Office for National Statistics

Article

Coronavirus and the impact on output in the UK economy: August 2020

Analysis of monthly growth for the production, services and construction industries in the UK economy between July and August 2020, highlighting the early impact from the coronavirus (COVID-19) pandemic.

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1 . Main points

- Monthly gross domestic product (GDP) rose by 2.1% during August 2020 but was 9.2% below February 2020 levels.
- Although August 2020 saw the fourth consecutive month of growth it was the slowest rate of expansion since April 2020 and production industries growth was relatively subdued.
- Across services, 65% of the monthly growth came from accommodation and food and beverage service activities, with more businesses opening up to take advantage of the Eat Out to Help Out scheme and increased demand for staycations.
- Within services, output for rail transport, creative arts and entertainment, air transport and travel agencies and tour operators and other reservation services, remained more than 50% below the level of output during February 2020.
- Within manufacturing 8 of the 13 sectors grew; the muted growth in manufacturing, supported by a small rise in energy, was partially offset by a fall in mining and quarrying.
- Monthly construction output grew by 3.0% in August 2020, following record monthly growth of 21.8% in June 2020 and growth of 17.2% in July 2020; the level of construction output in August 2020 was 10.8% below the February 2020 level.

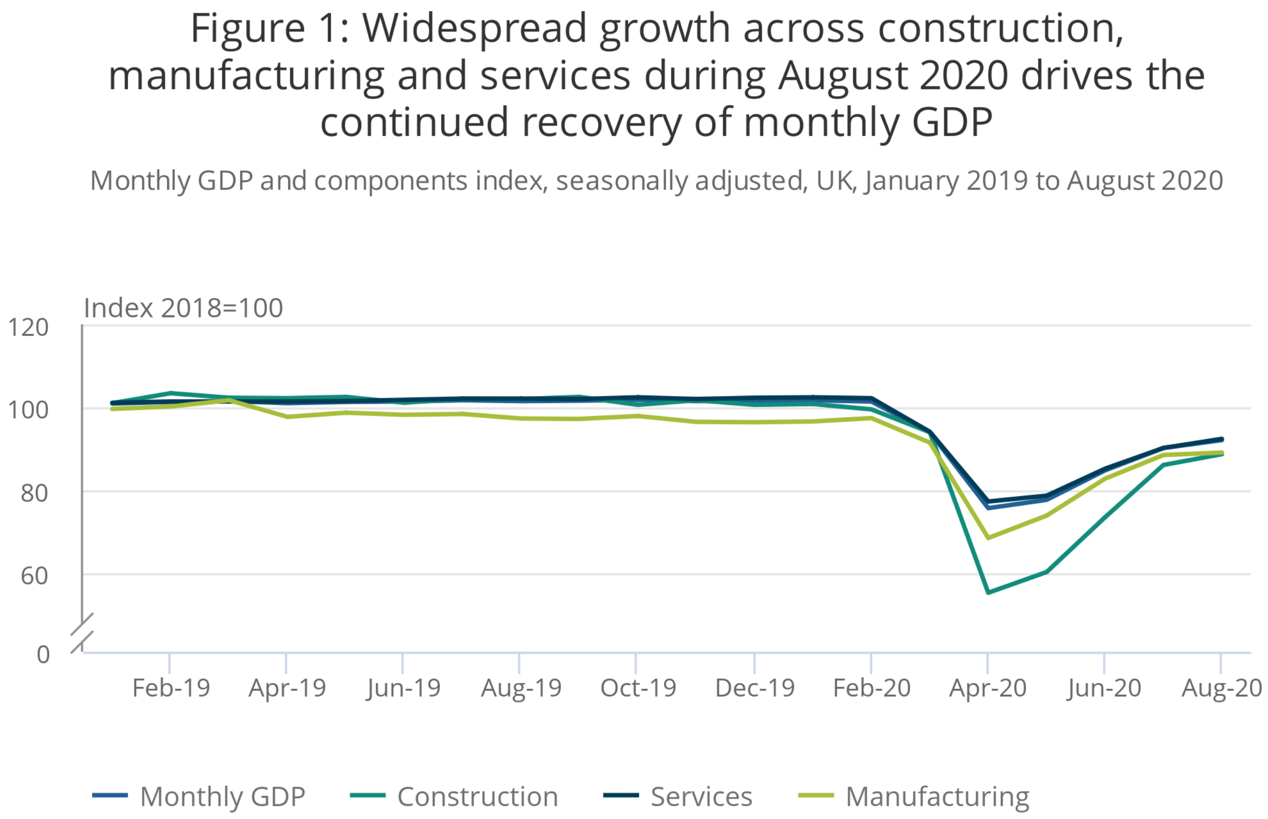
2 . The UK economy during the coronavirus (COVID-19) pandemic

This article analyses the overall impact of the coronavirus (COVID-19) pandemic on the output measure of gross domestic product (GDP) during August 2020, providing an in-depth insight of the impacts of the coronavirus on the UK economy.

Monthly GDP in August 2020 was 9.2% below the level of February 2020, having risen by 2.1% compared with July 2020 (Figure 1). This compares with rises of 2.7% in May 2020, 9.1% in June 2020 and 6.4% in July 2020. The monthly rise reflects growth across construction, manufacturing and services[1]. For more details, please see GDP monthly estimate, UK: August 2020.

Figure 1: Widespread growth across construction, manufacturing and services during August 2020 drives the continued recovery of monthly GDP

Monthly GDP and components index, seasonally adjusted, UK, January 2019 to August 2020



Source: Office for National Statistics – Monthly GDP

Notes:

1. We would advise users to be mindful of a break in the side axis when interpreting this chart.

The output of:

- services industries remained 9.6% below the level of February 2020, growing by 2.4% in the latest month
- production industries remained 6.0% below their February 2020 level, following growth of 0.3% in the latest month; within production, manufacturing has declined by 8.5% since February 2020, following growth of 0.7% during August 2020
- the construction industry remained 10.8% below the February 2020 level, despite a rise of 3.0% in the latest month

Businesses continued to be impacted by the need to conform to government health and safety guidelines, for example manufacturing and restaurant businesses adapting to a socially distanced working environment. This may have hindered the ability for some businesses to reach levels of productivity managed prior to the COVID-19 pandemic.

Six months after the February 2020 pre-pandemic peak we can begin to analyse the relative performance of individual industries. We can study the level of output and growth between February 2020 and August 2020 for each industry within services (Figure 2) or manufacturing (Figure 3) by placing them in one of five groups:

- Group 1 industries have met or exceeded their February 2020 level of output
- Group 2 industries, which are between 90 and 99% of their February 2020 level of output
- Group 3 industries, which are between 80 and 89% of their February 2020 level of output
- Group 4 industries, which are between 50% and 79% of their February 2020 level of output
- Group 5 industries, which achieved less than 50% of their February 2020 level of output

Figure 2: Four services industries remain below 50% of their February 2020 level

Services industries, monthly growth, seasonally adjusted, UK, August 2020 compared with February 2020

Download the data

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Within services there are seven industries in Group 1 that have achieved positive growth, accounting for 30.2% of services output. These include postal and courier activities, retail, wholesale, retail and repair of motor vehicles, and real estate activities on a fee or contract basis. A further 20 industries are within Group 2, accounting for 35.4% of services output.

