

Article

Coronavirus and the impact on output in the UK economy: February 2021

Analysis of monthly growth for the production, services and construction industries in the UK economy between January 2021 and February 2021, highlighting the impact from the coronavirus (COVID-19) pandemic.



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Table of contents

1. [Main points](#)
2. [The UK economy during the coronavirus \(COVID-19\) pandemic](#)
3. [Services industries in February 2021](#)
4. [Production industries in February 2021](#)
5. [Construction](#)
6. [Data sources and quality](#)
7. [Related links](#)

1 . Main points

- Monthly gross domestic product (GDP) grew by 0.4% in February 2021 but remains 7.8% below its February 2020 level.
- The most significant contributor to the rise in GDP was a month-on-month rise of 0.2% in services in February 2021, but this sector remains 8.8% below its February 2020 level.
- Monthly production grew by 1.0% in February 2021 but remains 3.5% below its February 2020 level.
- Monthly manufacturing grew by 1.3% but remains 4.2% below its February 2020 level.
- Monthly construction grew by 1.6% but remains 4.3% below its February 2020 level.

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

Monthly gross domestic product (GDP) in February 2021 was 7.8% below the level in February 2020 (Figure 1), the last full month of “normal” operating conditions.

During February 2021, all the main components of monthly GDP remained below levels before the effects of the pandemic were seen. The main contributor to this decline was the fall in services, which was 8.8% below its level in February 2020.

Production was 3.5% below the level it was in February 2020, and the main contributor to this was the fall in manufacturing, which was 4.2% below its level in February 2020. Construction in February 2021 was 4.3% below its February 2020 level.

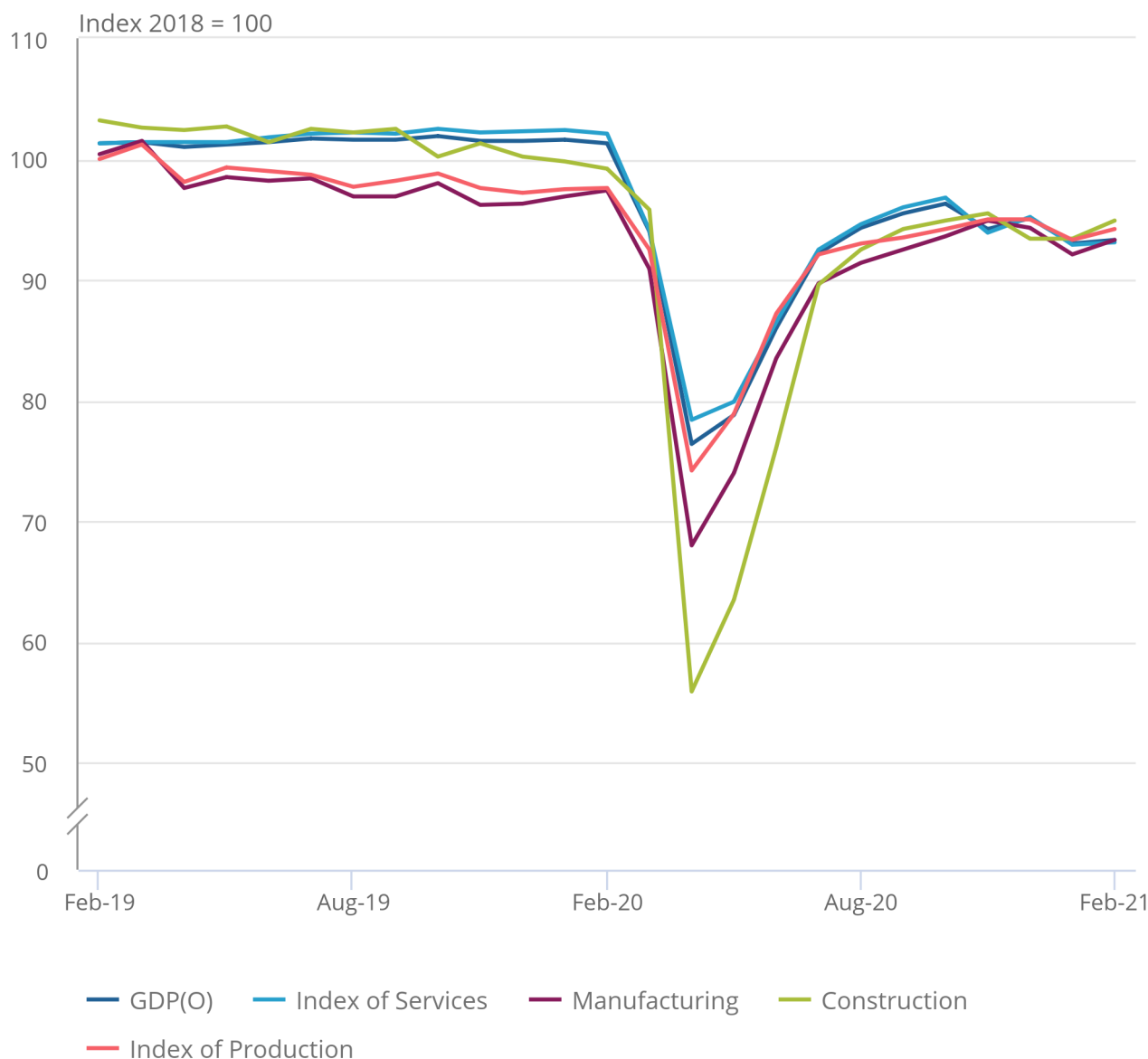
For more details, please see the [GDP monthly estimate, UK: February 2021](#).

Figure 1: Monthly GDP was 7.8% below the February 2020 level

Monthly gross domestic product and components index, seasonally adjusted, UK, February 2019 to February 2021

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Monthly gross domestic product and components index, seasonally adjusted, UK, February 2019 to February 2021



Source: Office for National Statistics – Monthly gross domestic product

Notes:

1. Be mindful of a break in the side axis when interpreting this chart.

During February 2021, there were widespread and extensive restrictions across the UK put in place by the UK government covering [England](#), and by the devolved administrations in [Northern Ireland](#), [Scotland](#) and [Wales](#), which affected services output the most.

Services

While the services sector as a whole had not recovered to pre-pandemic levels, some of its industries have been more severely affected than others (Figure 2). This is particularly true for transport; travel agencies and tour operators; accommodation; and creative, arts and entertainment activities.

