

Article

# Coronavirus and the impact on output in the UK economy: July 2021

Analysis of growth for the production, services and construction industries in the UK economy between February 2020 and July 2021, highlighting the impact of the coronavirus (COVID-19) pandemic.



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## Table of contents

1. [Main points](#)
2. [Growth in components of output](#)
3. [Services industries](#)
4. [Production industries](#)
5. [Construction](#)
6. [Cross-industry themes](#)
7. [Data sources and quality](#)
8. [Related links](#)

# 1 . Main points

- The easing of all coronavirus (COVID-19) restrictions in England on July 19 contributed to [monthly gross domestic product \(GDP\)](#) growing by 0.1% between June 2021 and July 2021; however, GDP remained 2.1% below its level in February 2020, which was the most recent month not significantly affected by the coronavirus pandemic.
- The July 2021 growth in GDP was led by a month-on-month rise of 1.2% in production, although this sector remained 2.1% below its February 2020 level; the rise was led by the mining and quarrying sector (contributing 0.16 percentage points of positive growth to GDP), with the extraction of crude petroleum and natural gas industry growing by 28.0%.
- Monthly services output remained broadly flat in July 2021 leaving it 2.1% below its February 2020 level; the sectors providing the strongest positive growth were information and communication (contributing 0.14 percentage points of positive growth to GDP) and finance and insurance (contributing 0.12 percentage points of positive growth to GDP), though these were offset by a fall in the professional, scientific and technical activities sector (contributing 0.19 percentage points of negative growth to GDP).
- The fastest growing service industry was air transport, which increased by 118.4% after it became easier to travel internationally; however, this sector is still very subdued compared with February 2020, before the coronavirus pandemic.
- Monthly manufacturing remained broadly flat in July 2021 leaving it 2.3% below its February 2020 level; the sector with the strongest contribution to growth was the manufacture of transport equipment sector.
- Monthly construction output fell by 1.6% in July 2021; anecdotal evidence was received from businesses suggesting that price increases and supply chain issues were the main reasons for the decline.

## 2 . Growth in components of output

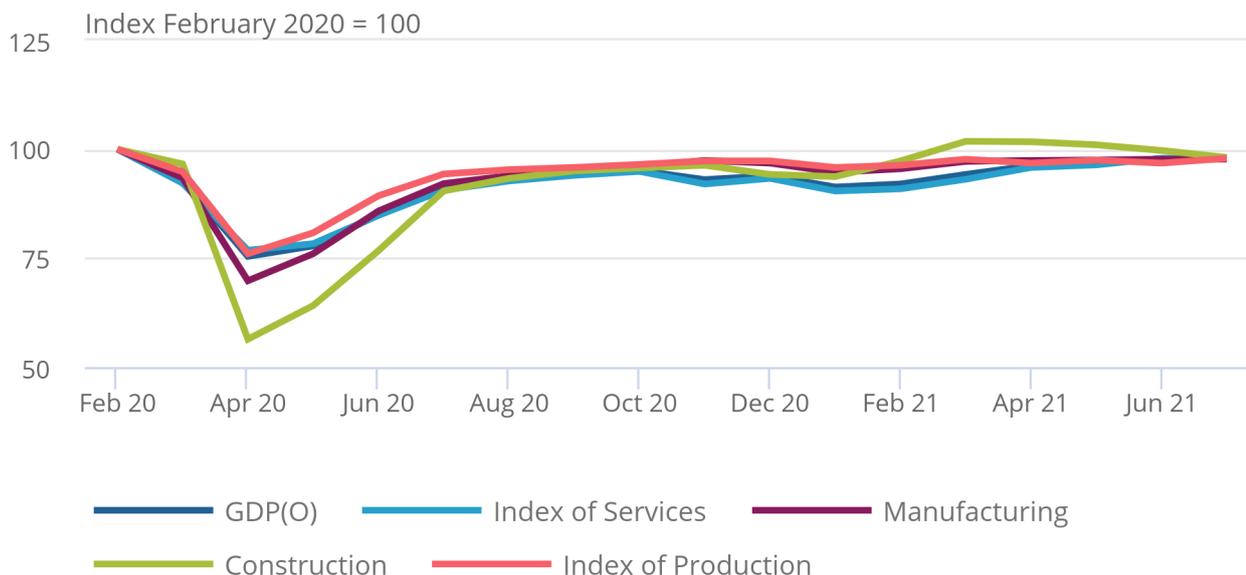
Although all coronavirus (COVID-19) restrictions were lifted in England on 19 July, all components of gross domestic product (GDP) are still below their level in February 2020. Construction was initially affected the most by the coronavirus pandemic before recovering strongly. While construction has fallen for the past four months, it is still performing more strongly than the Index of Services and Index of Production compared with February 2020 levels.