However, 23 industries, accounting for 34.6% of services, have underperformed and are still failing to reach 90% of their February levels. These include 10 industries (17.7%) in Group 3 and nine industries (14.8%) in Group 4. Group 5 contains four industries that failed to reach 50% of their pre-February 2020 level. These are travel agencies, air transport, rail transport and creative, arts and entertainment where social distancing guidelines continue to have a significant impact.

Figure 3: Most of the manufacturing industries remain below their February 2020 level

Manufacturing, monthly growth, seasonally adjusted, UK, August 2020 compared with February 2020

Download the data

.xlsx

Within manufacturing, 12 industries, accounting for 23.7% of manufacturing output, have experienced growth since February, including pharmaceuticals, grain mill products, textiles and alcoholic beverages. A further 16 industries are within Group 2, accounting for 31.5% of manufacturing output.

This leaves 16 industries that have underperformed, failing to reach 90% of their February levels, including nine industries (26.3%) in Group 3.

Group 4 are those industries that have declined to output levels of between 79% and 50% of output seen in February 2020. There are seven industries, accounting for 18.4% of manufacturing output, including manufacture of motor vehicles, manufacture of aircraft and repair and maintenance of aircraft. There are currently no Group 5 industries in manufacturing.

Business inactivity remains above normal levels

In August 2020 the vast majority of businesses were able to trade, with the amount of businesses submitting returns to our Monthly Business Survey (MBS) as zero turnover at 7.6% in August 2020, an improvement on 8.2% in July 2020. This remains above pre-pandemic levels, as in February 2020 some 5.7% of businesses reported zero turnover. However, this is a significant improvement on the peak of 15.6% that reported zero turnover in April 2020.

These figures are supported by our analysis of Coronavirus and the economic impacts on the UK. From Wave 11 and Wave 12 (which covered 27 July 2020 to 23 August 2020) of the Business Impact of Coronavirus (COVID-19) Survey (BICS): Preliminary weighted results, 81.5% and 82.7% of businesses by count respectively, reported currently trading as their current trading status, while 16.3% and 15.0% of businesses by count respectively, reported that they had temporarily closed or paused trading. BICS includes all businesses in our Monthly Business Survey (MBS) and so also includes retail and construction businesses as well as production and services.

More about coronavirus

- Find the latest on coronavirus (COVID-19) in the UK.
- All ONS analysis, summarised in our coronavirus roundup.
- View all coronavirus data.
- Find out how we are working safely in our studies and surveys.

Notes for: The UK economy during the coronavirus (COVID-19) pandemic

1. Services comprise 79.0% of the UK economy, while production (including manufacturing) and construction comprise 13.9% and 6.4% respectively.

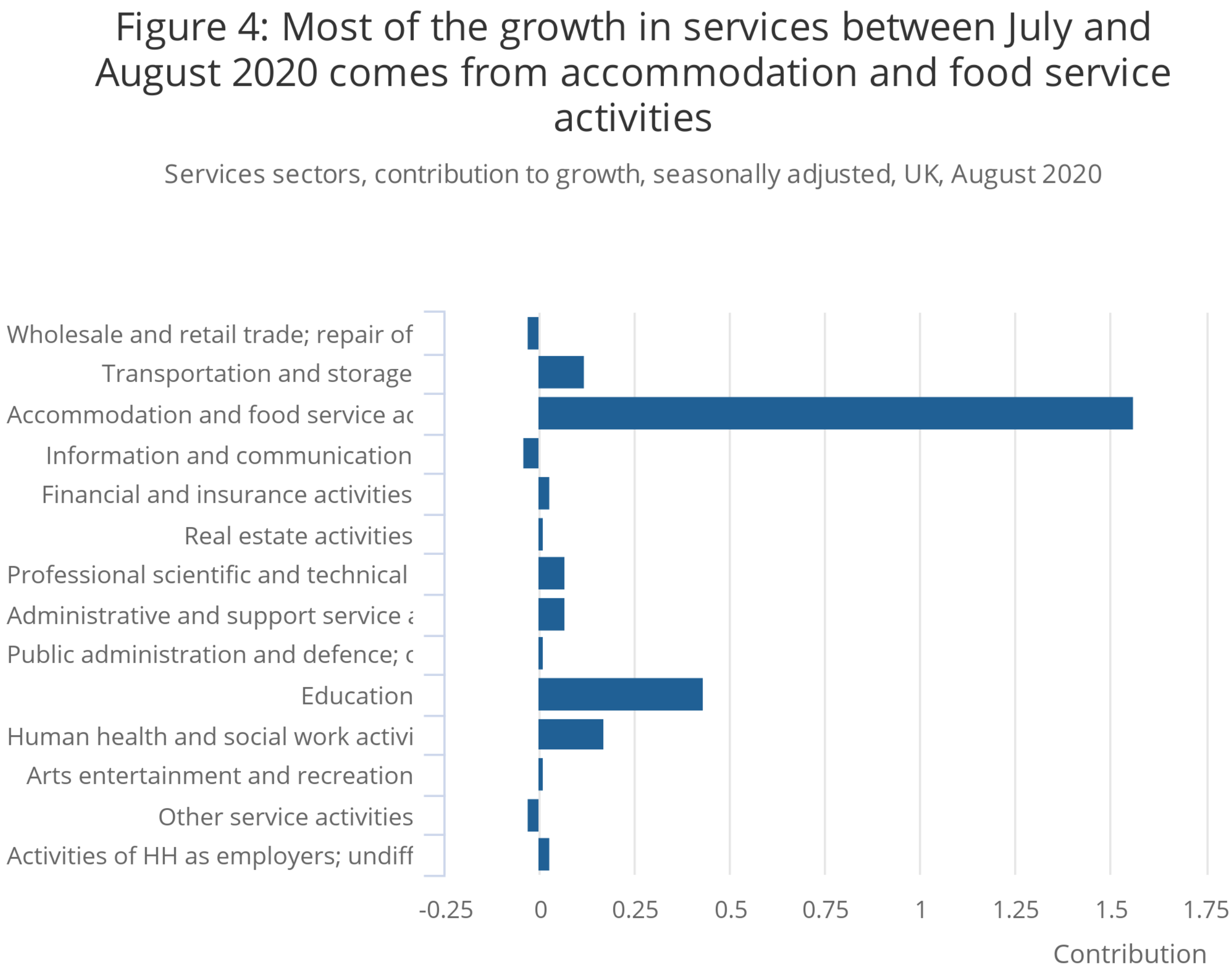
3 . Services industries

The output of service industries grew by 2.4% during August 2020 and was 9.6% below the level of February 2020. There was a mixed picture with 33 of the 51 industries experiencing growth, driven particularly by food and beverage services and accommodation. However, 18 industries witnessed a decline, led by wholesale and retail trade and repair of motor vehicles which delivered the largest downward contribution to services growth. There were also notable falls in computer programming, accountancy and other personal services.

Overall growth was muted and reliant largely on four subsectors (Figure 4). Across services, 65% of the monthly growth came from accommodation and food services activities with more businesses opening up to take advantage of the eat out to help out scheme and increased demand for staycations. In addition, education and health displayed growth accounting for 24% of the monthly growth in services.

