting delaying investment continues to fall

Percentage of Quarterly Acquisition and Disposal of Capital Assets Survey (QCAS) comments reporting delaying their investment, Quarter 4 (Oct to Dec) 2017 to Quarter 3 (July to Sept) 2021

## Figure 3: Comments reporting delaying investment continues to fall

Percentage of Quarterly Acquisition and Disposal of Capital Assets Survey (QCAS) comments reporting delaying their investment, Quarter 4 (Oct to Dec) 2017 to Quarter 3 (July to Sept) 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 Quarterly Stocks Survey and QCAS.

There was a further increase, across both QCAS and BICS, of comments recording green investment in solar panels, electric vehicles and electric charging points. Analysis also found continuing reference to the super-deduction, a new temporary tax relief on qualifying capital asset investment, however mentions were limited to 1% of comments for both QCAS and BICS.

## 5 . Business investment in the UK data

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

Dataset | Released 11 November 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 11 November 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 11 November 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 28 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.

## 6 . Measuring the data

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

### 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, leading to a tendency toward upward revisions in the later estimates for business investment and gross fixed capital formation (GFCF). Following an investigation of the impact of this effect, from Quarter 3 (July to Sept) 2013, in the provisional estimate a bias adjustment was introduced. This adjustment was suspended in Quarter 2 (Apr to June) 2020 because of uncertainties surrounding the effect of the coronavirus (COVID-19) pandemic. However, for Quarter 3 2021, after further investigation and revisions analysis, the bias adjustment has been reintroduced to business investment and GFCF. The bias adjustment for this provisional release is £1.2 billion.

### Changes to 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).

### The impact of the coronavirus on our estimation methods

In Quarter 3 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 56.7%. This compares with an average response rate of 65.5% during 2020, and 67.3% for 2019 at provisional results.

As a result of these challenges, business investment estimates for Quarter 3 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 [the coronavirus home 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.

## 7 . Related links

### [GDP first quarterly estimate, UK: July to September 2021](#)

Bulletin | Released 11 November 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, preliminary estimates, 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: April to June 2021](#)

Bulletin | Released 30 September 2021

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