**Figure 1: A fall in construction output in July 2021 means that output in all sectors is approximately 2.0% below February 2020 levels**

Monthly gross domestic product (GDP) and components index, seasonally adjusted, UK, February 2020 to July 2021

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Source: Office for National Statistics – Monthly gross domestic product

### 3 . Services industries

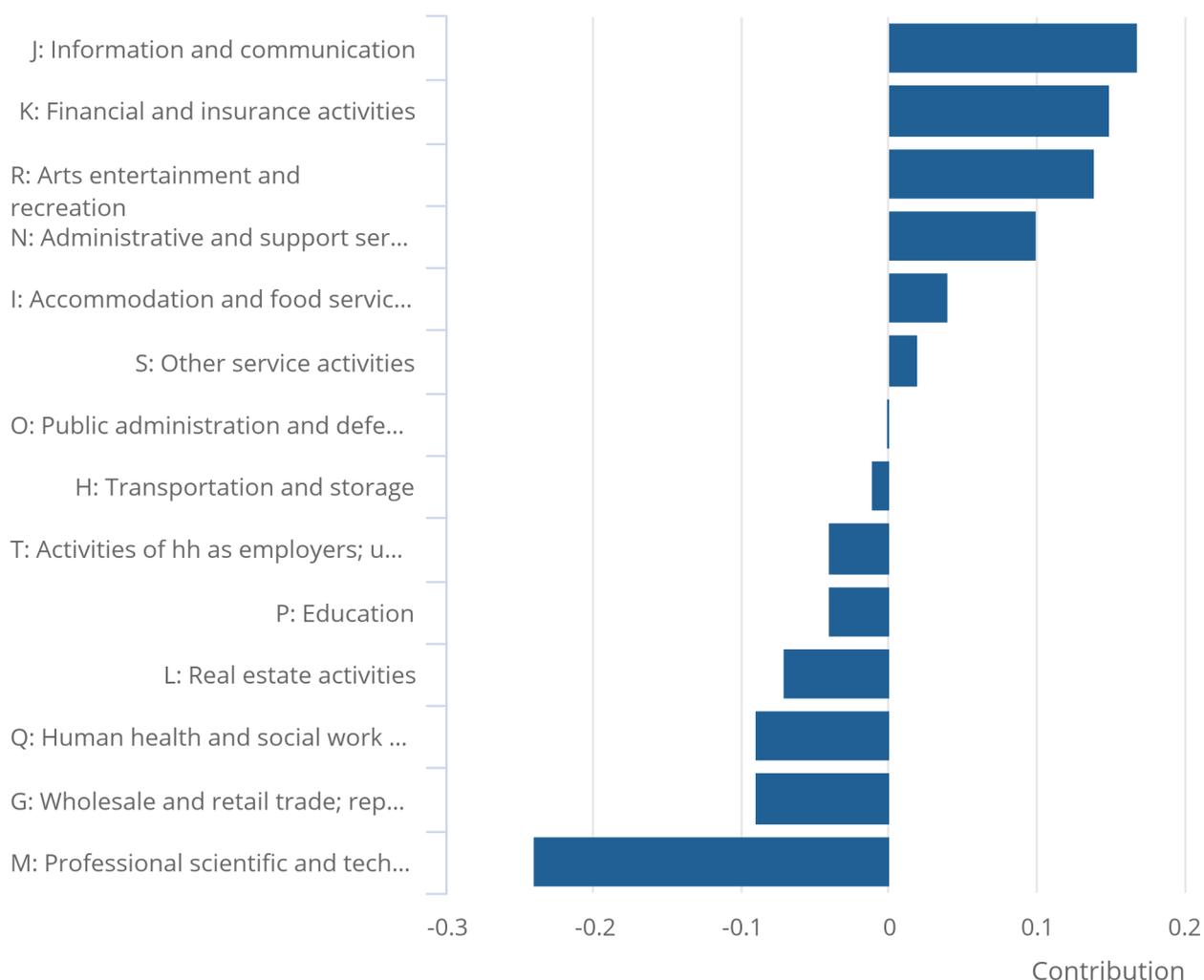
Monthly services output remained broadly flat in July, with the information and communication sector providing the strongest positive contribution to the index of services, and professional, scientific activities providing the largest negative contribution (Figure 2). Services output in July 2021 remained 2.1% below its February 2020 level.