Figure 4: Most of the growth in services between July and August 2020 comes from accommodation and food service activities

Services sectors, contribution to growth, seasonally adjusted, UK, August 2020



Source: Office for National Statistics – Index of Services

Notes:

1. Parts might not sum to total because of rounding.

Against this background only 6 of the 51 industries grew between February 2020 and August 2020. The effect of the coronavirus in August 2020 was still evident, as shown in Figure 2 where a large majority of industries can be seen to have remained below their February 2020 level. There were four industries – rail transport, creative arts and entertainment, air transport and travel agency and tour operators – that are still less than 50% of their output in February 2020.

Food and beverage services – Eat Out to Help Out

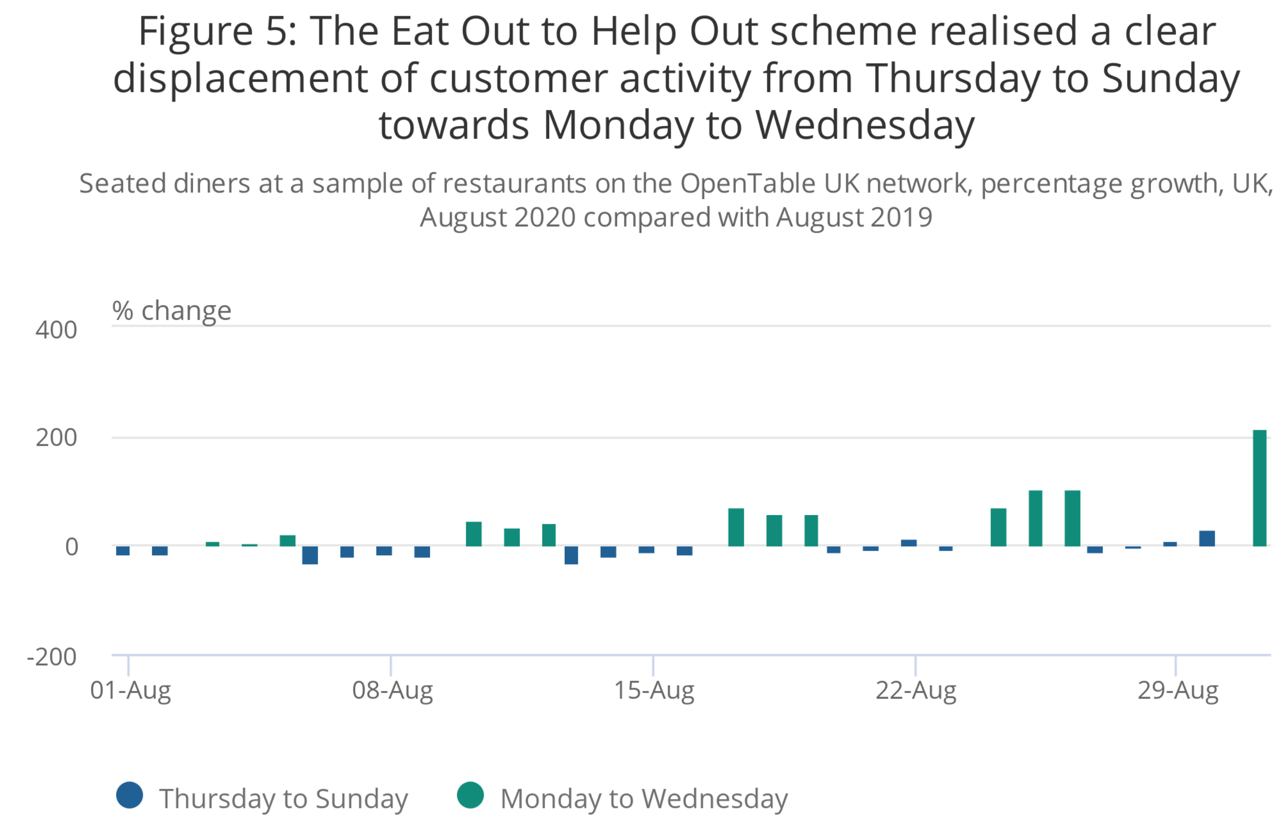
Food and beverage services, which includes restaurants, cafes, take-aways, pubs, clubs, canteens and catering, grew by 69.7% during August 2020. This was less than the 118.7% growth during July 2020 when the industry took advantage of the lifting of trading restrictions. Output in August 2020 was 11.1% below the level of output seen in February 2020.

The Eat Out to Help Out Scheme (EOTHO) offered food and non-alcoholic drink subsidies on Monday, Tuesday and Wednesday during August 2020. The subsidy was not directly measured as part of our output survey as businesses should not include this within their turnover and they were instructed to this effect as part of our data collection. However, the impact of the subsidy itself is evident through our Consumer Price Index and we have seen a 5.0% fall in the average price paid in this industry, although some of this fall should also be attributed to the temporary reduction in the VAT rate for hospitality activities.

There is independent administrative data from OpenTable that supports the view that bookings for food and beverage services increased significantly. Figure 5 demonstrates a clear displacement of customer activity from Thursday to Sunday towards Monday to Wednesday because of the EOTHO scheme. The number of customers taking advantage of the scheme grew stronger as the month progressed, peaking with a 216% increase on Monday 31 August. However, it should be noted that this was a bank holiday and the final day of the scheme.

Figure 5: The Eat Out to Help Out scheme realised a clear displacement of customer activity from Thursday to Sunday towards Monday to Wednesday

Seated diners at a sample of restaurants on the OpenTable UK network, percentage growth, UK, August 2020 compared with August 2019



Notes:

1. 31 August 2020 was a Bank holiday

2. For year-over-year comparisons by day, OpenTable compare with the same day of the week from the same week in the previous year. For example, Tuesday of Week 11 in 2020 to Tuesday of Week 11 in 2019.

Data from the Monthly Business Survey (all sums are at current prices and non-seasonally adjusted) showed a significant increase in turnover of £1,506m from July to August 2020 to give a total of £4,092m in August 2020. It is notable that this is less than the £5,056m level of turnover reached in August 2019, supporting the realisation that the industry has yet to reach pre-pandemic levels of output. This of course excludes the level of subsidy, a large part of which would be captured by activities in this industry. Business claims currently totalling £522m have been publicised.

