Office for National Statistics

Article

Coronavirus and the impact on UK households and businesses: 2021

The effect of the coronavirus (COVID-19) pandemic on the income and expenditure of UK households and businesses, and changes in their holdings of financial assets and liabilities.

Contact:
Imogen Cartwright, Paige Hunter
sector.accounts@ons.gov.uk
+44(0)1633 456366

Release date:
17 June 2022

Next release:
To be announced

Table of contents

1 . Main Points

- After the largest quarterly contraction on record of 20.5% in Quarter 2 (Apr to June) 2020, household expenditure is now 3.6% above its pre-coronavirus (COVID-19) pandemic level in Quarter 4 (Oct to Dec) 2021; household income remained above pre-coronavirus pandemic levels throughout 2021.

- Household bank deposits saw a £65.6 billion decline in 2021, likely because of increased spending opportunities and consumer confidence; this followed a record rise of £126.9 billion in household deposits in 2020, as there was an increase in forced savings in response to coronavirus pandemic restrictions.

- Private non-financial corporations (PNFC) dividends bounced back by 20.1% in 2021, following a 26.3% decline in 2020; dividends remained 11.4% below pre-coronavirus pandemic levels.

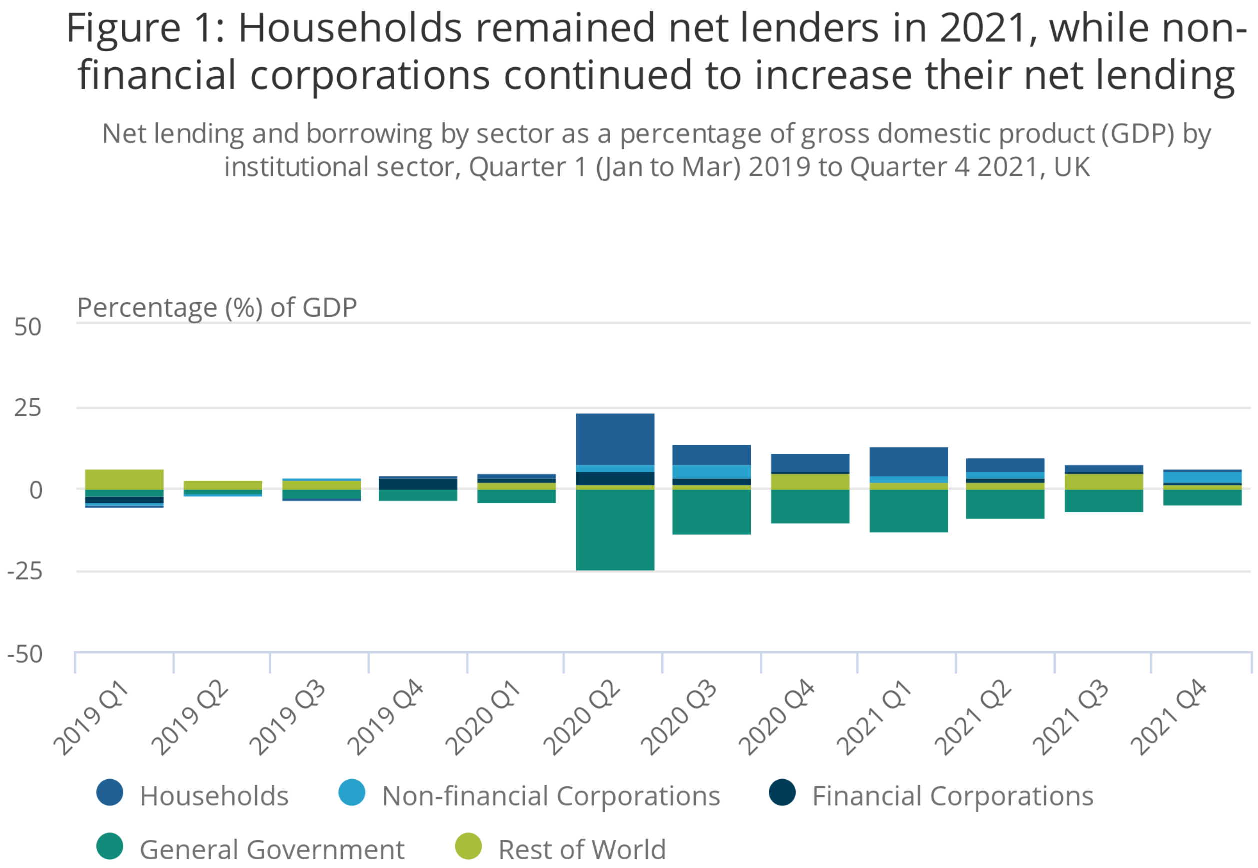
- The total number of company insolvencies registered in 2021 increased by 11% compared with 2020, but remained 18% below pre-coronavirus pandemic levels.

2 . Overview

The tightening and loosening of lockdown measures and social distancing policies over 2020 and 2021 affected the income and expenditure of households and businesses (Figure 1). There were also changes in their holdings of financial assets and liabilities over this 2-year period, which help explain the changes in their net lending and borrowing positions.

Figure 1: Households remained net lenders in 2021, while non-financial corporations continued to increase their net lending

Net lending and borrowing by sector as a percentage of gross domestic product (GDP) by institutional sector, Quarter 1 (Jan to Mar) 2019 to Quarter 4 2021, UK