**Figure 2: The strongest positive contributions to services output were from information and communication; finance and insurance activities; and arts, entertainment and recreation**

Services sectors, contribution to Index of Services, seasonally adjusted, UK, June to July 2021

Figure 2: The strongest positive contributions to services output were from information and communication; finance and insurance activities; and arts, entertainment and recreation

Services sectors, contribution to Index of Services, seasonally adjusted, UK, June to July 2021



Source: Office for National Statistics – Index of Services

Notes:

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

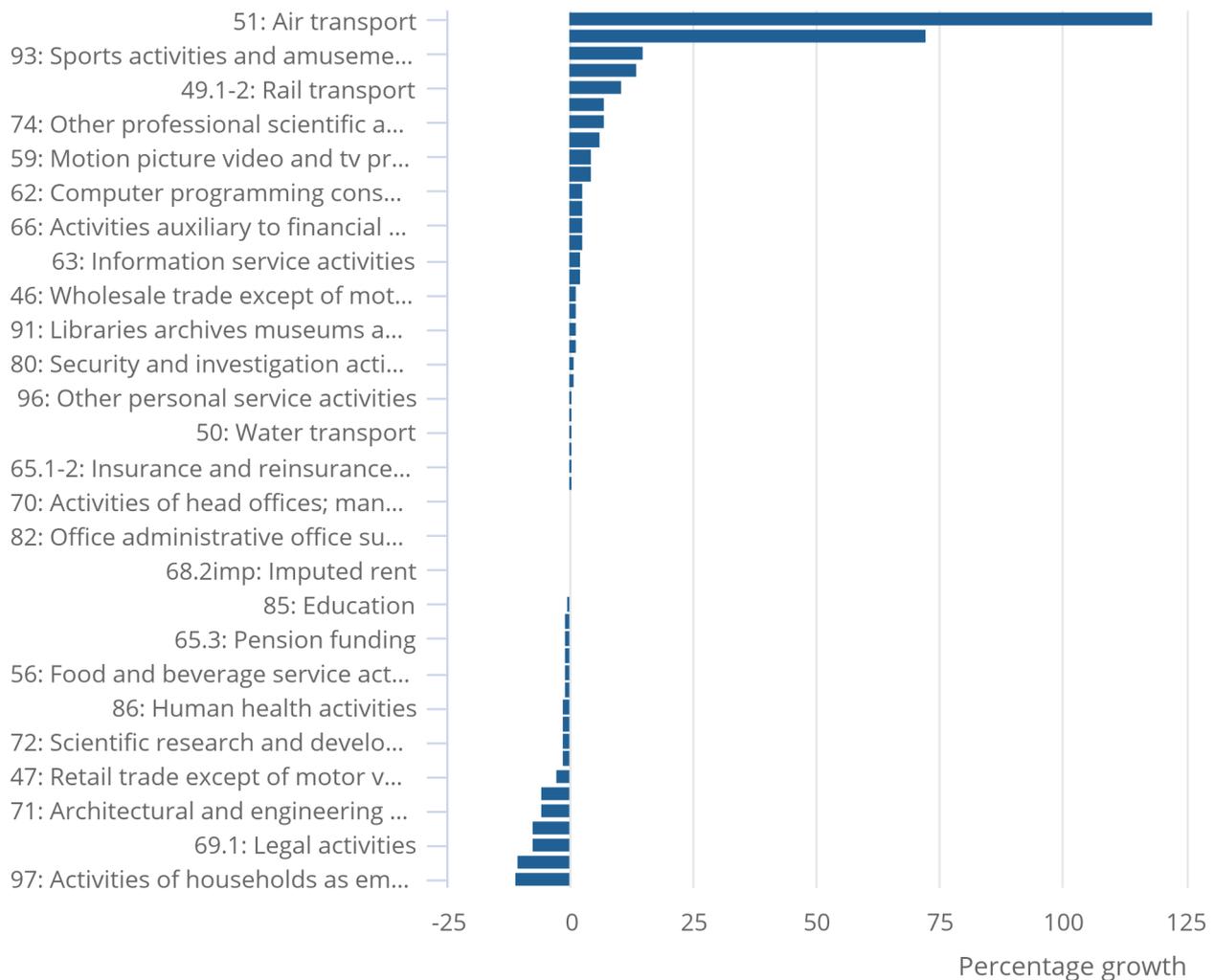
Whereas Figure 2 reports the impact (or contribution) of individual service sectors on growth in the index of services, Figure 3 shows the percentage change in output within each service industry (Figure 3).