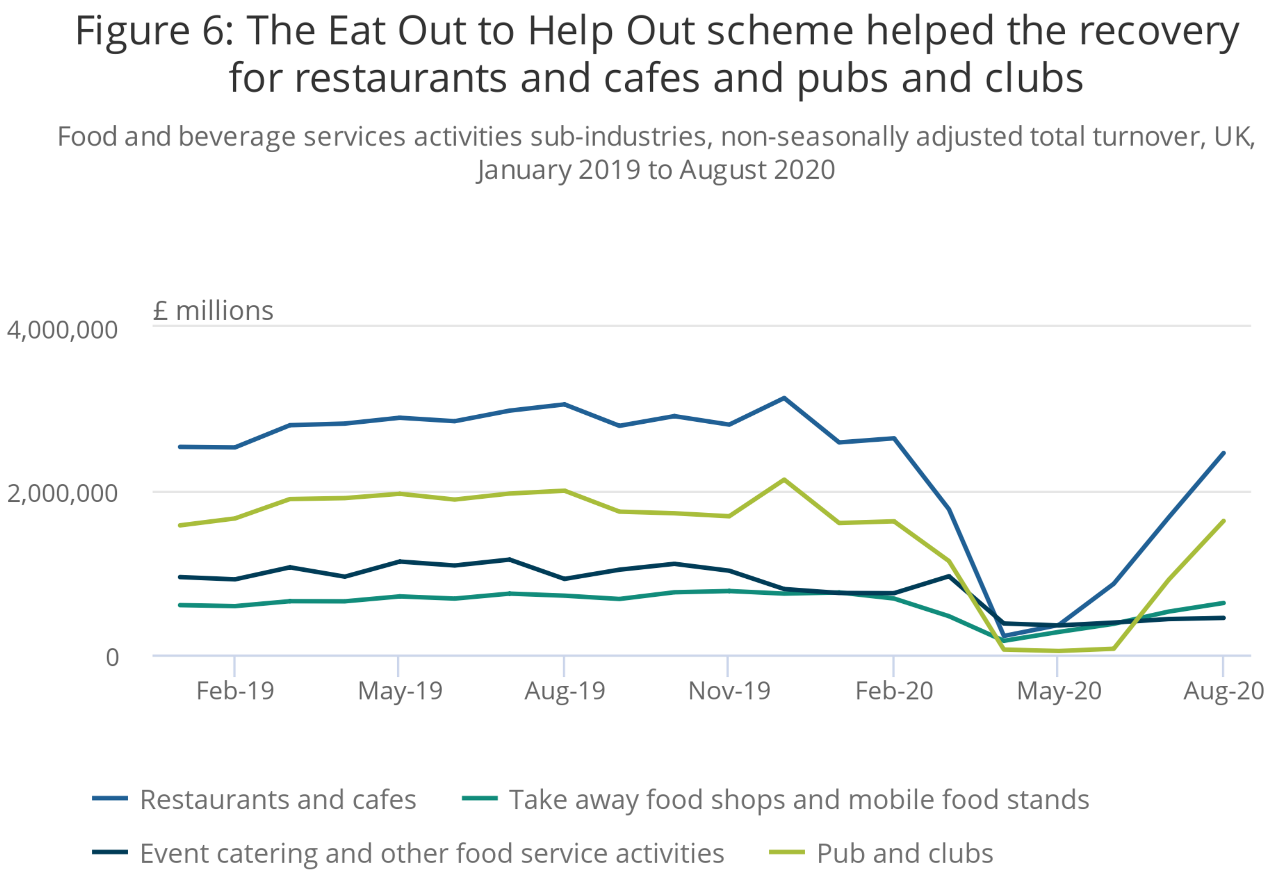
At sub-industry level the performance in August 2020 was mixed (Figure 6). Canteens and catering only grew by 3.2% during the month to reach £447m or 48.4% of the level seen in August 2019. The sub-industry was comparatively resilient during the early part of the pandemic. However, the ongoing lack of demand for canteen services and continuing restrictions and lack of demand for catering continued to have a significant effect by limiting growth.

Take-aways grew by 20.1% to £630m in August 2020, some 87.6% of the level recorded in August 2019. Growth in this sub-industry is lower due to the stronger performance during April, May and June 2020 as the sub-industry has proven to be the most resilient to the impact of the pandemic within the industry.

Restaurants and cafes grew strongly by 47.0% to reach £2,461m which is 80.6% of the turnover seen in August 2019. This sub-industry has witnessed strong but comparatively stable growth over recent months, growing by 93.7% during July 2020. The largest rise was from pubs, bars and clubs, which grew by 78.8% to reach £1,632m in August 2020, some 81.5% of the £2,001m turnover reached in August 2019. The sub-industry has seen significant growth since reporting turnover of just £71m in June 2020, with July turnover increasing to £913m.

Figure 6: The Eat Out to Help Out scheme helped the recovery for restaurants and cafes and pubs and clubs

Food and beverage services activities sub-industries, non-seasonally adjusted total turnover, UK, January 2019 to August 2020



Source: Office for National Statistics – Monthly Business Survey (MBS)

Hotels and accommodation

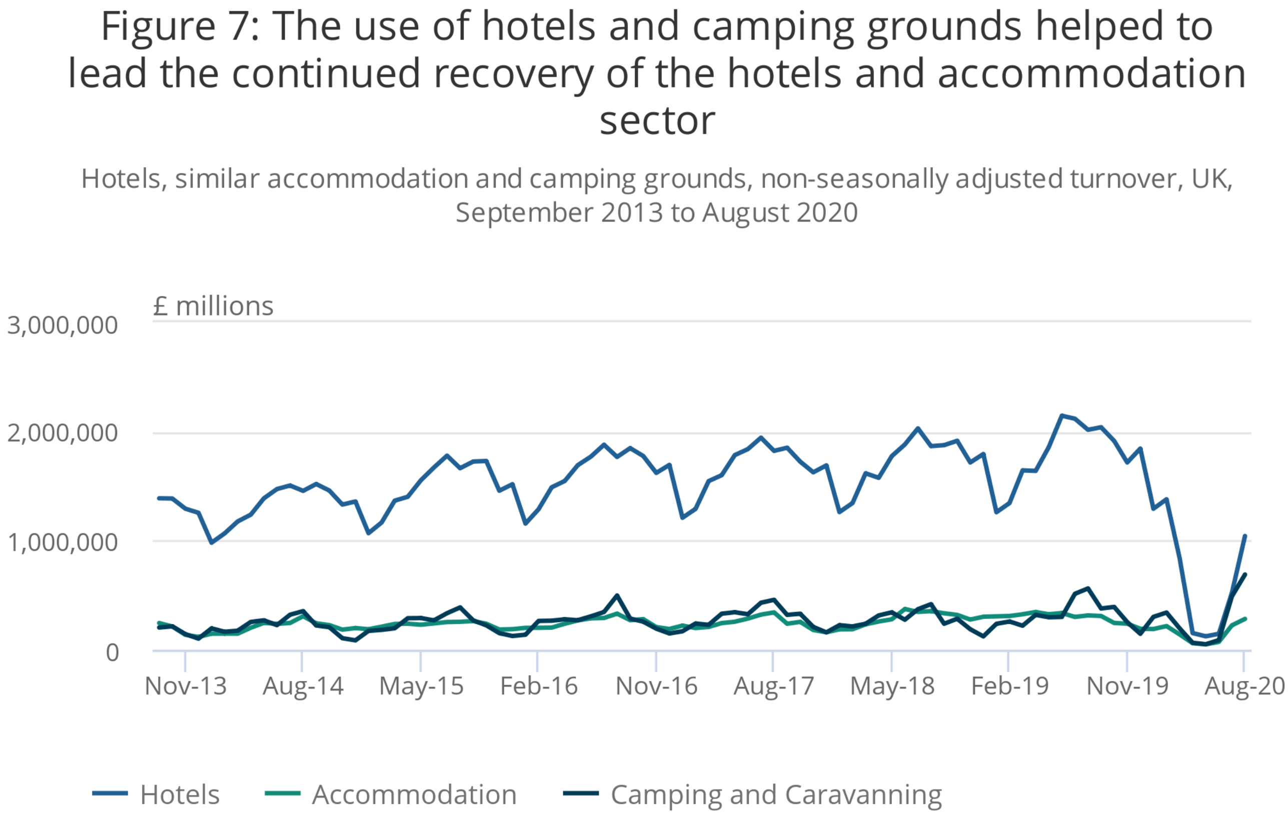
Hotels and accommodation was still impacted by social distancing in August 2020 but provided a significant contribution to services growth, growing by 84.4% while output was 22.1% less than February 2020.