Source: Office for National Statistics – Quarterly sector accounts

3 . Impact on households

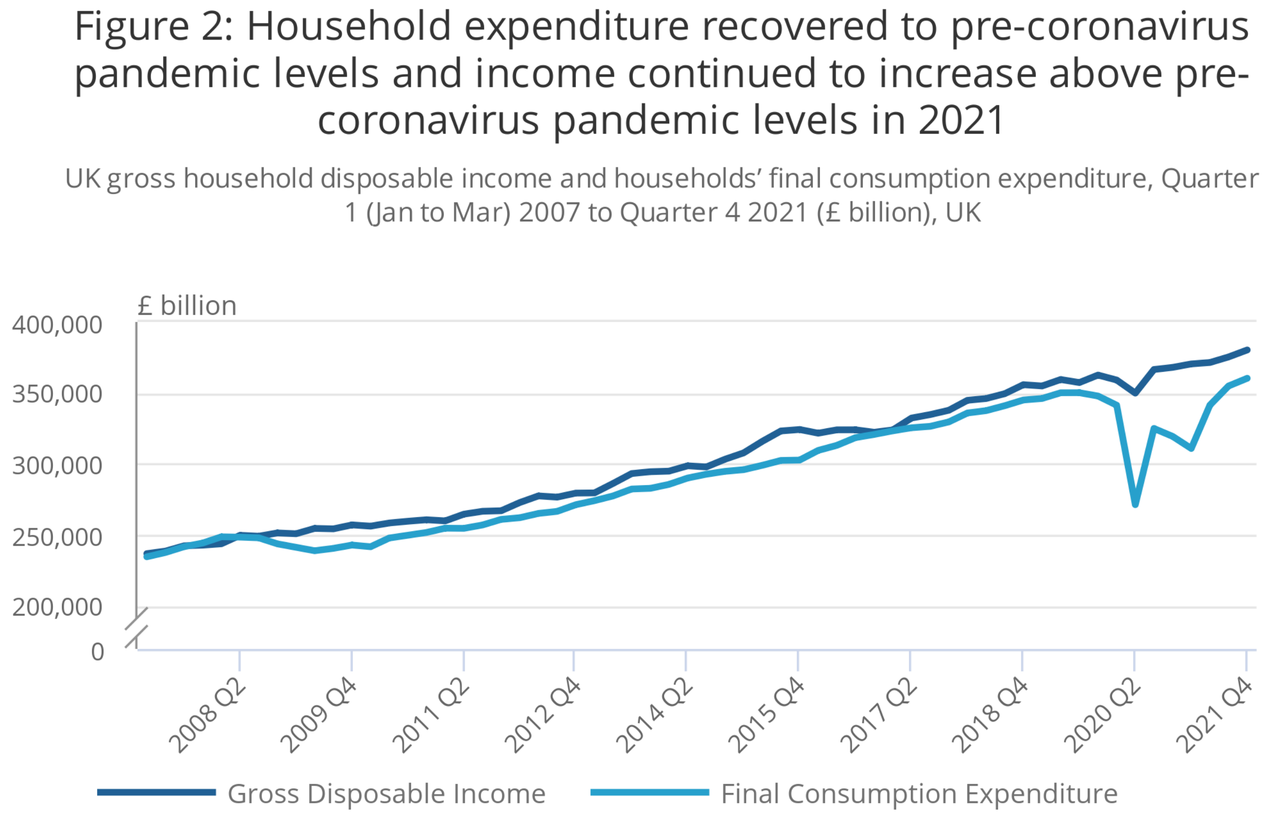
Before the coronavirus (COVID-19) pandemic, householders were net borrowers for three consecutive years, as their combined consumer and capital expenditure was larger than their net incomes. However, households switched to net lending in 2020 (Figure 1), as there was a 9.9% decline in household expenditure, which was curtailed by both public health restrictions and reduced desire for discretionary spending. This was driven by a fall in "social consumption" as restrictions limited mobility. In contrast, there was a relatively smaller impact on household income, primarily reflecting the impact of government income support schemes.

In 2021, households remained net lenders but almost halved their net lending position from 2020. This was primarily driven by an increase in household consumer spending of £112 billion, particularly in restaurant and hotel spending, and discretionary transport spending. However, the pattern of spending on goods and services has not yet returned to where it was prior to the coronavirus pandemic. Households have currently not switched back to pre-coronavirus pandemic net borrowing. More detail is available in our Coronavirus (COVID-19) and its effects on household consumption, UK: January 2020 to December 2021 article.

At the end of 2021, despite the emergence of the Omicron variant, household expenditure continued to grow and remained 3.6% above its pre-coronavirus pandemic level in Quarter 4 (Oct to Dec) 2021. This was driven by a rise in spending on transport, net tourism, and housing and utilities, with household spending on goods recovering faster than spending on services.

Figure 2: Household expenditure recovered to pre-coronavirus pandemic levels and income continued to increase above pre-coronavirus pandemic levels in 2021

UK gross household disposable income and households' final consumption expenditure, Quarter 1 (Jan to Mar) 2007 to Quarter 4 2021 (£ billion), UK



Source: Office for National Statistics – Quarterly sector accounts

Notes:

1. Households do not include non-profit institutions serving households (NPISH).

The relatively low fall in household income in Quarter 2 (Apr to June) 2020 (Figure 2), compared with what we may have expected given the size of the decline in GDP, primarily reflects the impact of the Coronavirus Job Retention Scheme (CJRS). The CJRS was introduced in March 2020 and helped maintain household income through the government subsidising up to 80% of corporations' payment of wages and salaries. The Self-Employment Income Support Scheme (SEISS) also played a role in supporting income in the form of grants to the self-employed, who form part of the household sector.

Table 1 shows the profile of these income transfers between the government and, ultimately, households, where take-up of these subsidy payments track the stringency of public health restrictions over these two years.

Gross disposable household income (GDHI) continued to increase above pre-coronavirus pandemic levels in 2021. GDHI grew by 3.7% in 2021, compared with 0.6% in 2020. This was underpinned by an increase in wages and salaries, which itself was driven by earnings growth in the private sector. When the impact of inflation is removed, real households' disposable income grew by 1.1% in 2021.