**Figure 3: Output in air transport, and travel agencies and tour operators rose substantially between June and July 2021**

Services industries, monthly percentage growth, seasonally adjusted, UK, July 2021

**Figure 3: Output in air transport, and travel agencies and tour operators rose substantially between June and July 2021**

Services industries, monthly percentage growth, seasonally adjusted, UK, July 2021



Source: Office for National Statistics – Index of Services

**Air transport, travel agencies and tour operators**

The air transport industry grew by 118.4% between June 2021 and July 2021 (but contributed only 0.03 percentage points of positive growth to GDP) although output was still 77.2% below its February 2020 level (Figure 4).

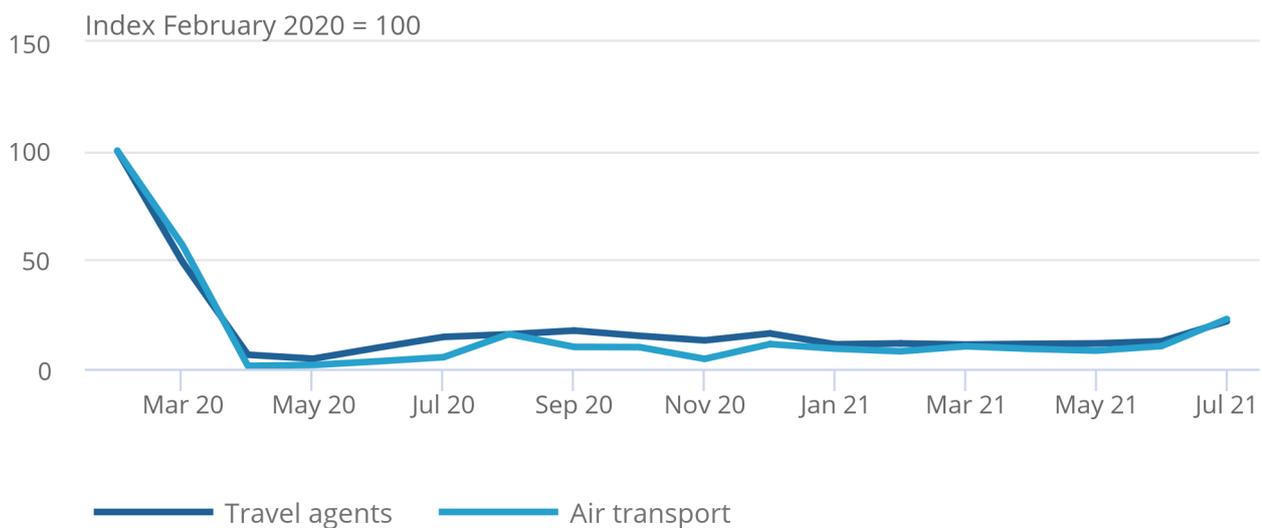
Although international travel was allowed to resume from May 17, there were only 12 countries on the green list. However, by mid-July there were 29 countries on the green list.

**Figure 4: Having fallen substantially in April 2020, air transport, and travel agencies and tour operators showed strong growth from a low base in July 2021**

Index of air transport, and travel agencies and tour operators, seasonally adjusted, UK, February 2020 to July 2021

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Index of air transport, and travel agencies and tour operators, seasonally adjusted, UK, February 2020 to July 2021



Source: Office for National Statistics – Monthly gross domestic product

Travel agencies and tour operators grew by 72.5% (contributing 0.04 percentage points of the growth in GDP), moving this industry to its highest level since March 2020.

## 4 . Production industries

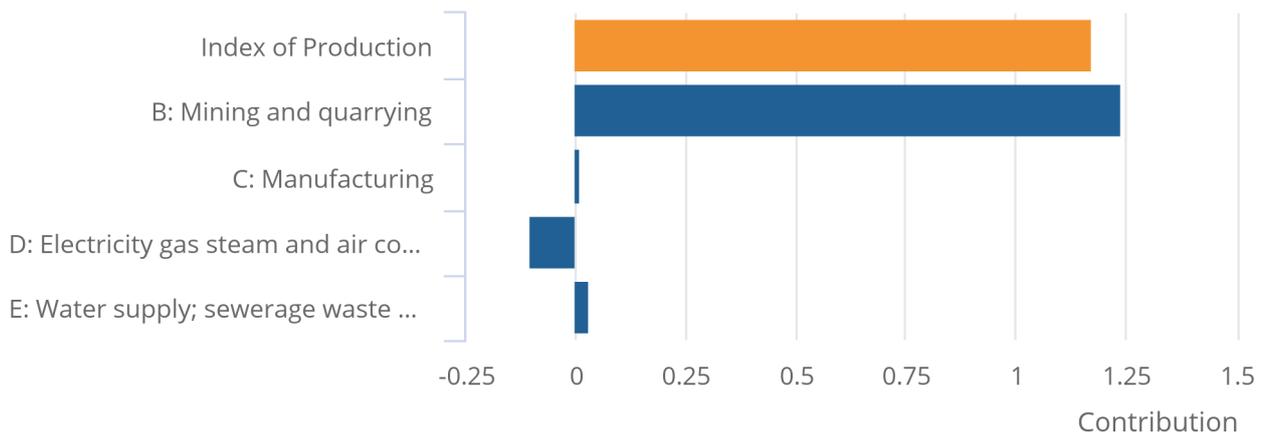
Production output increased by 1.2% between June 2021 and July 2021, almost entirely because of strong growth in mining and quarrying (Figure 5). Production in July 2021 was 2.1% below its February 2020 level.