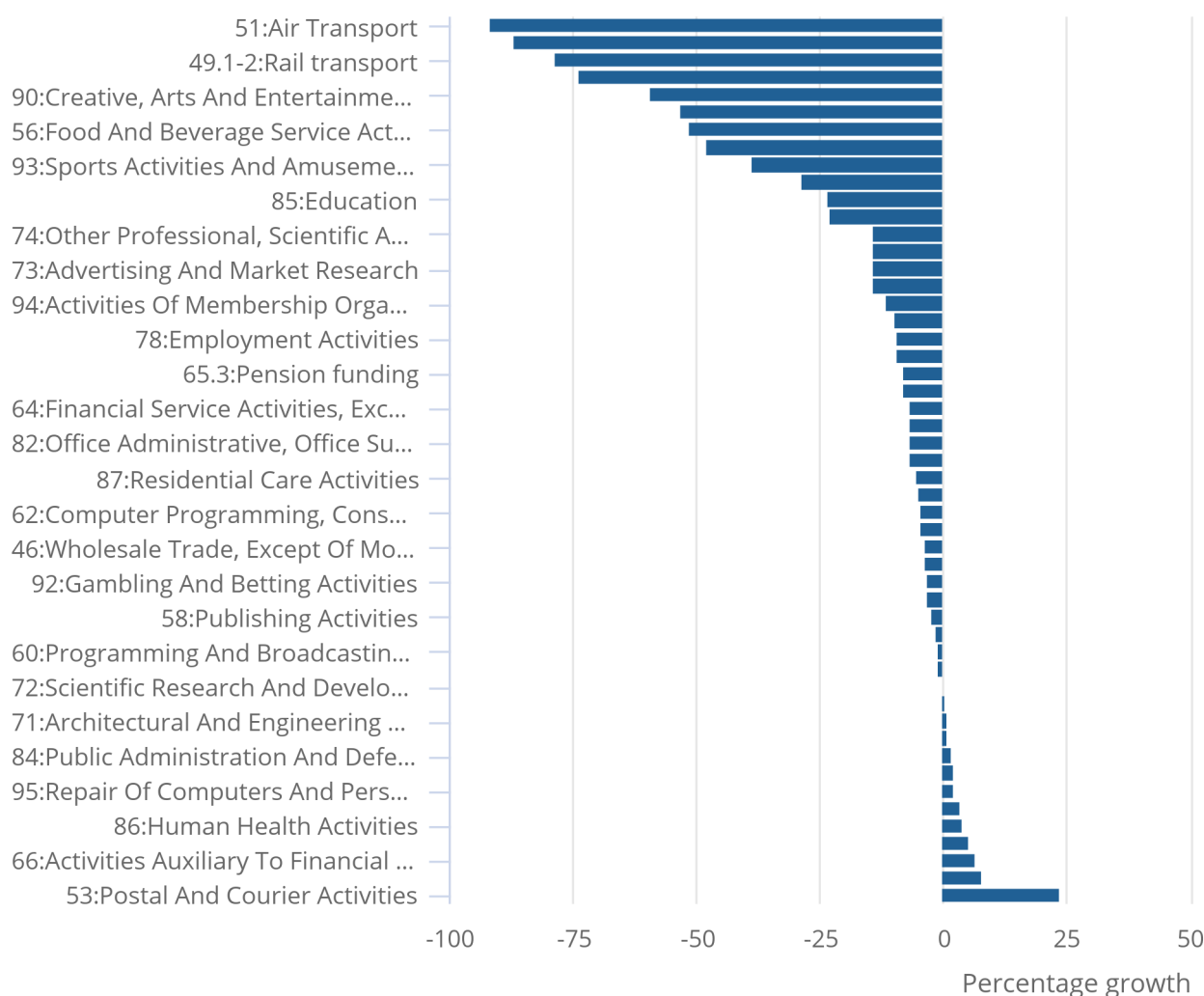
Other industries, such as postal and courier services; accounting, bookkeeping and auditing activities; and security and investigation activities have performed more strongly.

Figure 2: The majority of the services industries are below their February 2020 level

Services industries, monthly growth, seasonally adjusted, UK, February 2021 compared with February 2020

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Services industries, monthly growth, seasonally adjusted, UK, February 2021 compared with February 2020



Source: Office for National Statistics – Index of Services

Production

While production as a whole has not recovered to pre-pandemic levels, some of its industries have been more severely affected than others (Figure 3). This is particularly true for mining of coal and lignite (which has been affected by mine closures and falling demand for coal for electricity generation); manufacture and repair and maintenance of air and spacecraft; manufacture of coke and refined petroleum products; and manufacture of alcoholic beverages.

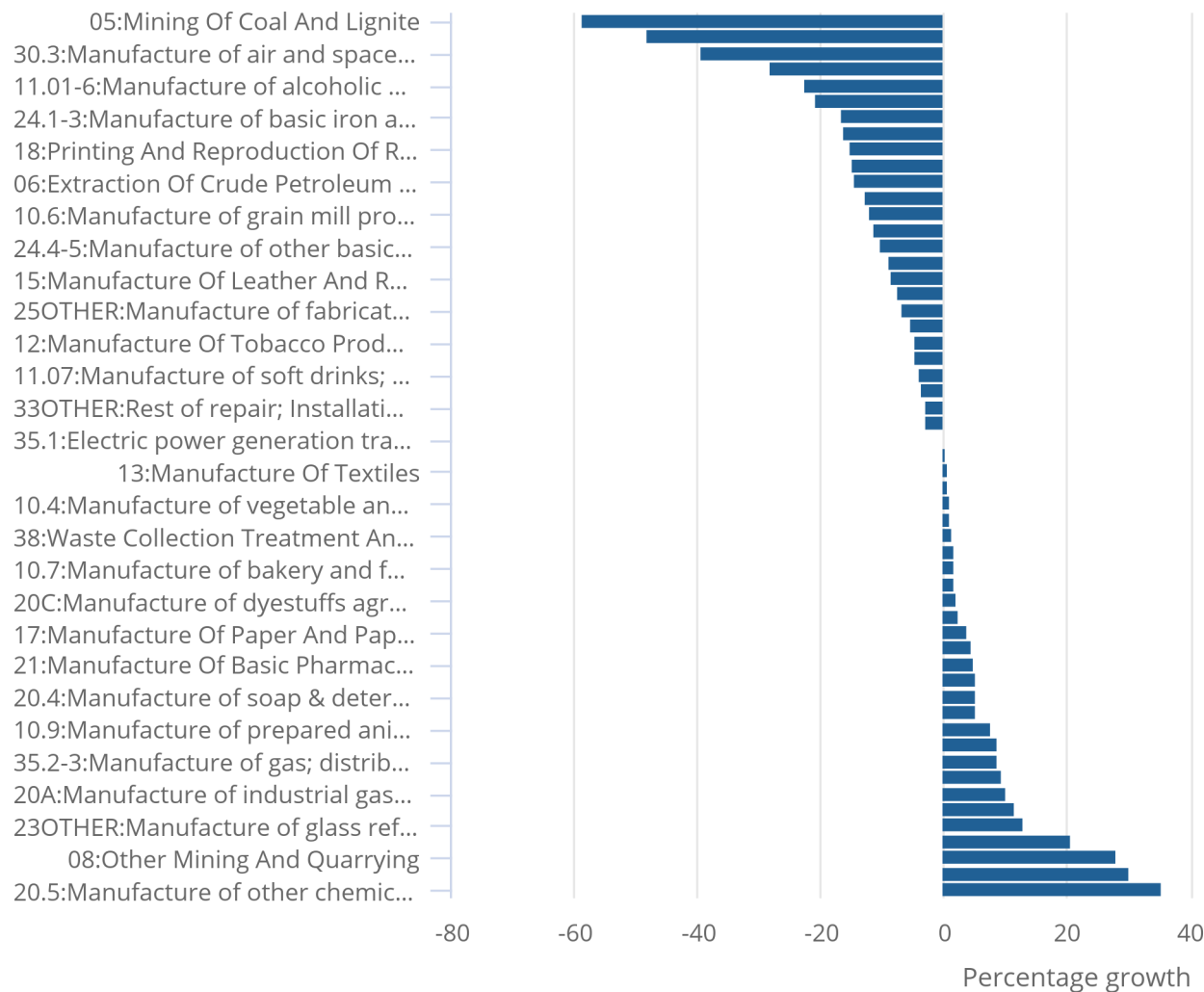
Other industries such as manufacture of other chemical products, mining of metal ores, and other mining and quarrying (where the materials mined are used in construction) have performed more strongly.