Table 1: The CJRS and SEISS were phased out in Quarter 3 (July to Sept) and Quarter 4 2021
Flow of interventions in the UK, Quarter 1 2020 to Quarter 4 2021

Quarter	Intervention	Central Government sector	Households sector
2020 Q1	CJRS	-2.1bn	£2.1bn
	SEISS	0	0
2020 Q2	CJRS	-28.2bn	28.2bn
	SEISS	-7.4bn	7.4bn
2020 Q3	CJRS	-11.0bn	11.0bn
	SEISS	-5.9bn	5.9bn
2020 Q4	CJRS	-7.4bn	7.4bn
	SEISS	-5.5bn	5.5bn
2021 Q1	CJRS	-11.5bn	11.5bn
	SEISS	-0.9bn	0.9bn
2021 Q2	CJRS	-5.9bn	5.9bn
	SEISS	-5.5bn	5.5bn
2021 Q3	CJRS	-2.6bn	2.6bn
	SEISS	-2.7bn	2.7bn
2021 Q4	CJRS	0	0
	SEISS	-0.2bn	0.2bn

Source: Office for National Statistics – Quarterly sector accounts

Notes

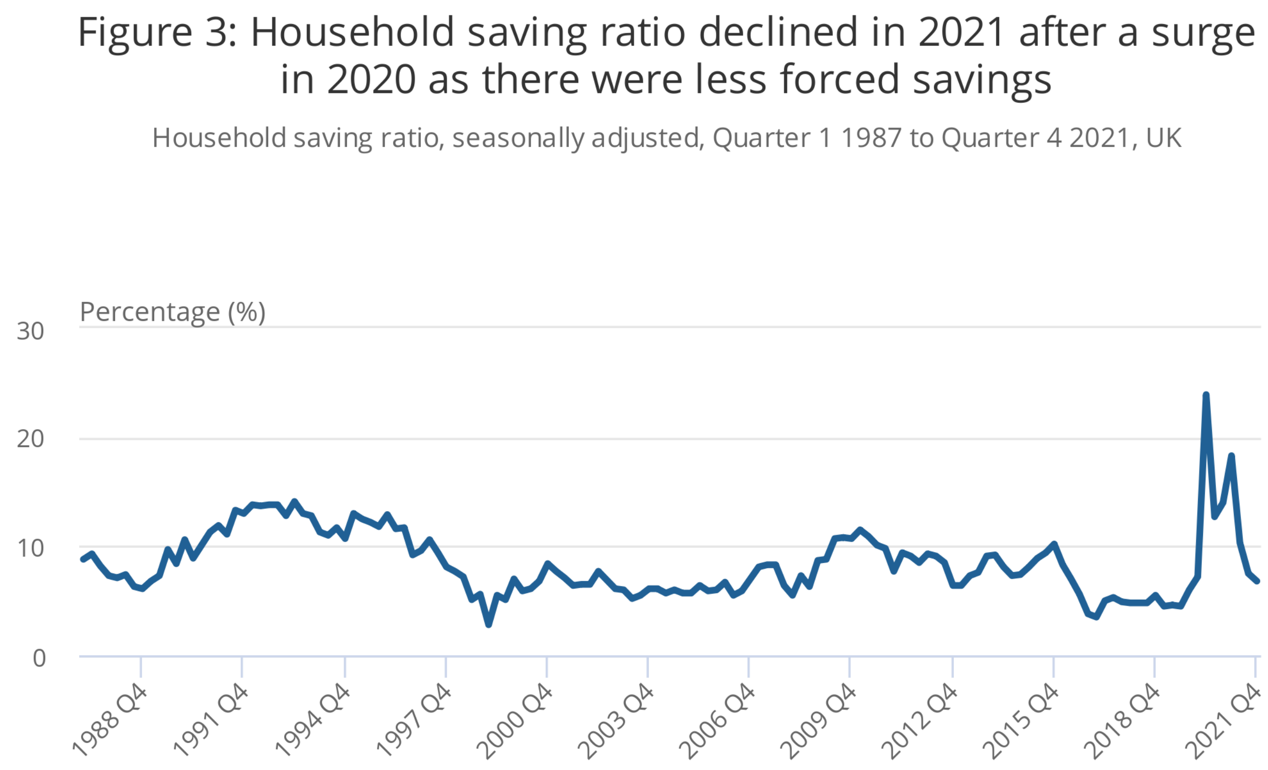
1. Reflects the transfer of cash between government and households, not the economic impact of these policies.
2. CJRS was paid to households via employer pay rolls. This step has been removed to show the impact on the overall beneficiary from this scheme.
3. The last CJRS came to an end at the end of Quarter 3 2021.

There was a surge in household savings in Quarter 2 2020. This reflects how it was not only intertemporal and precautionary motives underpinning the change in savings behaviour; lockdown restrictions also led to forced savings, contributing to the record increase in the saving ratio. More detail is available in our Economic modelling of forced saving during the coronavirus (COVID-19) pandemic article.

These effects can also be seen in Quarter 1 2021, as the reintroduction of lockdown restrictions led to the household saving ratio increasing by 4.3%. As restrictions eased again in Quarter 2 2021 and restrictions in England ended in Quarter 3 2021, the saving ratio declined to 6.8% in Quarter 4 2021.

Figure 3: Household saving ratio declined in 2021 after a surge in 2020 as there were less forced savings

Household saving ratio, seasonally adjusted, Quarter 1 1987 to Quarter 4 2021, UK



Source: Office for National Statistics – Quarterly sector accounts

Notes:

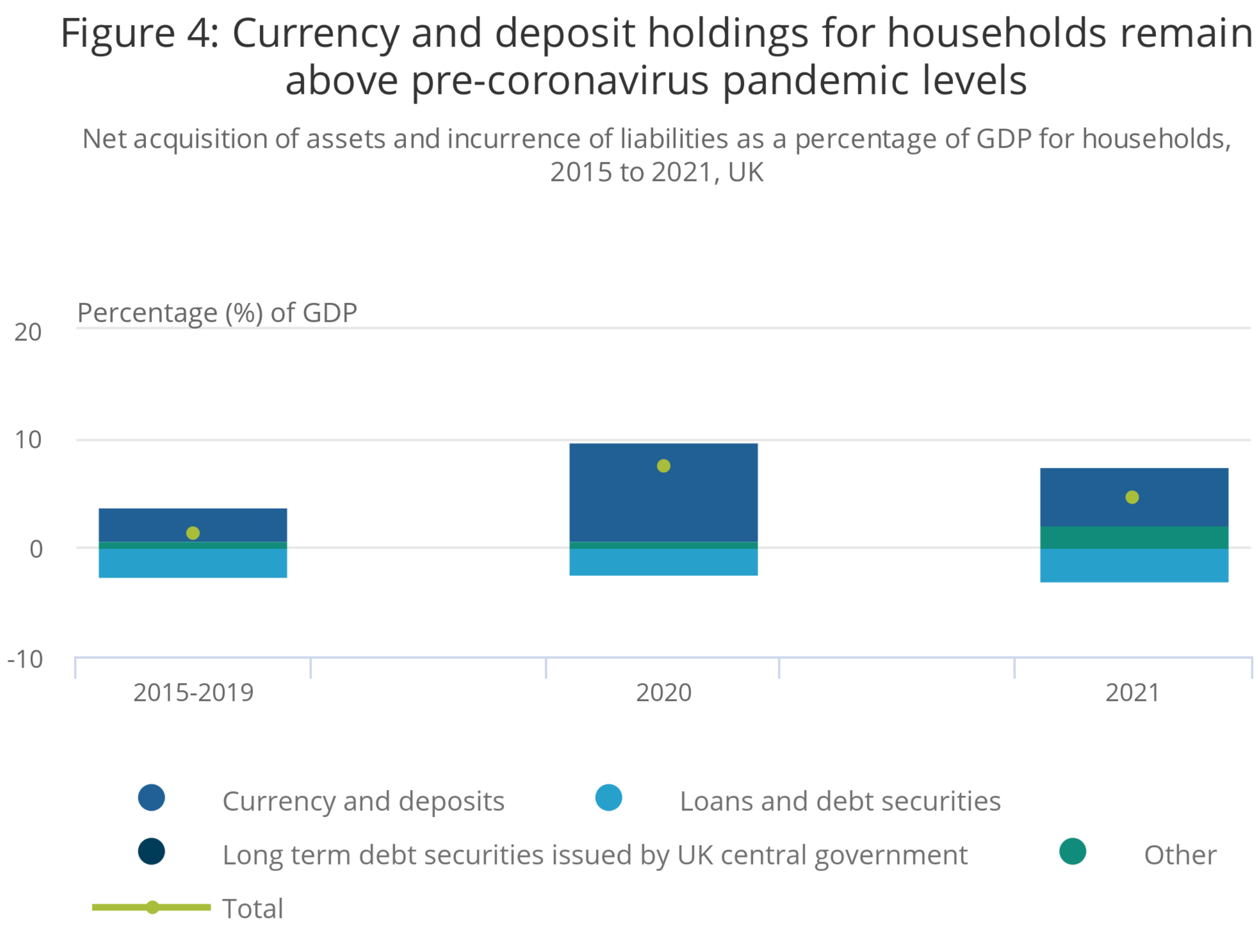
1. Households do not include NPISH.

Following a record £126.9 billion increase in the acquisition of deposits in 2020, households experienced a £65.6 billion decrease in 2021. The record increase in the acquisition of deposits in Quarter 2 2020 highlighted the impact of public health restrictions on spending opportunities, as well as households raising their savings as a buffer against high levels of uncertainty. The decline in bank deposits seen in 2021 (Figure 4) may largely be driven by the easing of coronavirus pandemic restrictions and increased individual confidence from the implementation of the vaccination programme. This likely [reduced some of the consumer caution around the virus itself, as discussed by the Bank of England](). These higher levels of accumulated savings over the coronavirus pandemic are likely to be important in understanding how households respond to the higher cost of living.

The easing of restrictions and increased individual confidence may also explain the increase in the incurrence of liabilities seen in 2021. Figure 4 also shows a large increase in the acquisition of "other" assets, specifically a rise in equity and investment fund shares and units, and household pension entitlements. Therefore, at the end of 2021, currency and deposit holdings for households remained 2.7% above pre-coronavirus pandemic levels.

Figure 4: Currency and deposit holdings for households remain above pre-coronavirus pandemic levels

Net acquisition of assets and incurrence of liabilities as a percentage of GDP for households, 2015 to 2021, UK



Source: Office for National Statistics – Quarterly sector accounts

Notes:

1. Households do not include NPISH.

4 . Impact on businesses

Non-financial corporations (NFC), which includes public and private NFC, further increased their net lending in 2021 (Figure 1). This was driven by a £19.6 billion increase in private non-financial corporations (PNFC) net property income, which is primarily the earnings from interest on savings and dividends from shares.

In the non-financial account, gross operating surplus (GOS) experienced an increase in 2021, but overall national income increased by more. The GOS of PNFCs therefore saw a 0.5% decline as a percentage of gross domestic product (GDP) in 2021, following a 0.7% increase in 2020. The withdrawal of the Small Business Grant Fund (SBGF) in early October 2021, which provided eligible small businesses in England one-off grants of £10,000, helped support PNFC GOS relative to national income in 2020. Table 2 shows the profile of the SBGF transfers between local government and all other domestic sectors, where take-up of these subsidy payments tracks the stringency of public health restrictions over these two years.

Table 2: The last SBGF payments were made at the end of Quarter 3 (July to Sept) 2021
Flow of SBGF in the UK, Quarter 1 (Jan to Mar) 2020 to Quarter 4 (Oct to Dec) 2021

Quarter	Local Government sector	All sectors (excluding RoW)
2020 Q1	0	0
2020 Q2	-12.2bn	12.2bn
2020 Q3	-0.5bn	0.5bn
2020 Q4	-2.6bn	2.6bn
2021 Q1	-4.5bn	4.5bn
2021 Q2	-1.2bn	1.2bn
2021 Q3	-0.1bn	0.1bn
2021 Q4	0	0