During August 2020 there was significant growth at camping and caravan sites to record levels. Our survey (all sums are at current prices and non-seasonally adjusted) recorded turnover grew by 40.8% to £688m compared with turnover of £561m in August 2019, a 22.7% increase. The impact of staycations clearly had a positive effect in this sub-industry. The accommodation sub-industry, including cottages and holiday homes, also saw significant growth of 26.4% but the level of turnover was 30.2% less than August 2019.

The hotel sub-industry continued recovered strongly during August compared with other sub-industries, although the level of output in August 2020 was 48.3% less than February. This was even after significant growth of 99.9% as hotels benefitted from increased demand, eat out to help out and the greater opening of businesses. Across the entire industry the proportion of businesses submitting zero turnover responses again fell from 12.6% in July 2020 to 8.3% in August. This remains above the February 2020 level of 2.8%.

Figure 7: The use of hotels and camping grounds helped to lead the continued recovery of the hotels and accommodation sector

Hotels, similar accommodation and camping grounds, non-seasonally adjusted turnover, UK, September 2013 to August 2020



Source: Office for National Statistics – Monthly Business Survey (MBS)

Education

The market element of education consists primarily of universities and other education providers such as driving instructors and saw a 3% growth into August 2020. The market element of education comprises approximately 21% of the industry (the remaining 79% includes non-market education, predominantly primary and secondary schools). Non-market education was estimated at approximately 85% of normal attendance at a point when the vast majority of pupils were on holiday. The recent blog measuring education output in the summer of the pandemic explains our approach in estimating education output during August where we have effectively drawn a straight line between attendance in July 2020 and the estimated attendance in September 2020 to determine our estimate for August 2020. This builds upon an earlier blog measuring public services, which outlined our approach to measuring education output.

Human health and social work activities

Approximately 85% of human health and social work is government output, which is measured using direct volume indicators rather than by deflating expenditure. The volume of government healthcare output in the UK is estimated using available information on the number of different kinds of activities and procedures, and it is weighted by the cost of each activity. It is detailed in [Section 4 of Coronavirus and the effects on UK GDP](#).

This element of health saw an estimated 3% growth in July 2020, although this is based on an incomplete dataset at this stage. The Monthly Business Survey (MBS) measures 10% of the health industry and includes non-government health care; this element of health care rose by approximately 4% because of widespread growth across the sector.

Professional, scientific and technical

Professional, scientific and technical activities were 11.5% below February 2020; after strong growth in June 2020 this has slowed to a muted 0.7% increase between July and August 2020. The largest positive contributions to growth are due to widespread increases in head office and management consultant activities and the engineering component of architects and engineers, although architects continue to perform poorly. There was a notable fall in accountants, driven by large businesses, and a small fall in legal activities which was widespread but more significant for smaller businesses.

Information and communication

The small fall in August 2020 was due to the fall in computer programming, which was widespread in nature across each sub-industry and for small and large businesses. This overshadowed small rises in information services and publishing activities.

Wholesale and retail trade: repair of motor vehicles

Growth in the retail and wholesale industries was subdued in August 2020. The fall in this sector was caused by wholesale and retail trade and repair of motor vehicles. This fell by 5.1% after a very strong July 2020, due primarily to pent up demand following lengthy closures. Although the industry has fallen back it remained 2.9% above the level of output in February 2020 suggesting that this level may still be dependant upon the pent up demand from car sales.

Transport

The transport sector remained one of the biggest areas of services affected by the coronavirus as people have been homeworking, with rail transport 58.4% lower than February 2020.

With many restrictions on travel and quarantine regulations in place, the slowdown in international travel has seen air transport reduce to only 16.7% of its February 2020 level. Land transport has been affected by a reduction in commuters, including bus services which for example were at 43% of August 2019 levels in August 2020 outside London according to the Cabinet Office Briefing Room report, Transport use during the coronavirus (COVID-19) pandemic.

Post and courier activity was 7.2% above the February 2020 and has benefitted from the increase in online retailing since February 2020 (see Retail sales, Great Britain: August 2020).

Other service activities

The fall in August 2020 was due to other personal services where responder-led evidence suggest that a decline in hairdressing and other beauty treatment was partly because of a fall back in demand following the intitial surge in business when they re-opened in July. Responder-led evidence also suggests that due to social distancing fewer customers can be booked in and some customers are reluctant to go to salons so usual customer numbers have been impacted.

In funeral and related activities there has been a third consecutive monthly decline following a peak in April 2020. These more than offset a small rise in cleaning and laundry services, which continue to pick up with demand from hotels and accommodation.