## Figure 5: The rise in monthly production output was led by mining and quarrying

Index of Production and main sectors, contribution to monthly growth of Index of Production (IoP), seasonally adjusted, UK, June to July 2021

### Figure 5: The rise in monthly production output was led by mining and quarrying

Index of Production and main sectors, contribution to monthly growth of Index of Production (IoP), seasonally adjusted, UK, June to July 2021



Source: Office for National Statistics – Index of Production

#### Notes:

1. Parts may not sum to a total because of rounding.

## Extraction of crude petroleum and natural gas

The industry within the mining and quarrying sector that contributed most (1.2 percentage points) to the rise in production was extraction of crude petroleum and natural gas, which rose by 28.0%.

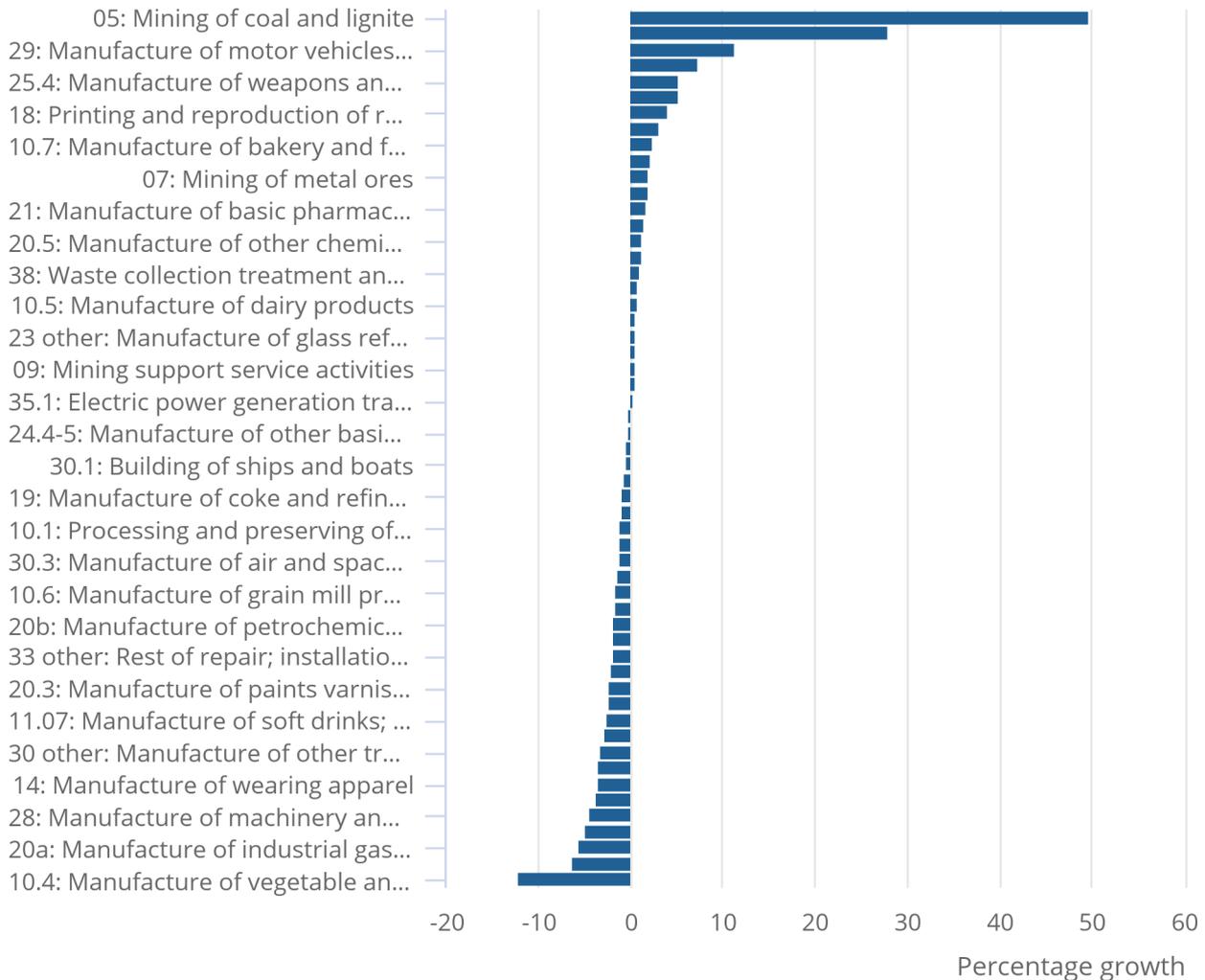
In June 2021, FPS Kinneil (the terminal that processes the entirety of oil and natural gas liquids from the Forties pipeline) was [closed for maintenance](#). The terminal reopened for the whole of July, which resulted in the strong industry and sector growth. Most other industries saw relatively small changes in output although coal mining saw a large rise (Figure 6).