Source: Office for National Statistics – GDP quarterly national accounts

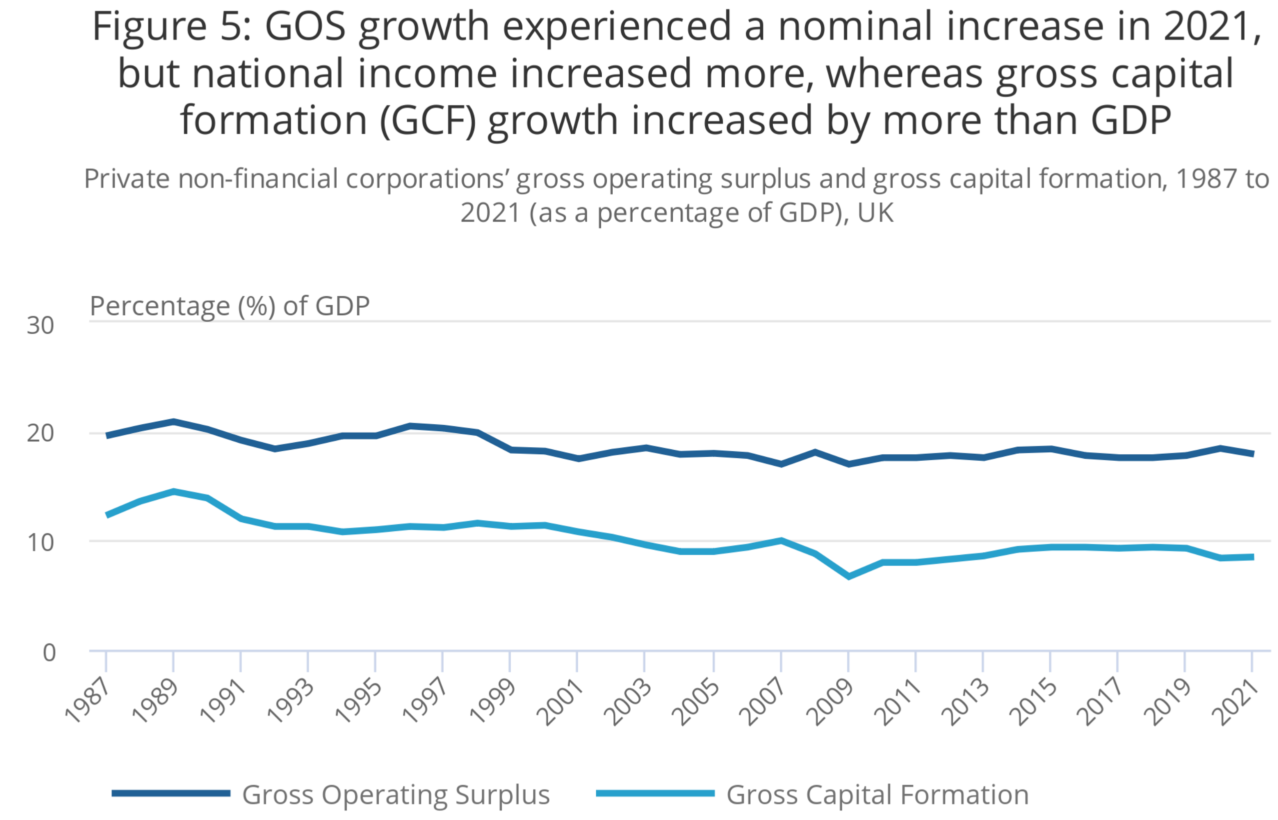
Notes

1. Reflects the transfer of cash between government and all sectors (excluding rest of world)

2. not the economic impact of these policies.

Figure 5: GOS growth experienced a nominal increase in 2021, but national income increased more, whereas gross capital formation (GCF) growth increased by more than GDP

Private non-financial corporations’ gross operating surplus and gross capital formation, 1987 to 2021 (as a percentage of GDP), UK



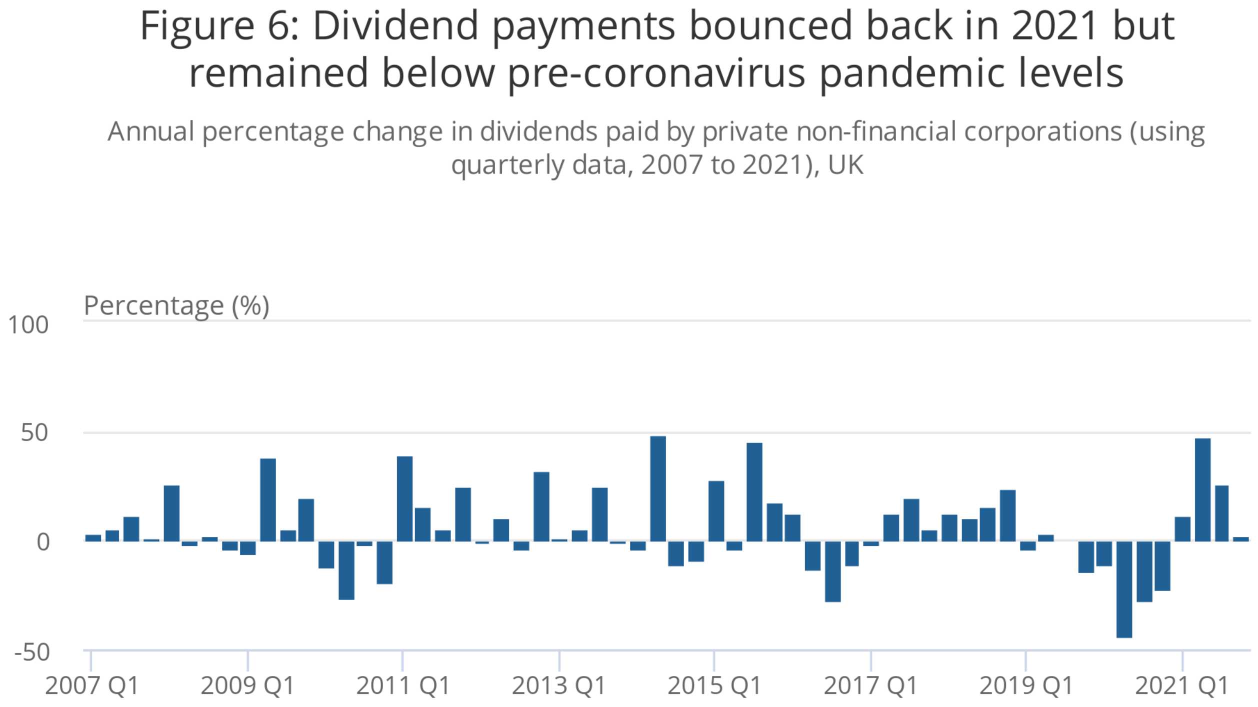
Source: Office for National Statistics – GDP quarterly national accounts