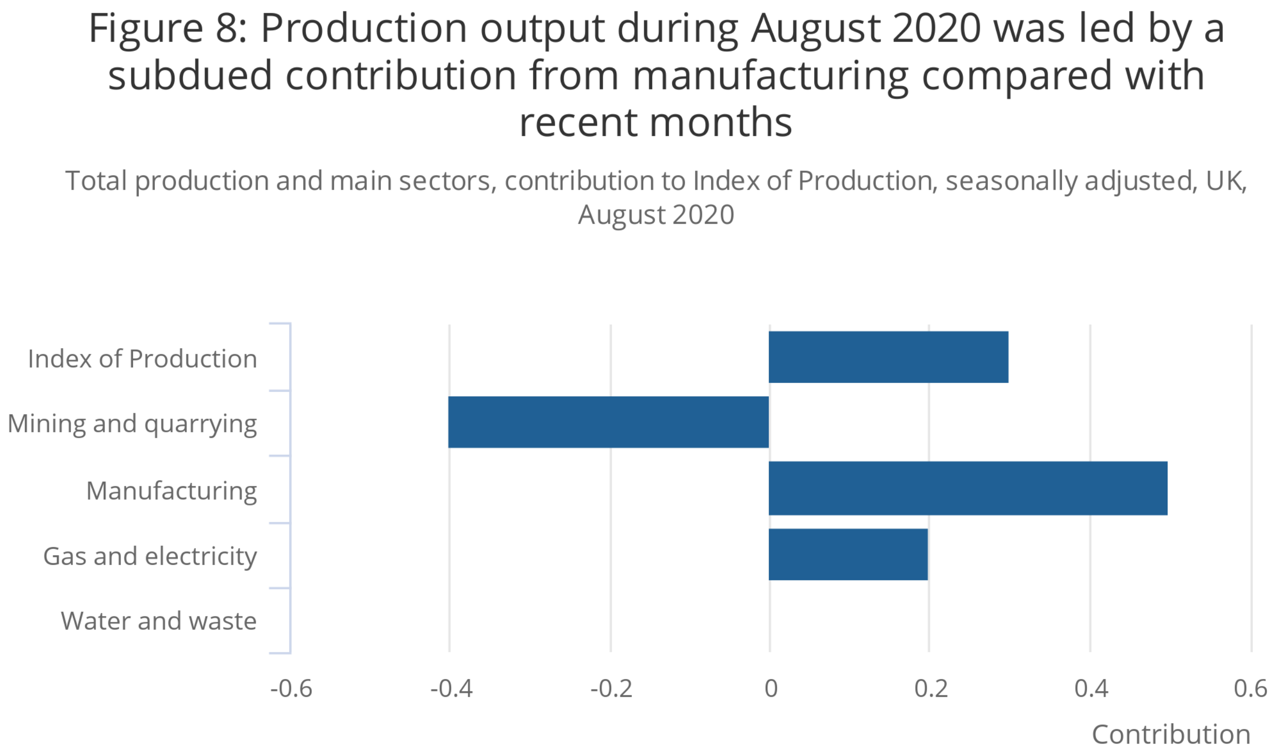
4 . Production industries

Production output during August 2020 continued to be affected by the coronavirus (COVID-19) pandemic, at 6.0% below the level of February 2020, the last full month of “normal” operating conditions.

Production output increased during August 2020 by 0.3%. The strength was primarily because of the rise from the manufacturing sector, which contributed 0.5 percentage points (Figure 8) and accounts for 73% of the production industries. August’s growth is the fourth consecutive period of monthly growth for production output but should be interpreted in the context of the ongoing recovery, following weakness displayed during March and April 2020 because of the significant impact of the coronavirus.

Figure 8: Production output during August 2020 was led by a subdued contribution from manufacturing compared with recent months

Total production and main sectors, contribution to Index of Production, seasonally adjusted, UK, August 2020



Source: Office for National Statistics – Index of Production

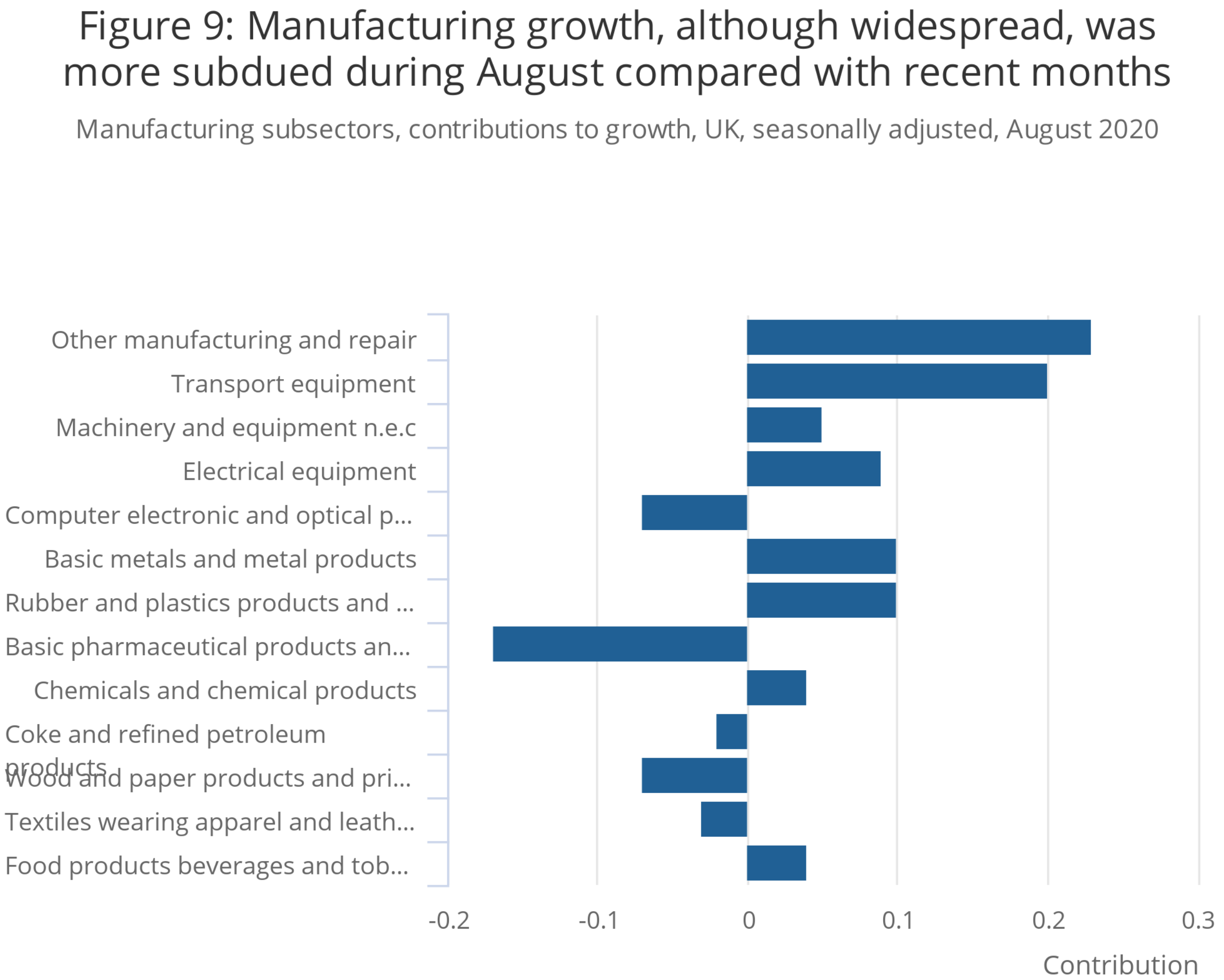
Notes:

1. Parts may not sum because of rounding.

Monthly growth from manufacturing of 0.7% was relatively widespread, with 8 of the 13 subsectors displaying upward contributions (Figure 9). Despite being the fourth consecutive monthly growth since April 2020, manufacturing output is still 8.5% below the level of February 2020

Figure 9: Manufacturing growth, although widespread, was more subdued during August compared with recent months

Manufacturing subsectors, contributions to growth, UK, seasonally adjusted, August 2020



Source: Office for National Statistics – Index of Production

Notes:

1. Parts may not sum because of rounding.

Following strong growth during May, June and July, as lockdown restrictions were eased, August's growth was muted, as only a limited number of lockdown restrictions across the UK remained during August 2020.

Over the coming months, the demand for goods will be the primary factor in determining how fast output for many of the manufacturing sectors return to February 2020 levels.

Following a fall in both export and domestic turnover growth over both March and April 2020, there was a partial recovery for both variables during May to August 2020, suggesting the further reopening of UK and worldwide supply chains amid the easing of lockdown restrictions.

However, we received responder-led evidence suggesting that some businesses who experienced reduced levels of output during August 2020 had still been impacted by:

- the loss of usual trading or factory operating conditions because of social distancing requirements
- problems with supply chains (in the UK and overseas)
- a lack of consumer demand

Given the continued widespread impact of the pandemic across production and manufacturing, we have highlighted the most interesting anecdotal evidence, both positive and negative, on subsector- and industry-level growth.

Food products

The food products industries were 3.8% weaker in August than in February 2020, with the other food products category (this includes sugar, tea and coffee processing, manufacture of prepared meals, condiments and seasonings) the hardest hit since the start of the pandemic.

