

Compendium

Gross fixed capital formation supplementary tables

Gross fixed capital formation estimates of net capital expenditure on fixed assets by public and private sectors.



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Release date:
31 July 2018

Next release:
To be announced

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1 . Gross fixed capital formation supplementary tables

Gross fixed capital formation (GFCF) is the estimate of net capital expenditure (acquisitions less the proceeds from disposals) on fixed assets by both the public and private sectors. Fixed assets are purchased assets used in production processes for more than one year.

Examples of capital expenditure include: spending on machinery and equipment, transport equipment, software, artistic originals, new dwellings and major improvements to dwellings, other buildings and major improvements to buildings, and structures such as roads. Additional assets consisting of research and development, and military weapons systems were introduced into the definition of GFCF in Blue Book 2014.

A change was made in UK National Accounts, The Blue Book 2017 to correct the estimation of elements of purchased software, which were being double-counted from 2001 onwards along with discrepancies in the modelled data prior to 2001. During further quality assurance, we identified that the Blue Book 2017 adjustment did not fully address the issue and an additional amendment to other machinery and equipment, and information and communication technology (ICT) equipment was required. Purchased software was unaffected by this additional amendment.

This additional amendment was first implemented in the Blue Book 2018-consistent Quarterly national accounts dataset, published on 29 June 2018 and has increased the level of GFCF across the period by around 1.5% per year in current prices. The average impact on quarter-on-quarter GFCF current price growth is positive 0.01% and the average impact on quarter-on-quarter gross domestic product (GDP) current price growth is 0.00%. Although the chained volume measure impact of the change cannot be precisely measured, it is almost certainly of a similar magnitude.

In Blue Book 2018 we have also introduced a number of other changes to the estimates of GFCF and business investment. These include:

- improving the asset allocation of plant data between other machinery and equipment, hardware and telecoms
- updating the sector classification of housing associations, first done in Blue Book 2017, to include data from the devolved administrations
- introducing more up-to-date Annual Business Survey (ABS) data for annual benchmarks in 2015 and 2016

A more detailed explanation of the improved asset allocation can be found in the [Latest developments to UK National Accounts and Balance of Payments – changes to be implemented for Blue Book and Pink Book 2018](#) article published on 4 December 2017.