## Figure 6: Production output increased, with coal mining seeing a large rise

Production industries, monthly percentage growth, seasonally adjusted, UK, June to July 2021

### Figure 6: Production output increased, with coal mining seeing a large rise

Production industries, monthly percentage growth, seasonally adjusted, UK, June to July 2021



Source: Office for National Statistics – Index of Production

## Manufacturing

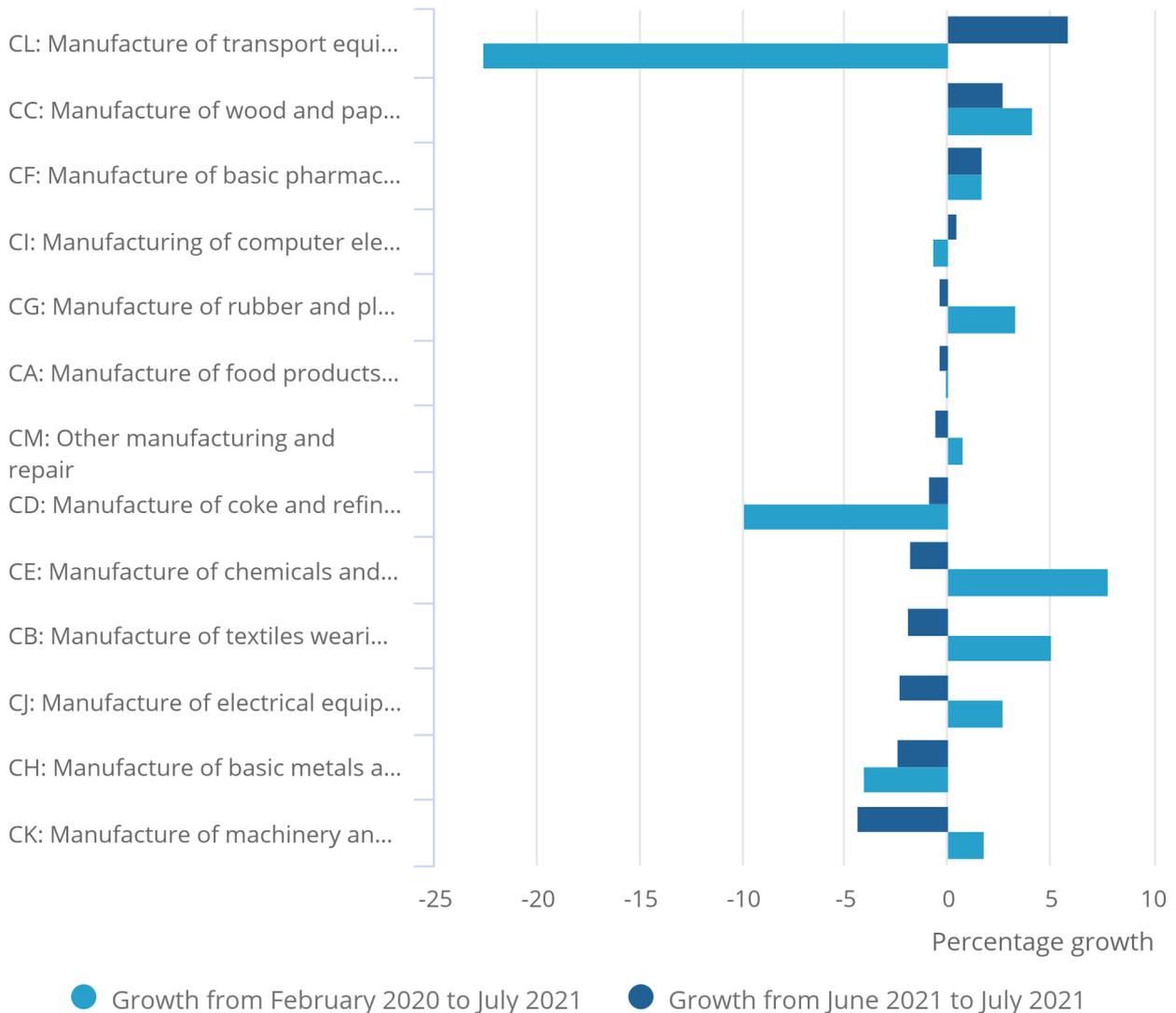
Nine of manufacturing's thirteen subsectors displayed a negative contribution to growth and the manufacturing sector as a whole saw output remain broadly flat. Manufacture of transport equipment provided the strongest positive contribution, however manufacturing output remained 2.3% below its February 2020 level (Figure 7).