Figure 3: Almost half of the production industries are below their February 2020 level but some, such as manufacture of other chemical products, have grown considerably

Production industries, monthly growth, seasonally adjusted, UK, February 2021 compared with February 2020

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Production industries, monthly growth, seasonally adjusted, UK, February 2021 compared with February 2020



Source: Office for National Statistics – Index of Production

More about coronavirus

- Find the latest on [coronavirus \(COVID-19\) in the UK](#).
- [Explore the latest coronavirus data](#) from the ONS and other sources.
- 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 in February 2021

Services showed muted growth in February 2021 as a result of the ongoing coronavirus (COVID-19) pandemic. Monthly services output increased by 0.2%, and 10 of the 14 services sectors saw growth (Figure 4).

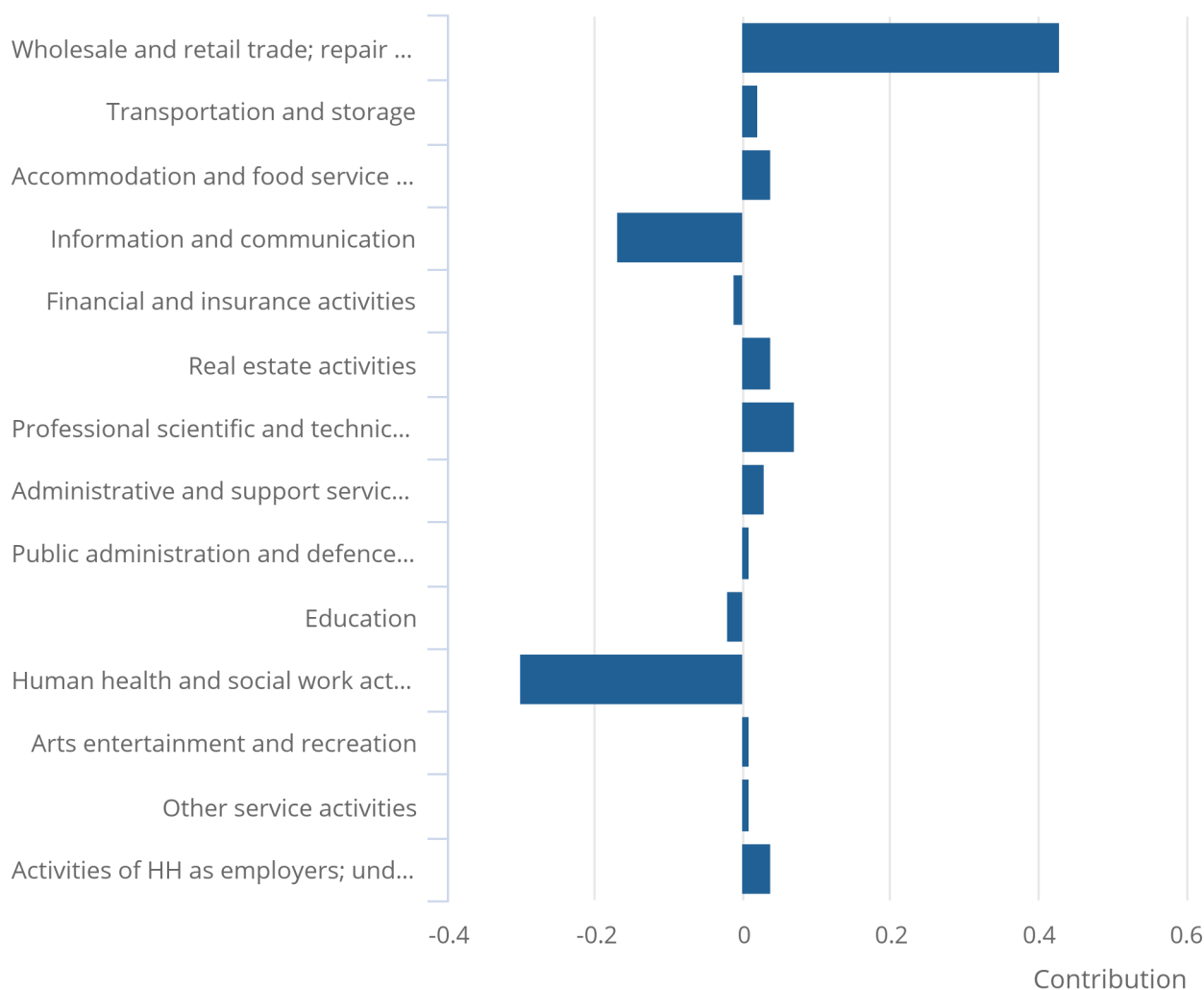
This growth was led by wholesale and retail trade, and repair of motor vehicles and motorcycles, with widespread smaller positive contributions elsewhere in services. However, these were counteracted by negative contributions from human health and social work activities, and information and communication.