Figure 5 also shows the increase in capital expenditure experienced by PNFCs in 2021. GCF of PNFCs as a percentage of GDP saw a 0.1% increase in 2021, following a 0.9% decline in 2020. The increase seen cannot be isolated but looking at business investment, which includes the public corporation and household sectors, it is most likely because of increases in ICT equipment and other machinery and equipment. More detail is available in our Business investment in the UK: October to December 2021 revised results article.

This likely reflects the impact of lifting coronavirus (COVID-19) pandemic restrictions on sales revenues and cash positions, as well as the effects of greater confidence around the level and composition of future demand. This was likely offset by the stock and supply chain issues experienced in 2021. More detail is available in our Stock and supply chain issues in the UK: Quarter 1 2018 to Quarter 4 2021 article.

Figure 6: Dividend payments bounced back in 2021 but remained below pre-coronavirus pandemic levels

Annual percentage change in dividends paid by private non-financial corporations (using quarterly data, 2007 to 2021), UK

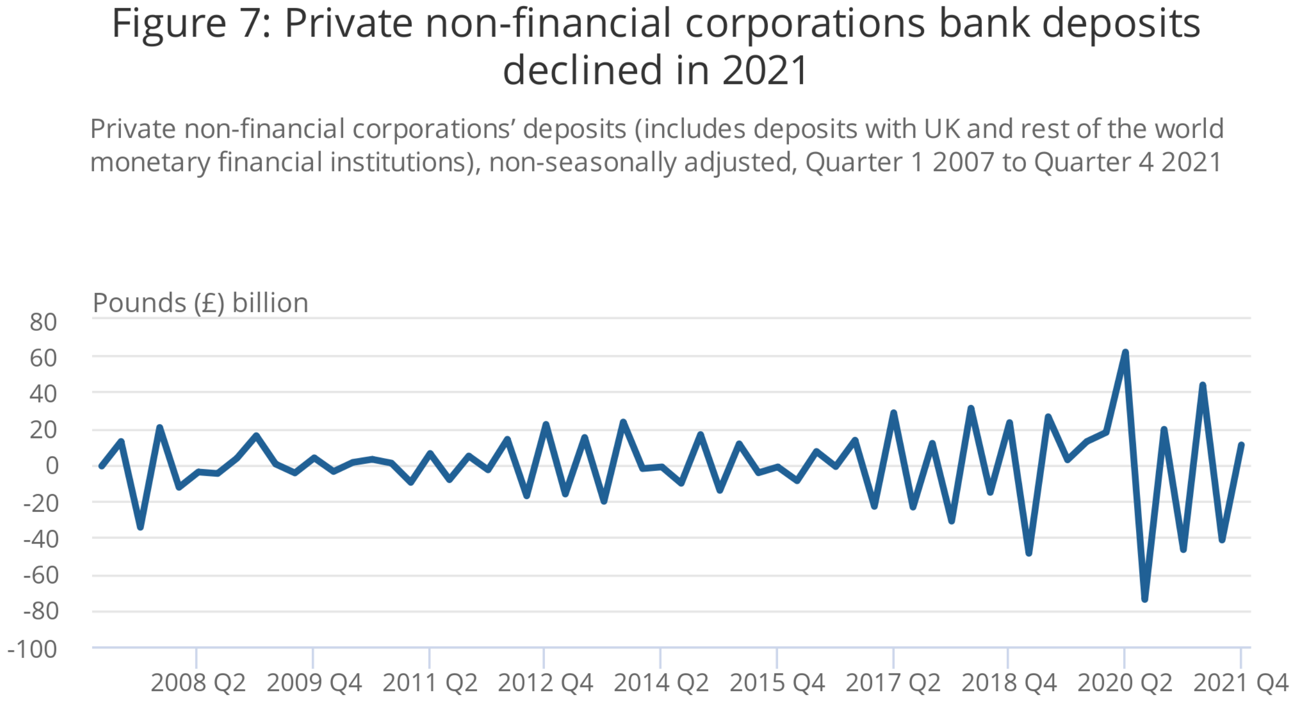


Source: Office for National Statistics – Quarterly sector accounts

As nominal GOS increased in 2021, PNFCs experienced a 20.1% bounce back in dividend payments in the same period. This followed a 26.3% decline in 2020, but remained 11.4% below pre-coronavirus pandemic levels. This bounce back in dividend payments may partially be owing to the withdrawal of the Coronavirus Large Business Interruption Loan Scheme (CLBILS) and the COVID Corporate Financing Facility (CCFF) in Quarter 2 (Apr to June) 2021. The CLBILS required some businesses to not pay dividends until the facility had been paid off in full. Larger firms who were also eligible for the CCFF received short-term funding, providing they made a commitment to restrain on their capital distributions and senior pay.