**Figure 7: The manufacture of transport equipment has been affected the most since the start of the coronavirus (COVID-19) pandemic**

Manufacturing subsectors, percentage growth from June 2021 to July 2021 and from February 2020 to July 2021, seasonally adjusted, UK, July 2021

Figure 7: The manufacture of transport equipment has been affected the most since the start of the coronavirus (COVID-19) pandemic

Manufacturing subsectors, percentage growth from June 2021 to July 2021 and from February 2020 to July 2021, seasonally adjusted, UK, July 2021



Source: Office for National Statistics – Index of Production

**Manufacturing demand split by domestic and export turnover**

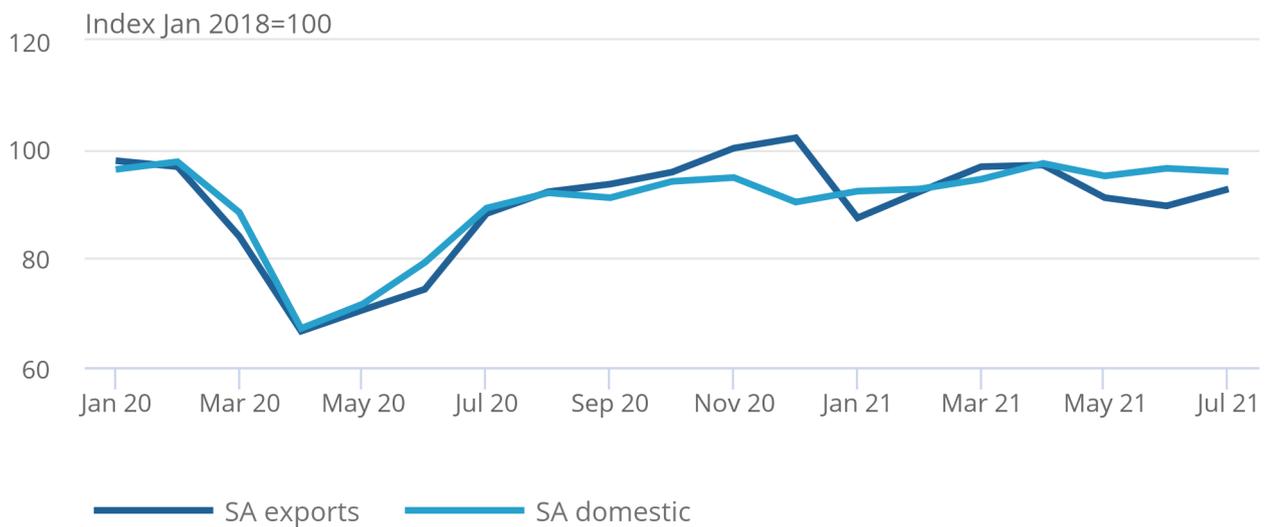
In July 2021 there was strong growth in export manufacturing sales, however there was a slight fall in domestic sales (Figure 8). Both have recovered from their low in April 2020.