Figure 4: Continued restrictions during February 2021 led to muted monthly growth across services

Services sectors, contribution to monthly growth, seasonally adjusted, UK, February 2021

Figure 4: Continued restrictions during February 2021 led to muted monthly growth across services

Services sectors, contribution to monthly growth, seasonally adjusted, UK, February 2021



Source: Office for National Statistics – Index of Services

Notes:

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

Given the continued impact of the pandemic across services, we have highlighted the most interesting anecdotal evidence, both positive and negative, on industry-level growth during February 2021, with reference also made to the recovery against February 2020 levels.

Information and communication

The information and communication sector fell by 1.8% in February 2021 and is now 4.1% below its February 2020 level. This fall was widespread across the sector, with telecommunications, and computer programming, consultancy and related activities providing the largest contributions to this decline.

Education

Education fell by 0.3% in February 2021 following a fall of 13.7% in January 2021. This resulted in output in February 2021 being 23.3% weaker than the February 2020 level.

The reduction in education output is driven by the continued closure of schools during lockdown with additional weakness from a loss of incidental income from universities, such as rental of their sports grounds and conference halls.

Further details on the changes we have made in measuring education output during the pandemic, such as by including the impact of remote learning activities, can be found in our blog, [Measuring education output in the summer of the pandemic](#).

Wholesale and retail trade, and repair of motor vehicles and motorcycles

This sector grew by 3.3% in February 2021 following a fall of 8.3% in January 2021. This resulted in output in February 2021 being 6.7% weaker than its February 2020 level.

The biggest contributor to the increase in the output of this sector was wholesale trade (except of motor vehicles and motorcycles), which saw growth of 3.7%. Both retail trade (except of motor vehicles and motorcycles), and wholesale and retail trade and repair of motor vehicles saw strong growth of 2.1% and 6.6% respectively.

Further information on this subsector can be found in our [Retail sales, Great Britain: February 2021](#) release.

Human health and social work activities

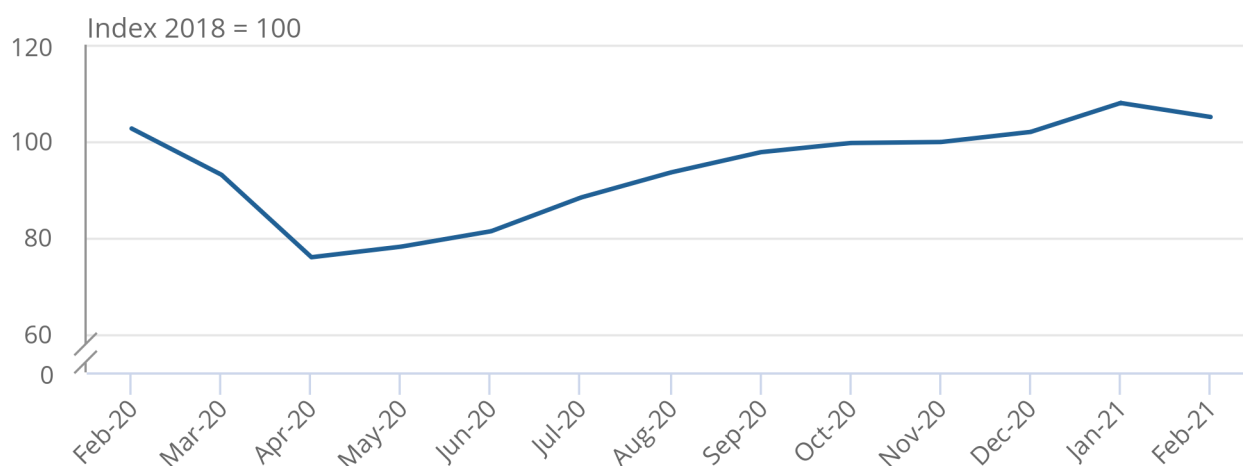
While output in human health and social work activities remained at a high level by historical standards, there was a 2.7% month-on-month reduction because slightly fewer COVID-19 tests were conducted in February. Output in this area is now 2.4% above its February 2020 level.

Figure 5: Human health and social work activities output remained at a high level

Index of human health and social work activities, seasonally adjusted, UK, February 2020 to February 2021

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Index of human health and social work activities, seasonally adjusted, UK, February 2020 to February 2021



Source: Office for National Statistics – Index of Services

Notes:

1. Be mindful of a break in the side axis when interpreting this chart.

Other notable industries

Employment activities saw continued growth in February 2021, increasing by 1.9% following a rise of 2.1% in January 2021. This puts the industry at 9.4% below its February 2020 level. Our returns show that growth in this industry has resulted from temporary employment agencies beginning preparations for the easing of lockdowns, and employment of staff working in the field of health, which corresponds with the increase in temporary employees reported in our [Labour Market statistics](#).

Another notable area was real estate activities on a fee or contract basis, which saw 2.4% growth in February 2021. The rise in this area is likely down to a combination of the Stamp Duty holiday, low interest rates, and households' desire to move out of urban areas. The Stamp Duty holiday was also likely to have contributed some strength in legal activities, which saw a growth of 4.4% in February 2021.

Postal and courier activities rose by 5.7% in February 2021, following a fall of 5.0% in January 2021. This industry has recovered strongly since the first lockdown and was 23.8% above February 2020 levels, mainly because of increased activity from online retail.