Figure 7: Private non-financial corporations bank deposits declined in 2021

Private non-financial corporations’ deposits (includes deposits with UK and rest of the world monetary financial institutions), non-seasonally adjusted, Quarter 1 2007 to Quarter 4 2021



Source: Office for National Statistics – Quarterly sector accounts

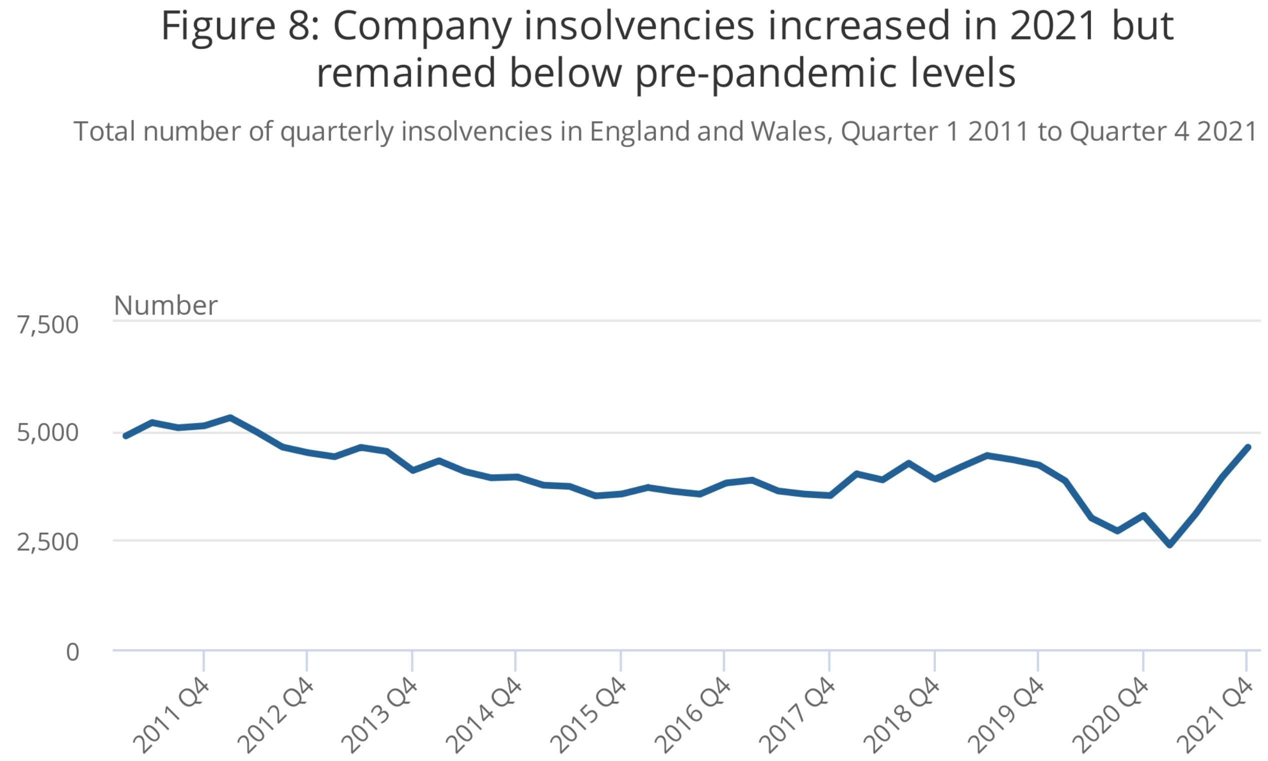
Within the financial account, Figure 7 shows PNFCs decreased their bank deposits by £156.5 billion in 2021, following a £197.0 billion increase in 2020. This can be linked to the increase in capital expenditure PNFCs, shown in Figure 5, which reflects the impact of lifting restrictions and consumer confidence on sales revenues, cash positions, and consumer demand.

Despite this, the total number of company insolvencies registered in 2021 increased by 11% compared with 2020, but remained 18% below pre-coronavirus pandemic levels (Figure 8). This was driven by the highest annual number of Creditors' Voluntary Liquidations (CVLs) since 2009. The increase in CVLs in the second half of 2021 coincided with the phasing out of the CJRS.

In addition, the suspension of wrongful trading liability, which allowed directors to continue trading without facing the threat of personal liability despite uncertainty that their company may not be able to avoid insolvency in the future, ended on 30 June 2021. The withdrawal of these and other government support schemes may explain the increased levels of insolvencies.

Figure 8: Company insolvencies increased in 2021 but remained below pre-pandemic levels

Total number of quarterly insolvencies in England and Wales, Quarter 1 2011 to Quarter 4 2021