August 2020 saw a negligible 0.1% increase compared with July 2020. Only three of the eight sub-industries within this sector rose, highlighting a mixed picture for monthly growth, compared with recent months, with the most notable rise in other food products (2.1%).

The subdued nature of the growth is possibly due to a variance in demand for food products within supermarkets compared with the hospitality sector. Increased demand for products for those facing the hospitality sector was driven during August by the Eat Out to Help Out scheme (analysed further within Section 3 of this article). In contrast, our latest Retail Sales Index for August 2020 suggests that food stores suffered a drop in footfall during August, which may have reduced spending in supermarkets. In turn, this would have impacted on demand for those businesses supplying food stores.

Elsewhere, some responders that saw increased demand from the “panic-buying phase”, prominent in supermarkets during March 2020, have seen turnover return to typical levels over the past few months. Also, demand for some seasonal products such as ice cream, BBQ products and others have been impacted by social distancing restrictions on large gatherings, live events and a general downturn in demand in some tourist areas.

Alcoholic beverages and soft drinks

Despite monthly growth of 1.2%, output for alcoholic beverages and soft drinks was 3.7% weaker in August than in February 2020. The weakness is purely down to the soft drinks industry, as the manufacture of alcoholic beverages has fully recovered and matched the output level seen during February 2020.

A very subdued month of growth across the both sub-industries is reflective of a calming of demand following the re-opening of pubs in England during July when the industry saw strong growth.

Textiles, wearing apparel and leather products

This sector suffered a slight setback in its recovery, falling by 1.2% during August 2020, due to a 3.1% fall from textiles, although this follows very strong July growth. As a result, output at sector level was still 4.5% weaker in August than in February 2020.

Despite the monthly fall in textiles, there was continued evidence of diversification, with some responders starting or continuing to produce personal protective equipment (PPE) such as masks and overalls. As a result, output remained above the February 2020 level by 2.4%.

Clothing, which had been struggling to recover, grew this month by 3.5% but was still 14.5% below the February level, showing the variation of the rate of recovery for industries, even within the same sector. Our Retail Sales Index for August 2020 supports the weakness seen in this industry. It was reported that clothing stores were one of the worst hit since the start of the pandemic, with sales during August 2020 at 15.9% lower than February 2020.

Wood and wood products except furniture

Following notable strength over recent months, this industry declined slightly, falling by 1.5% during August, primarily because of a drop in demand, following the continued increase in supply to the construction trade during May to July. Output remained 5.1% above its February 2020 level, primarily due to the continued evidence of increased demand for DIY products as people spent more time making home improvements during lockdown. This is supported by our Retail Sales Index release for August 2020, which evidenced that household goods stores saw an increase in volume sales in August at 9.9% compared with February 2020, mainly because of increased sales for home improvement items.

Transport equipment

Sector-level growth of 2.4% during August 2020 continued the recovery, but this should be noted in the context of output being 25.8% weaker than in February 2020.

Monthly strength was led by motor vehicles, trailers and semi-trailers. This industry displayed a rise of 3.8%, although this is 26.1% lower than the February 2020 level. We received respondent-led evidence that during August widespread planned shutdowns impacted output across the industry.

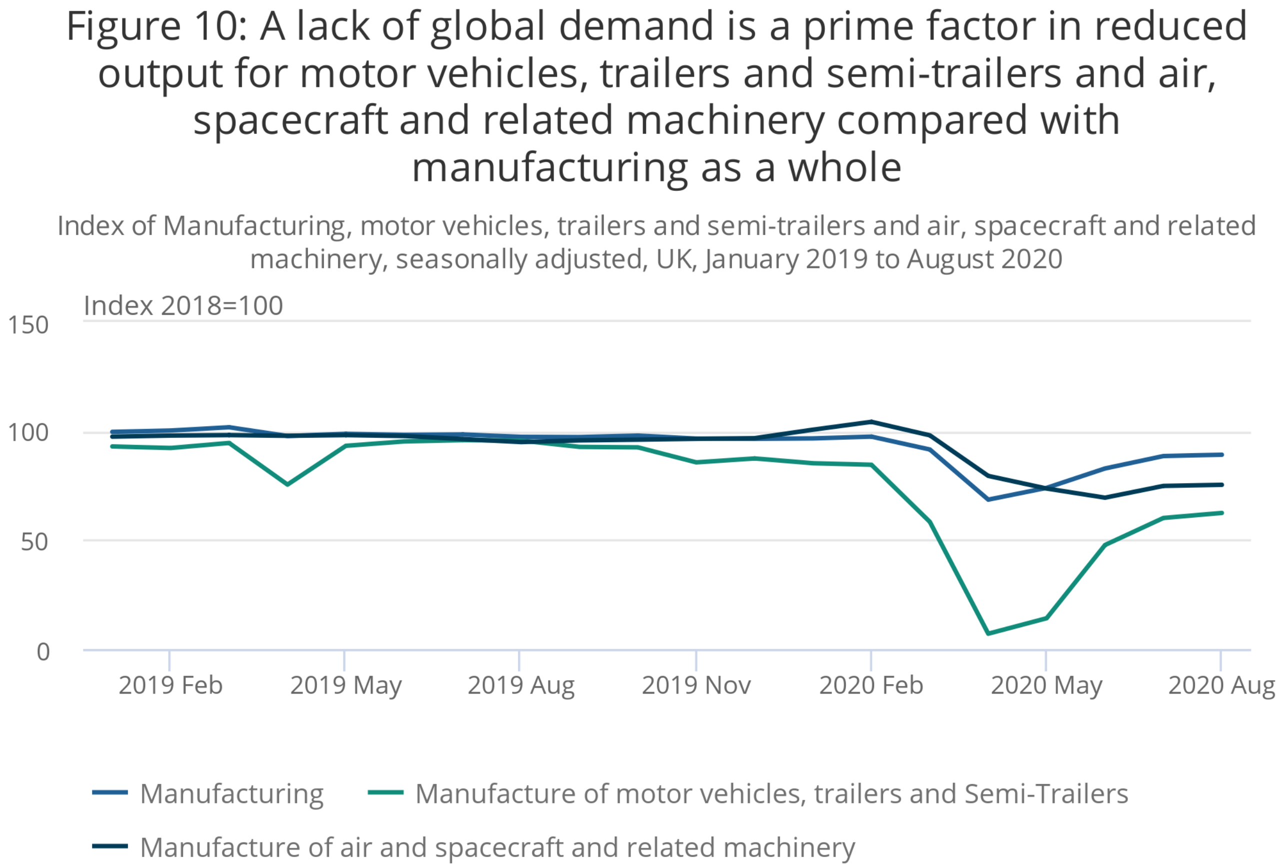
Because of ongoing weak global demand, car production remained significantly below normal levels. The Society of Motor Manufacturers and Traders (SMMT) reported that during August 2020, the total number of cars manufactured and the total number of cars exported had declined by 44.6% and 41.1% respectively on August 2019 levels.

The air, spacecraft and related machinery industry rose by a negligible 0.6% during August 2020, but output was 27.8% weaker than in February 2020. As a result of the widely reported negative impact on global civil aviation, manufacturers facing this sector have been severely impacted. Continued uncertainty over worldwide travel and quarantine restrictions, during what should be a peak period for the industry, has impacted passenger numbers.