4 . Production industries in February 2021

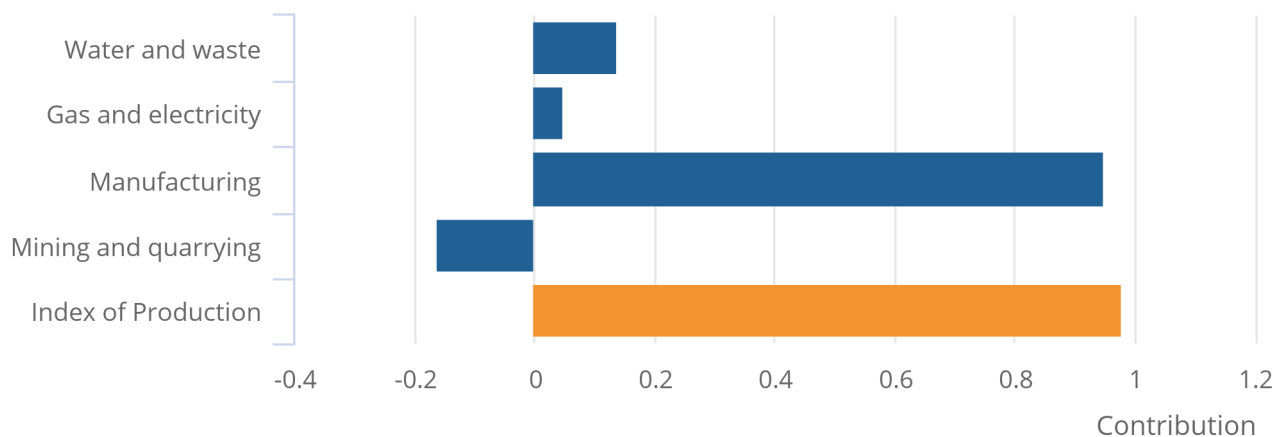
Despite the continuation of coronavirus (COVID-19) restrictions, monthly production output increased by 1.0% during February 2021, mainly because of the positive contribution from manufacturing. Further positive contributions from gas and electricity, and water and waste were counteracted partially by a decline in mining and quarrying (Figure 6).

Figure 6: The rise in monthly production output was led by a strong contribution from manufacturing

Index of production and main sectors, contribution to monthly growth, seasonally adjusted, UK, February 2021

Figure 6: The rise in monthly production output was led by a strong contribution from manufacturing

Index of production and main sectors, contribution to monthly growth, seasonally adjusted, UK, February 2021



Source: Office for National Statistics – Index of Production

Notes:

1. Parts may not sum because of rounding.

We also received some responder-led evidence of export-related pressures following the UK's departure from the EU. This is consistent with findings in our [Business insights and impacts on the UK economy release](#), which explains that from late February onwards, 64% of manufacturing businesses indicated the biggest challenge businesses faced when exporting was additional paperwork.

Manufacturing

Manufacturing output rose by 1.3% in February 2021, following the strong decline in January 2021. In February 2021, 7 of the 13 subsectors that make up manufacturing displayed upward contributions. This was led by transport equipment, and computer, electronic and optical products.

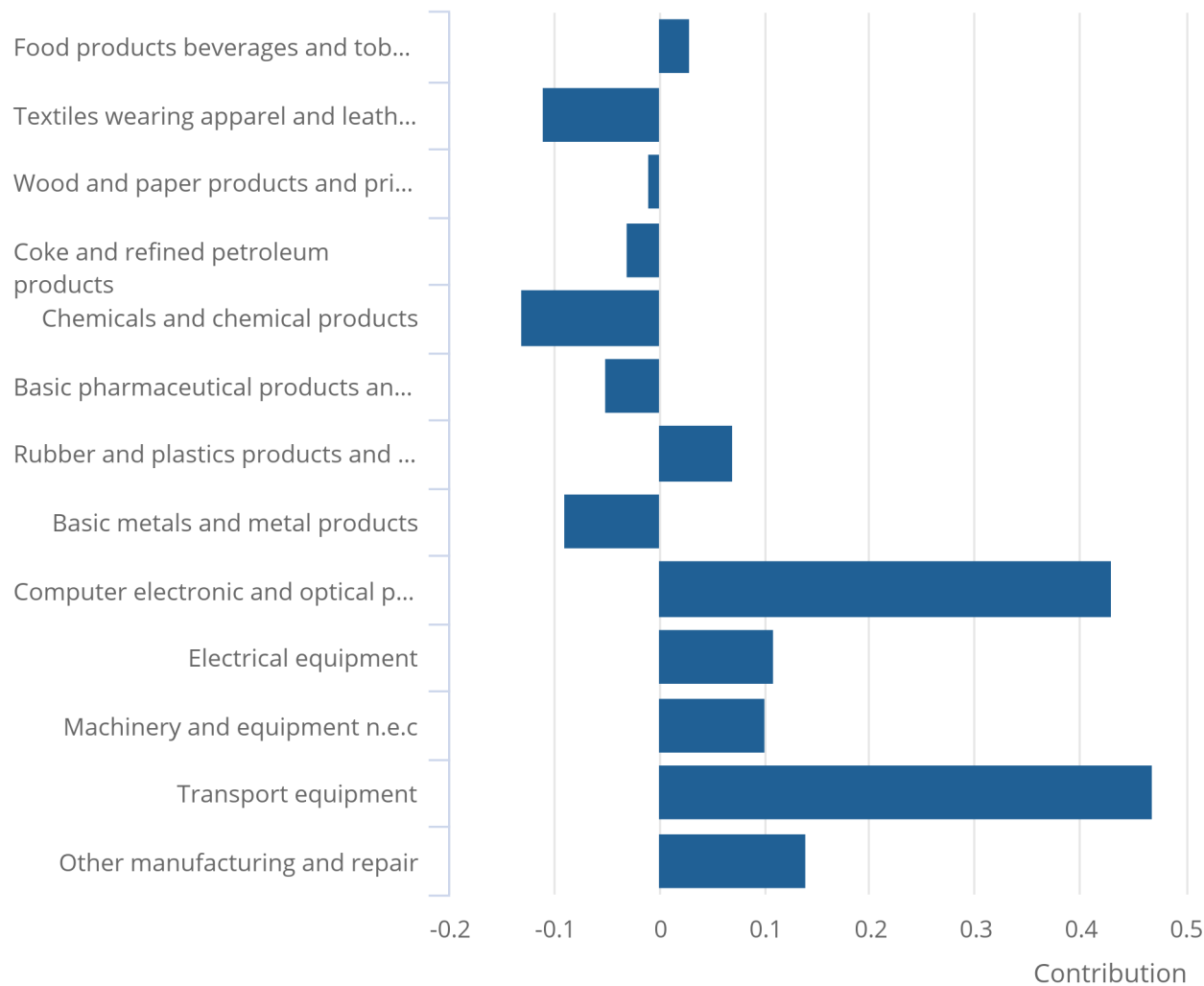
In contrast, chemicals and chemical products provided the largest downward contribution in February 2021 (Figure 7).

Figure 7: A partial bounce back in manufacturing output was led by transport equipment, and computer, electronic and optical products

Manufacturing subsectors, contributions to monthly growth, seasonally adjusted, UK, February 2021

Figure 7: A partial bounce back in manufacturing output was led by transport equipment, and computer, electronic and optical products

Manufacturing subsectors, contributions to monthly growth, seasonally adjusted, UK, February 2021



Source: Office for National Statistics – Index of Production

Notes:

- 1. Parts may not sum because of rounding.