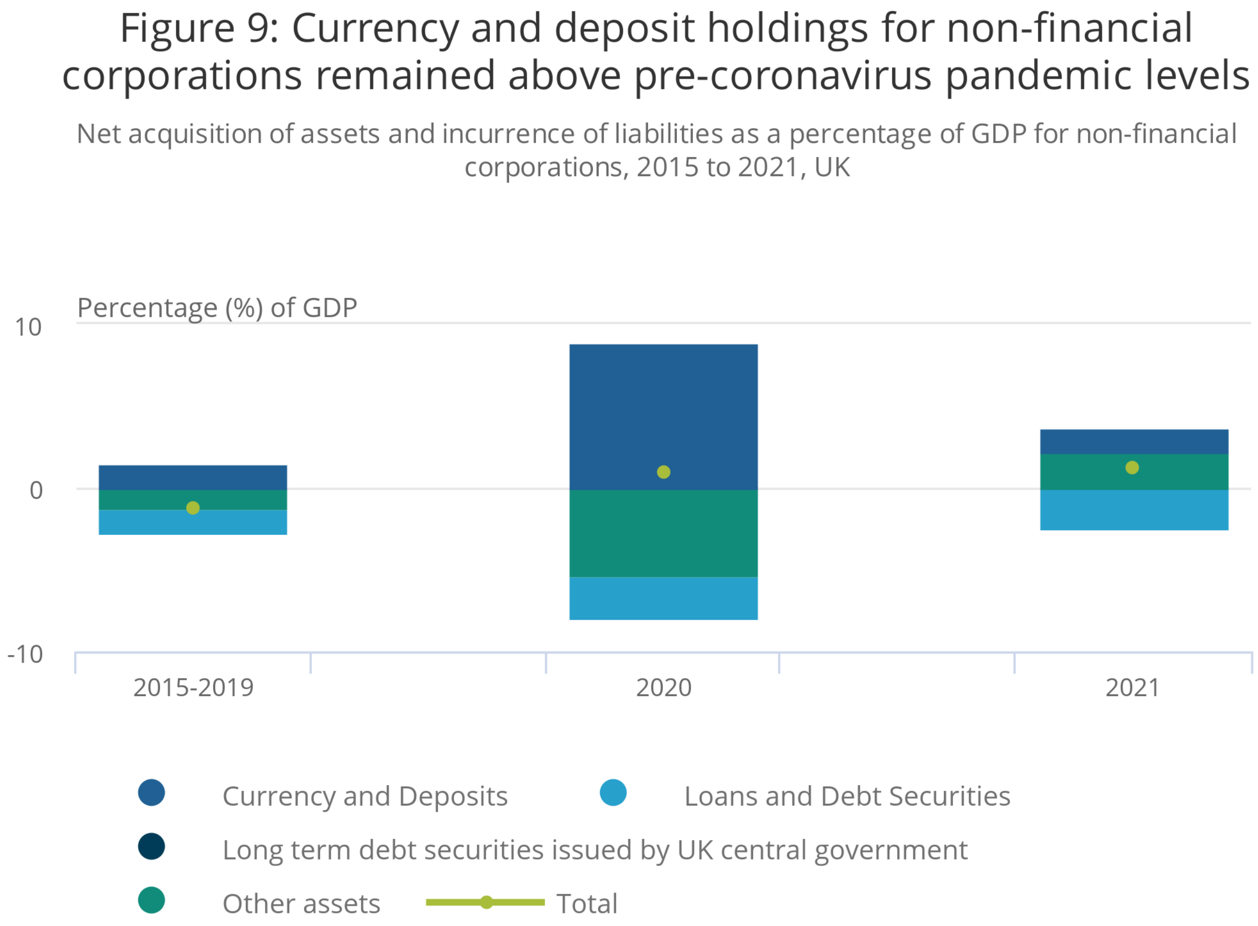


Source: GOV.UK – Company insolvency statistics: October to December 2021

Figure 9 shows the increase in NFCs bank deposits in 2020. NFCs also increased their incurrence of financial liabilities in the form of debt securities, loans, equity investment fund shares and units, and employee pension schemes. In 2021, NFCs experienced a substantial decrease in their acquisition of currency and deposits, reflecting the impact of lifting restrictions and greater confidence; however, they still remained 1.8% above pre-coronavirus pandemic levels.

Figure 9: Currency and deposit holdings for non-financial corporations remained above pre-coronavirus pandemic levels

Net acquisition of assets and incurrence of liabilities as a percentage of GDP for non-financial corporations, 2015 to 2021, UK



Source: Office for National Statistics – Quarterly sector accounts

Notes:

Households do not include NPISH.

5 . Coronavirus and the impact on UK households and businesses data

[Quarterly sector accounts, UK: October to December 2021](#)
Dataset | Released 31 March 2022
Detailed estimates of quarterly sector accounts that can be found in the UK Economic Accounts (UKEA).

6 . Glossary

Businesses

Refers to private non-financial corporations.

Pre-coronavirus pandemic level

Refers to Quarter 4 (Oct to Dec) 2019.

Net lending or borrowing

The net lending of a sector represents the surplus resources that a sector makes available to other sectors. Net borrowing represents their financing of a deficit from other sectors.

Gross disposable household income (GDHI)

The estimate of the total amount of income that households have available to either spend, save, or invest. It includes income received from wages (and the self-employed), social benefits, pensions and net property income less taxes on income and wealth.

Real household disposable income (RHDI)

Adjusting GDHI to remove the effects of inflation gives RHDI. This is a measure of the real purchasing power of households' income, in terms of the physical quantity of goods and services they would be able to purchase if prices remained constant over time.

Intertemporal saving

Saving used to transfer resources across time to fund future consumption.

Precautionary saving

Saving used as a buffer to protect against unexpected changes in resources.

Forced saving

Saving resulting from the inability to consume because of government restrictions on physical movement and social interaction during the coronavirus pandemic.

Households' saving ratio

Households' saving as a percentage of total available household resources.

Gross operating surplus (GOS)

Gross operating surplus is the portion of income derived from production by incorporated enterprises that are earned by the capital factor.

Gross capital formation (GCF)

Gross capital formation consists of gross fixed capital formation, changes in inventories, and acquisitions less disposals of valuables.

7 . Data sources and quality

Quality and methodology information on strengths, limitations, appropriate uses, and how the data were created is available in the our Quarterly sector accounts Quality and Methodology Information report.

8 . Related links

[Coronavirus and the Impact on UK households and businesses: 2020]
Article | Released 19 April 2021
The effect of the coronavirus (COVID-19) pandemic on UK households and businesses, with international comparisons. Includes analysis on income, expenditure, dividends, assets, liabilities and insolvencies.

[Coronavirus (COVID-19) and its effects on household consumption, UK: January 2020 to December 2021]
Article | Released 6 April 2022
The impact of the coronavirus (COVID-19) pandemic on UK household expenditure. Including new analysis of credit card transaction data on household spending patterns in December 2021.

[GDP quarterly national accounts, UK: October to December 2021]
Article | Released 31 March 2022
Revised quarterly estimate of gross domestic product (GDP) for the UK. Uses additional data to provide a more precise indication of economic growth than the first estimate.

[Economic modelling of forced saving during the coronavirus (COVID-19) pandemic]
Article | Released 6 June 2022
The impact of the coronavirus (COVID-19) pandemic on the UK household saving ratio. Including an estimate of forced saving because of the suppression of consumption opportunities between Quarter 1 (Jan to Mar) 2020 and Quarter 4 (Oct to Dec) 2021.

[Business investment in the UK: October to December 2021 revised results]
Bulletin | Released 31 March 2022
The impact of the coronavirus (COVID-19) pandemic on UK household expenditure. Including new analysis of credit card transaction data on household spending patterns in December 2021.

[Stock and supply chain issues in the UK: Quarter 1 2018 to Quarter 4 2021]
Article | Released 4 April 2022
The impact of the coronavirus (COVID-19) pandemic on UK household expenditure. Including new analysis of credit card transaction data on household spending patterns in December 2021.