## Figure 8: Export manufacturing sales grew in July 2021 but remained below its December 2020 high

Total manufacturing, export and domestic index, current price, seasonally adjusted, UK, January 2020 to July 2021

### Figure 8: Export manufacturing sales grew in July 2021 but remained below its December 2020 high

Total manufacturing, export and domestic index, current price, seasonally adjusted, UK, January 2020 to July 2021



Source: Office for National Statistics – Index of Production

## 5 . Construction

[Monthly construction output](#) fell by 1.6% in July 2021, because of declines in new work (1.1%), and repair and maintenance (2.4%). Anecdotal evidence was received from businesses suggesting that price increases and product shortages caused by supply chain issues were the main reasons for the decline.

## 6 . Cross-industry themes

There were some themes that were applied across many different industries, however while the anecdotal evidence suggests that these themes played some part in the performance of the economy, it is difficult to quantify such an effect across and within industries.

### Covid-19 self-isolation

There was a substantial rise in anecdotal evidence from businesses that customers had cancelled appointments at short notice, or that their staff or the staff of other businesses they wished to buy products from had been required to self-isolate because of coronavirus (COVID-19).

The problems seemed to be more consequential in the service sector, with hairdressers in the personal service activities industry being particularly affected.

## Microchips

For some time, we have reported that the automotive industry has struggled to source microchips. In our [Coronavirus and the impact on output in the UK economy: June 2021](#) article, we reported that this issue had led to supply issues for businesses involved in the wholesale and retail of new and used cars.

Car retailers reported similar supply issues in July, so when coupled with the increase in demand for used cars, this led to a 7% increase in their price between June 2021 and July 2021. For more information, you can view our [Consumer price inflation time series](#).

The shortage of microchips has also spread to other industries. For example, some businesses involved in the manufacture of parts and accessories for motor vehicles have reported a reduction in demand for their products because manufacturers are producing fewer cars.

Other industries have also reported that difficulties in sourcing microchips have led to them producing less. These industries include the manufacture of machinery and equipment, the manufacture of plastic products, telecoms activities and computer programming.

## Labour supply

Businesses across many different industries have reported difficulties in recruitment, which has had an impact on their revenue. Such industries include restaurants, bars, hotels, architecture and engineering, manufacture of fabricated metal products, waste collection, and wholesale.

Employment agencies provided more detailed feedback, explaining that there are many jobs being advertised. This is confirmed by the Office for National Statistics' (ONS') [Vacancies and jobs bulletin](#), which explains that in May to July 2021 the estimated number of vacancies in the UK reached its highest level since records began in 2001.

Employment agencies also explained that there was a lack of candidates to fill the positions, partly because of EU nationals returning to their home nations and because of a perceived risk from the workforce in starting a new job if the economy slows down. Such difficulties had led to one business adapting their wage structure in order to attract new candidates. Employment agencies also explained that the shortage of candidates applied across every industry and affected temporary and permanent roles, with the care sector experiencing particular issues.

## 7 . Data sources and quality

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 July 2021 was 84.0%, which is higher than the 77.9% achieved in July 2020 (see Historical MBS (services) response rates). Response by turnover for production industries in July 2021 was 85.9%, up on the 81.0% achieved in July 2020 (see MBS (production) response rates). The response by turnover for the construction industries for July 2021 was 73.5% (see the [Construction output in Great Britain: July 2021](#) release).

## Other data sources

Other data are primarily sourced from the Office for National Statistics (ONS). These include 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 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.

## Blue Book 2021

In Blue Book 2021 a new framework will be introduced to improve how we produce volume estimates of gross domestic product (GDP) for balanced years as part of the supply use process. This framework includes the implementation of double-deflated industry-level gross value added for the first time. This improvement will be reflected in the September quarterly national accounts and October monthly GDP estimates. On 8 September 2021, we published [Impact of Blue Book 2021 changes on quarterly and monthly volume estimates of gross domestic product by industry](#), and these changes will be taken on in the next GDP monthly release, on 13 October 2021.

## 8 . Related links

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

Bulletin | Released 10 September 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 (IoS) and construction output in Great Britain.

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

Bulletin | Released 10 September 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: July](#)

Bulletin | Released 10 September 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: July 2021](#)

Bulletin | Released 10 September 2021

Monthly movements in output for the services industries.

### [Economic activity and social change in the UK, real-time indicators: 9 September 2021](#)

Bulletin | Released 9 September 2021

Early experimental data and analysis on economic activity and social change in the UK. These faster indicators are created using rapid response surveys, novel data sources and experimental methods.

### [Coronavirus \(COVID-19\) latest data and analysis](#)

Web page | Updated as and when data become available

Latest data and analysis on coronavirus in the UK and its effect on the economy and society.

### [Meeting the challenge of measuring the economy through the coronavirus pandemic](#) v Blog | Released 6 May 2020

The new challenges we face in terms of data collection during the coronavirus pandemic.