Despite the rise in manufacturing output during February 2021, the sector continued to be affected by lower than usual demand because of the continuation of tightened restrictions across the UK, with output 4.2% below the February 2020 level.

However, manufacturing has remained far more resilient to the current lockdown restrictions compared with earlier ones, in part because of the health and safety measures put in place to allow businesses to continue trading.

[Business insights and impact on the UK economy Wave 25: 08 February to 21 February 2021](#) reported that 81.0% of manufacturing businesses who responded to the survey were currently trading and had been during the previous two weeks.

Given the continued impact of the pandemic across production, we have highlighted the most interesting anecdotal evidence, both positive and negative, on subsector and industry-level growth during February 2021, with focus also on the recovery to February 2020 levels.

Food products

Food products fell by 0.8% in February 2021, led by strong falls from other food products (this category includes sugar, tea and coffee processing, manufacture of prepared meals, condiments and seasonings) and processing and preserving of fish, fruit and vegetables.

This resulted in output in February 2021 being 3.4% weaker than its February 2020 level, with the other food products category the hardest hit.

Some businesses who support the hospitality sector have been negatively affected as a result of tightened restrictions for services such as bars and restaurants across the UK over recent months, which continued throughout February 2021. In contrast, demand may have increased for those businesses supplying food stores, as more people spent time at home.

Our [Retail sales, Great Britain: February 2021](#) release highlighted responder-led feedback that suggested that the continued closure of the hospitality sector helped to boost food store retail.

Alcoholic beverages and soft drinks

The manufacture of beverages industry (which includes alcoholic drinks and soft drinks) rose by 4.8% in February 2021 but remained 16.6% lower than its level in February 2020.

We received responder-led evidence that this industry was affected by the continued downturn in demand from the hospitality sector because of tightened restrictions being in place across the UK from the latter part of December 2020. However, sales for some businesses may have been boosted by an increase in retail sales of alcohol within food stores, as reported in our [Retail sales, Great Britain: February 2021](#) release.

A major contributor to the manufacture of beverages industry is the manufacture and distillation of spirits. While output in this area had fallen in the opening months of 2020, the imposition of lockdowns across the globe led to a [change in drinking habits](#). It is likely that this change of habits contributed to the sharp rise in domestic and export sales of spirits from April 2020 (Figure 8). In fact, UK lockdowns in March and November 2020 coincided with sharp increases in domestic manufacture and distillation of spirits output shortly thereafter.

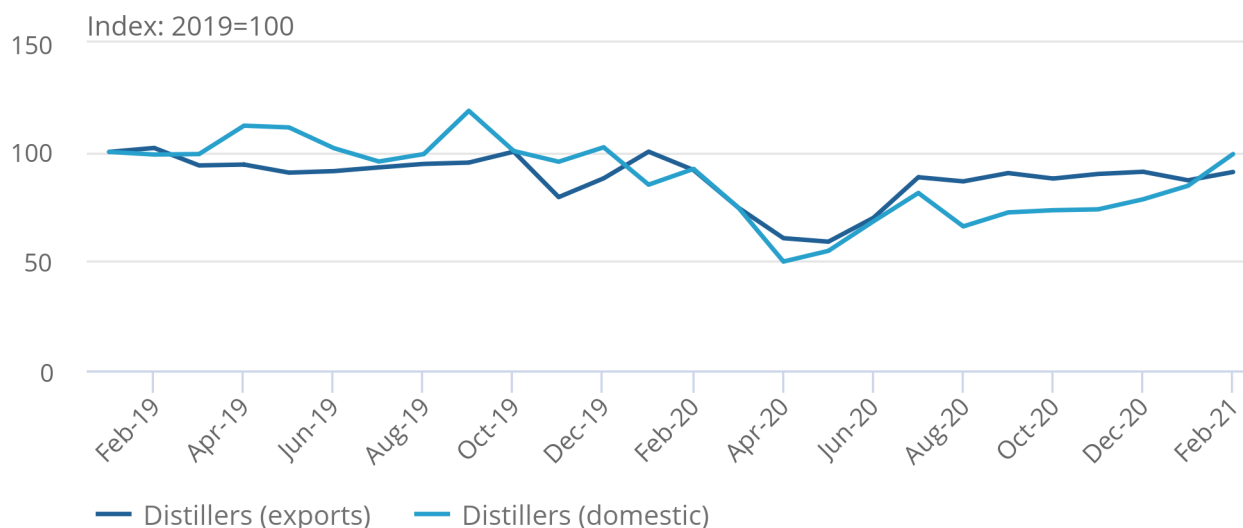
It is likely that the manufacture of whisky played a smaller part in the increase in spirit exports as it is estimated that the tariffs imposed by the United States in October 2019 have led to [£500m of lost whisky sales](#).

Figure 8: A change in alcohol consumption habits has led to an increase in the manufacture of spirits in recent months

Index of distillers, export and domestic sales, current price, seasonally adjusted, UK, January 2019 to February 2021

Figure 8: A change in alcohol consumption habits has led to an increase in the manufacture of spirits in recent months

Index of distillers, export and domestic sales, current price, seasonally adjusted, UK, January 2019 to February 2021



Source: Office for National Statistics – Index of Production

Wood and wood products except furniture

The wood and wood products except furniture industry saw a month-on-month fall of 0.9% during February 2021.

Output was 1.6% above its February 2020 level, primarily because of increased demand from the construction sector amid the ongoing recovery, and evidence of increased demand for DIY products as people spent more time making home improvements.

Basic pharmaceutical products

Following a rise of 6.3% during January 2021, the monthly fall of 0.7% in February 2021 highlights the volatile nature of growth in the basic pharmaceutical products sector and was driven by export weakness from large businesses. Output during February 2021 was 4.9% above its February 2020 level.

Transport equipment

Following the strong decline of 11.1% in January 2021, transport equipment output grew by 5.4% in February 2021. Output was 16.4% weaker than February 2020.

The monthly strength was because of a rise in the sale of motor vehicles, trailers and semi-trailers. This industry displayed a month-on-month increase of 9.5% meaning February 2021 output was 5.1% below its February 2020 level. However, this industry had declined prior to the pandemic, with output during February 2021 at 12.9% below the most recent peak in June 2019 (Figure 9).

The Society of Motor Manufacturers and Traders (SMMT) reported that during February 2021, [the total number of cars manufactured was 14.0% weaker than February 2020](#), mainly because of a 8.1% fall in exports compared with February 2020. This followed some anecdotal evidence of a pre-EU exit push on exports, which boosted output during December 2020.