Figure 10 shows that the lack of global demand has reduced output for both industries, in comparison with total manufacturing output and with their February 2020 level. Additionally, supply chains for both industries have been negatively impacted, which in turn had a negative effect on associated industries in other subsectors across manufacturing.

Figure 10: A lack of global demand is a prime factor in reduced output for motor vehicles, trailers and semi-trailers and air, spacecraft and related machinery compared with manufacturing as a whole

Index of Manufacturing, motor vehicles, trailers and semi-trailers and air, spacecraft and related machinery, seasonally adjusted, UK, January 2019 to August 2020



Source: Office for National Statistics – Index of Production

Other manufacturing

This industry rose by 2.8% during August, and output remained above February 2020 levels, at 8.2%. Respondent-led evidence suggested a continued positive effect in August from increased demand for medical equipment (for example, personal protective equipment (PPE), ventilators and oxygen tubing). We also received respondent-led evidence of increased demand for other medical equipment, linked to the further reopening of non-essential medical appointments and surgery (for example, dentists and opticians).

We also received continued evidence of a positive impact from increased demand for toys and games.

Mining and quarrying

The monthly sector-level decline of 4.1% was because of decreased output from oil and gas extraction, which fell by 4.2%. Following several months of strength, output for this industry had levelled off since July; the subsequent fall during August is primarily due to the impact of additional maintenance. Sector-level output was 3.4% below February 2020, driven by oil and gas extraction, at 3.3% below February 2020.

Electricity and gas

The rise of 1.6% at sector level was driven by electricity supply. This rose by 1.7%, mainly because of increased demand from industry as more factories and premises reopened during August.

5 . Construction

Construction output grew by 3.0% (£368 million) in August 2020 compared with July 2020, because of increases in most construction sectors. New work grew by 3.5% (£270 million) in August 2020, with repair and maintenance growing by 2.3% (£98 million).

This is the fourth consecutive month of growth in all work since the large fall in construction output in April 2020, though the level of output remains 10.8% (£1,509 million) lower in August 2020 when compared with the pre-coronavirus (COVID-19) pandemic level in February 2020.

For more information, please see Construction output in Great Britain: August 2020.

6 . Data collection and sources

The Monthly Business Survey (MBS) is the primary data source for 75% of production industries and 50% of services industries. This is an online questionnaire where businesses are asked to provide their turnover and, if they are within manufacturing, export turnover.

Survey response

Response by turnover for services industries in August 2020 was 82.7%, down on the 85.7% achieved in August 2019 (see Historical MBS (services) response rates).

Similarly for production industries, response by turnover was 84.9% in August 2020, down on the 87.9% achieved in August 2019 (see MBS (production) response rates).

The response by turnover for the construction industries for August 2020 was 74.4% (see Table 5 in the construction output August 2020 release). This is partially because data collection for the MBS for construction and allied trades has been transitioning to an online questionnaire since April 2020.

Other data sources

Other data are primarily sourced from the Office for National Statistics (ONS) (for example, government expenditure, household expenditure and financial corporations expenditure) but also other bodies such as the Department for Transport, the Civil Aviation Authority and the Department for Business, Energy and Industrial Strategy. These account for 50% of services industries and 25% of production industries. We are also able to gain intelligence from these data providers regarding monthly changes in their data.

We also use the fortnightly Business Impact of Coronavirus (COVID-19) Survey (BICS) as part of our quality assurance and validation process.

Change in VAT rate and the impact of the Eat Out to Help Out (EOHO) scheme

On 8 July 2020, the government announced a temporary reduction in the rate of Value Added Tax (VAT) from 20% to 5% for accommodation, hospitality and admissions, which will primarily impact the hotels and accommodation, food and beverage services, arts, and libraries, museums and culture industries. It covers the period 15 July 2020 to 12 January 2021. Businesses will decide whether to pass the cut fully or partially on to consumers, or not at all.

However, the timing of the announcement has meant that changes in consumer price behaviour were not reflected in July 2020. We have estimated the pass-through rate of the VAT cut at 15% from studying volume data from OpenTable, which provide information on the industry by showing year-over-year seated diners at a sample of restaurants on the OpenTable network across all channels: online reservations, phone reservations and walk-ins. We have also used intelligence on business intentions in the restaurant and take-away sector. However, the impact of this rate cut has proven problematic to isolate given the increase in demand following the relaxing of social distancing measures. We must highlight that volume estimates for the primarily impacted industries are more prone to revision than normal in July. These will be revisited when further analysis becomes available.

The impact of the change in VAT rate has been reflected within consumer price behaviour in August.

August also saw the operation of the Eat Out to Help Out (EOHO) scheme. This was a 50% discount on food or non-alcoholic drinks to eat or drink in (up to a maximum of £10 discount per diner), every Monday, Tuesday and Wednesday between 3 and 31 August. This subsidy impacted consumer prices and has been described more fully in our article, Consumer price statistics: resuming a field-based price collection.

The UK National Accounts treat the government’s Eat Out to Help Out (EOTHO) scheme as a subsidy on products paid by central government to businesses in the private non-financial corporations (PNFCs) sector.

To ensure Gross domestic product (GDP) impacts in line with this treatment, respondents to the MBS have been asked to return turnover excluding any reimbursement from the government under the scheme. These returns have been deflated using the Consumer Price Indices within the food and drink categories, which themselves have been adjusted to reflect the reduced prices paid by consumers as a result of the scheme. This results in a headline volume series that will reflect higher output related to any increase in the volume of meals consumed under the scheme.

This release is based only on the output approach to GDP. Additional steps will be taken when GDP is compiled on a quarterly basis to ensure flows are routed as subsidies across all transactions in the three approaches to GDP. Aside from any usual data revisions, this should not affect the headline estimates of GDP published in this release.

7 . Related links

GDP monthly estimate, UK: August 2020
Bulletin | Released 9 October 2020
Gross domestic product (GDP) measures the value of goods and services produced in the UK. It estimates the size of and growth in the economy and includes the Index of Production (IoP), Index of Services (IoS) and construction output in Great Britain.

Coronavirus and the latest indicators for the UK economy and society: 1 October 2020
Article | Released 1 October 2020
Early experimental data on the impact of the coronavirus (COVID-19) on the UK economy and society. These faster indicators are created using rapid response surveys, novel data sources and experimental methods.

Coronavirus (COVID-19) roundup
Article | Updated as and when data become available
Catch up on the latest data and analysis related to the coronavirus pandemic and its impact on our economy and society.

Coronavirus (COVID-19) latest data and analysis
Web page | Updated as and when data become available
Latest data and analysis on the coronavirus in the UK and its effect on the economy and society.

Coronavirus and the effects on UK GDP
Article | Released 6 May 2020
How the global coronavirus pandemic and the wider containment efforts are expected to impact on UK GDP as well as some of the challenges that National Statistical Institutes (NSIs) are likely to face.

Meeting the challenge of measuring the economy through the coronavirus pandemic
Blog | Released 6 May 2020
A blog looking at new challenges we face in terms of data collection during the coronavirus pandemic.