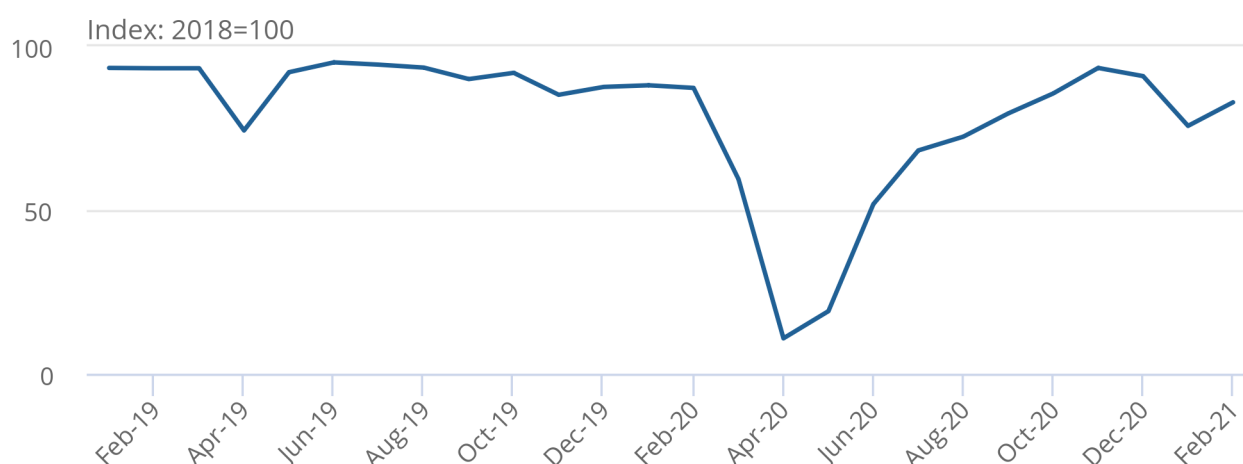
The automotive industry has also been hit by the [global microchip shortage](#), which arose because of increased demand for consumer electronics during coronavirus lockdowns.

Figure 9: Despite a partial recovery during February 2021, output for motor vehicles was 12.9% below the most recent peak in June 2019

Index of motor vehicles, trailers and semi-trailers, seasonally adjusted, UK, January 2019 to February 2021

Figure 9: Despite a partial recovery during February 2021, output for motor vehicles was 12.9% below the most recent peak in June 2019

Index of motor vehicles, trailers and semi-trailers, seasonally adjusted, UK, January 2019 to February 2021



Source: Office for National Statistics – Index of Production

Finally, the manufacture of air and spacecraft and related machinery industry fell by 0.3% during February 2021 and output was 39.2% weaker than in February 2020. As a result of the widely reported negative impact on global civil aviation, manufacturers in this subsector have been severely affected. Other industries related to this industry, such as air transport have also seen a reduction in growth in February 2021, because of the continued uncertainty over worldwide travel and quarantine restrictions.

Manufacturing demand split by domestic and export turnover

In the initial stages of the pandemic, output was likely reduced because of a mix of lack of demand, supply chain challenges and temporary business closures.

As time went on, businesses and global supply chains opened up, and export and domestic turnover increased by a broadly similar magnitude up until October 2020. However, in the last two months of 2020 there was strong growth in export turnover that was not matched by growth in domestic turnover. This was followed by a very significant drop in export turnover in January 2021.

UK manufacturers reported a significant reduction in stockpiling between 29 December 2020 and 10 January 2021 (see [ONS article on stockpiling and Business Impact of Covid-19 Survey \(BICS\) results](#)) after a trade deal had been agreed with the EU, suggesting a major reason for the stockpiling had been the uncertainty approaching the end of the transition agreement. Linked to this, one possible reason for the rise then decline in export turnover was a desire to export in advance of any uncertainties from the end of the UK's transition period with the EU.

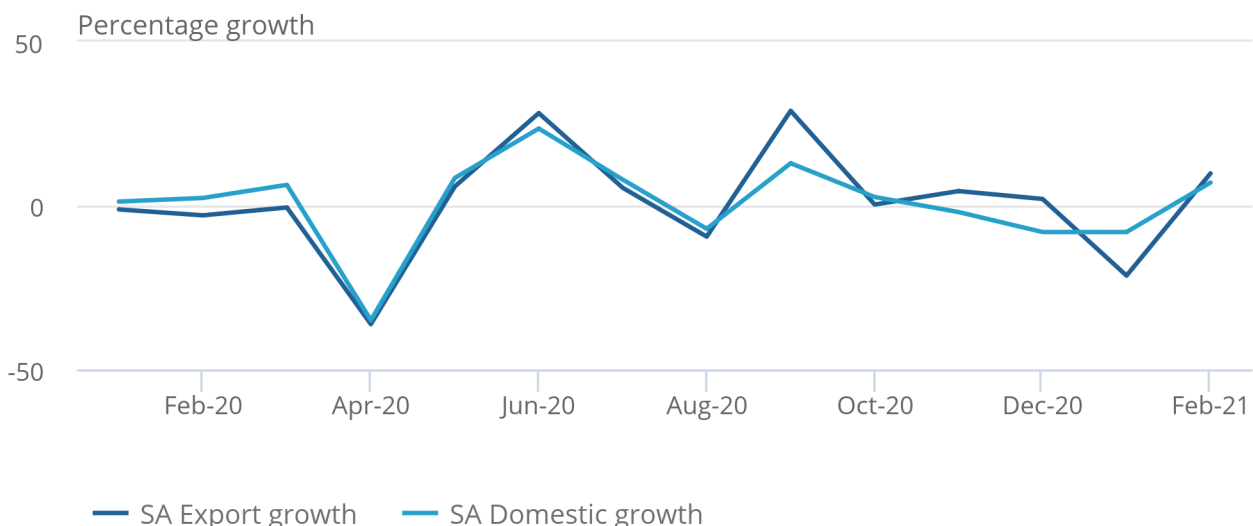
While January 2021 saw a significant drop in export turnover, February 2021 saw a strong recovery with growth of exports being observed at a stronger rate than domestic manufacturing turnover (Figure 10).

Figure 10: There was a stronger recovery in exports compared with domestic turnover growth during February 2021, underpinned by strength from motor vehicles and aircraft, spacecraft and related machinery

Total manufacturing, export and domestic monthly turnover growth, current price, seasonally adjusted, UK, January 2020 to February 2021

Figure 10: There was a stronger recovery in exports compared with domestic turnover growth during February 2021, underpinned by strength from motor vehicles and aircraft, spacecraft and related machinery

Total manufacturing, export and domestic monthly turnover growth, current price, seasonally adjusted, UK, January 2020 to February 2021



Mining and quarrying

Output in the mining and quarrying sector dropped by 2.1% in February 2021. The reduction was driven by a 4.7% fall in oil and gas extraction, meaning that output in this industry was 14.5% below its February 2020 level (Figure 11).

Global oil demand dropped last year because of the coronavirus pandemic, while OPEC+ agreements reduced the global supply of oil, but at a lower rate than the reduction in demand. The combination of these factors saw [Brent Crude hit an 18 year low in April 2020](#), and resulted in lower offshore oil production.

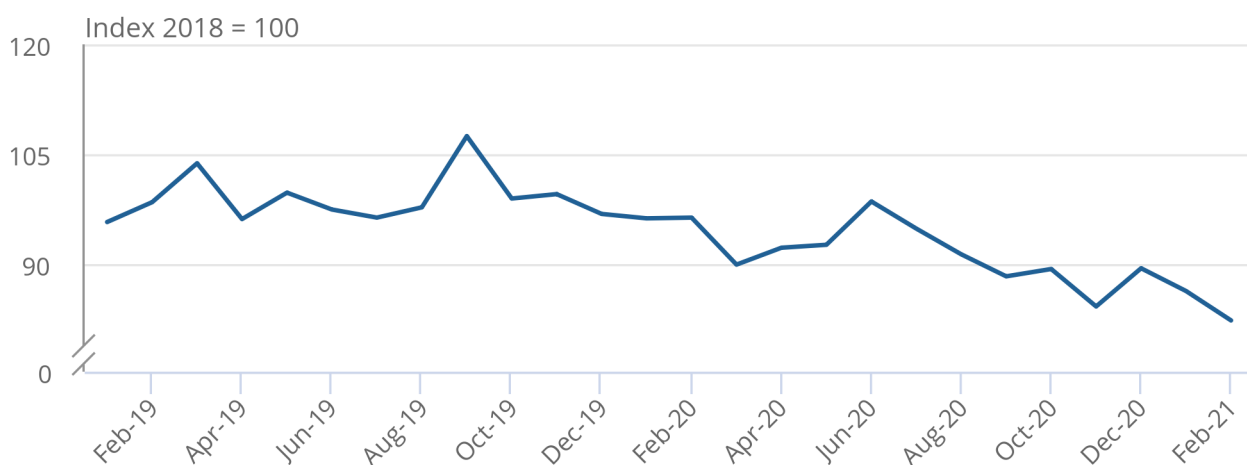
While the price of Brent Crude has recovered in recent months, it is estimated that capital investment in oil production was a third lower than expected in 2020, because of the lower oil price. As a result of the reduced investment and the anticipated impact of planned maintenance outages later this year, Oil and Gas UK (the trade body for the oil and gas industry) expects that [production will decline further in 2021 and 2022 \(PDF, 5.88MB\)](#), with a fall of between 5 and 7% expected each year.

Figure 11: Oil and gas extraction output has been declining since September 2019

Index of oil and gas extraction, seasonally adjusted, UK, January 2019 to February 2021

Figure 11: Oil and gas extraction output has been declining since September 2019

Index of oil and gas extraction, seasonally adjusted, UK, January 2019 to February 2021



Source: Office for National Statistics – Index of Production

Notes:

1. Be mindful of a break in the side axis when interpreting this chart.

Gas and electricity

Sector level growth of 0.5% was led by gas supply, which increased by 6.2% during February 2021. The increase here is largely temperature-driven but also caused by higher demand, because of people spending time at home during lockdown. The Met Office reported that while [the provisional UK mean temperature was 4.1 degrees Celsius \(PDF, 256KB\)](#), which was only 0.4 degrees Celsius above the 1981 to 2010 long-term average, the first half of the month saw a very cold spell and heavy snowfall in some areas.

5 . Construction

As reported in our [Construction output in Great Britain: February 2021](#) bulletin, month-on-month construction output in February 2021 grew by 1.6% because of a 1.5% increase in new work and 1.9% increase in repair and maintenance.

The level of construction output in February 2021 was 4.3% below the February 2020 level. New work was 7.8% below the level in February 2020 in contrast to repair and maintenance, which was 2.2% above the level in February 2020.

6 . Data sources and quality

The ONS is publishing more data and analysis than ever before. We are constantly reviewing our publications based on your feedback to make sure that we continue to meet the needs of our users. As a result, future editions of this publication will focus more strongly on headline indicators and main messages. Thank you for your continued support and we value your feedback.

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 February 2021 was 82.9%, down on the 86.6% achieved in February 2020 (see [Historical MBS \(services\) response rates](#)).

Response by turnover for production industries was 86.0% in February 2021, down on the 87.6% achieved in February 2020 (see [MBS \(production\) response rates](#)).

The response by turnover for the construction industries for January 2021 was 74.8% (see the [Construction output in Great Britain: February 2021 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 (DfT), the Civil Aviation Authority (CAA), and the Department for Business, Energy and Industrial Strategy (BEIS). These account for 50% of services industries and 25% of production industries. We are also able to gain information from these data providers regarding monthly changes in their data.

We also use the fortnightly Business Insights and Conditions Survey (BICS) as part of our quality assurance and validation process.

7 . Related links

[GDP monthly estimate, UK: February 2021](#)

Bulletin | Released 13 April 2021

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, Index of Services and construction output in Great Britain.

[Construction output in Great Britain: February 2021](#)

Bulletin | Released 13 April 2021

Short-term measures of output by the construction industry in Great Britain and contracts awarded for new construction work in Great Britain.

[Index of Production, UK: February 2021](#)

Bulletin | Released 13 April 2021

Movements in the volume of production for the UK production industries: manufacturing, mining and quarrying, energy supply, and water and waste management.

[Index of Services, UK: February 2021](#)

Bulletin | Released 13 April 2021 Monthly movements in output for the services industries.

[Coronavirus and the latest indicators for the UK economy and society: 8 April 2021](#)

Bulletin | Released 8 April 2021

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.

[International comparisons of GDP during the coronavirus \(COVID-19\) pandemic](#)

Article | Released 1 February 2021

The coronavirus (COVID-19) pandemic has led to record declines in gross domestic product (GDP) in advanced economies in 2020. International comparisons show that the UK has experienced the largest contraction in volume GDP amongst the G7 countries. However, international comparisons have also been complicated by how National Statistical Institutes (NSIs) record non-market output.