

Business Capital Expenditure in Northern Ireland

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Summary

This paper explores the nature and characteristics of businesses that reported Capital Expenditure (CapEx) between 2016 and 2020 as captured by the Northern Ireland Annual Business Inquiry (NIABI)¹. This project is one of a trio of projects exploring data collected by the NIABI in relation to Capital Expenditure, Subsidies received by businesses, and types of purchases made by businesses.

Capital expenditures (CapEx) are funds used to purchase, maintain, or upgrade assets, such as buildings, equipment, infrastructure, computer hardware and other tangible property. CapEx is important for companies to grow and maintain their business.

The level of CapEx can be used to measure the health of the economy, high levels of CapEx shows that businesses are confident in the future and willing to invest to grow or maintain their business.

Disposal of assets can result in a financial income. Disposals happen when an asset such as land, building, vehicles, or equipment, reaches the end of its usefulness and businesses dispose of them.

Net CapEx, as reported here, is calculated by subtracting the financial income derived from the disposal of assets from the financial cost of acquisitions.

The main findings show that:

- Around a third of all businesses reported Net CapEx in each year. Due to its nature and the impact of small numbers of high value acquisitions or disposals, the total value of Net CapEx can vary somewhat over time, rising from £2.20 billion in 2016 to £2.85 billion in 2018 followed by a fall to £2.55 billion in 2020. This drop may reflect the impact of the coronavirus (COVID-19) pandemic, during this time as many businesses were either closed or working at a reduced scale.

¹ For further information on the NIABI see: [Annual Business Inquiry | Northern Ireland Statistics and Research Agency \(nisra.gov.uk\)](https://www.nisra.gov.uk)

- Around a third of all businesses had made at least one acquisition each year. The types of acquisitions were broadly similar from 2016 to 2020, with Machinery and Equipment the most prominent acquisition, being acquired by most businesses (around 90%) reporting an acquisition and having the highest value of any type of acquisition from 2017 to 2020, ranging from a low of £1.12 billion in 2016 to £1.55 billion in 2019.
- From 2017 to 2020 New Construction was the second highest value type of acquisition both in terms of the numbers of businesses reporting and value. The number of businesses reporting New Construction acquisitions have increased over the time period, from a low of 7,067 in 2017 to 9,328 in 2020 representing a 32% increase. In 2019, New Construction acquisition values ranged from a low of £0.78 billion increasing to £1.11 billion for 2020 (26% and 37% share of the total value of acquisitions respectively).
- Just under one in ten of all businesses had reported at least one disposal in each the year. Machinery and Equipment was the most prominent disposal with around 90% of these businesses reporting disposals of Machinery and Equipment. Considerably fewer businesses reporting disposals, disposed of Existing Buildings (a share of all businesses reporting disposals ranging from 20% in 2019 to 35% in 2020) and Non-produced assets (18% share of businesses reporting disposals in 2016 and 28% in 2019).
- The value of disposals was quite variable over time with no distinct pattern with the largest values of disposals for all years comprising the disposal of Machinery and Equipment, Land, or Existing Buildings.
- There is a strong relationship between business size, and the proportion of businesses reporting Net CapEx with the proportion increasing with business size. Similarly, there appears to be a strong relationship between business size and the value of Net CapEx reported, with the value broadly increasing with business size.
- In terms of Standard Industrial Classification (SIC) grouped sectors, the Services sector as a group accounted for the largest share of those businesses reporting Net CapEx (around 40%) and the greatest share of the total value of Net CapEx, ranging from 38% in 2019 to 50% in 2020.
- Just under one in five businesses reporting Net CapEx were in the Production sector making it the fourth largest sector in terms of number of such businesses throughout the years, however it had the second highest share of Net CapEx and accounted for around 30% of the total value of Net CapEx for most years.

- Despite the greater number of non exporting or non external sellers in the economy compared to exporting or external selling businesses, exporting businesses and external sellers disproportionately contribute to total Net CapEx. For example, in 2020, exporters reported £1.17 billion Net CapEx representing 46% of the total value of Net CapEx that year but accounted for only 32% of all business reporting Net CapEx. External sellers accounted for 50% of the value of Net CapEx but only 37% of the number of businesses reporting Net CapEx.
 - Most businesses reporting Net CapEx were Companies (around two thirds between 2018 and 2020). As expected, given the dominance of Companies as a legal entity in the data, Companies reported the largest value of Net CapEx in each year although there has been a decline in the value from a high of £2.14 billion in 2017 to a low of £1.68 billion in 2020.
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Introduction

The Northern Ireland '[10x Economy – an economic vision](#)' strategy was launched on the 11 May 2021 by the Department for the Economy setting out the vision for Northern Ireland's decade of innovation, to encourage greater collaboration and innovation to deliver a ten times better economy intended to provide inclusive benefits for both people and place.

One area of investment by businesses that has yet to be looked at in depth for Northern Ireland utilising local business survey data, is Capital Expenditure (CapEx). Capital Expenditure is expenditure that results in the acquisition or construction of a fixed asset (land, building, vehicles, equipment, technology) or the enhancement of an existing fixed asset. CapEx is often used to undertake new projects or investments by a business. This type of financial outlay is made by businesses to increase the scope of their operations, to grow, or to add some economic benefit to the operation.

Unlike operating expenses, which tend to recur consistently from year to year, Capital Expenditures can be less predictable and more episodic in nature. For example, a company that buys expensive new equipment would account for that investment as Capital Expenditure within the year. The absolute value of that expenditure on the new equipment however, would depreciate over the course of the equipment's useful life.

Disposal of assets can result in a financial income. Disposals happen when an asset such as land, building, vehicles or equipment, reaches the end of its usefulness and businesses dispose of them.

Net CapEx is calculated by subtracting the financial income derived from the disposal of assets from the financial cost of acquisitions.

Method

The Northern Ireland Annual Business Inquiry (NIABI)² conducted by the Economic and Labour Market Statistics Branch of the Northern Ireland Statistics and Research Agency (NISRA), annually samples approximately 10,000 businesses in Northern Ireland from a population of approximately 56,000 businesses in the sample frame, the Inter-Departmental Business Register (IDBR). The IDBR consists of companies, partnerships, sole proprietors, public authorities, central government departments, local authorities and non-profit making bodies in the UK. Businesses not registered for either Pay As You Earn (PAYE) and/or Value Added Tax (VAT) are excluded from the sample frame.

The NIABI is a well-established National Statistics resource for measuring the size, performance and structure of the Northern Ireland non-financial business economy. The NIABI is a survey of businesses covering the Production, Construction, Distribution and Service industries plus an element of Agriculture and covers roughly two thirds of the total Northern Ireland economy. Public sector bodies are excluded from the survey. The NIABI has included questions relating to capital expenditure and disposals which, to date, have been largely unexplored in terms of the characteristics and performance of businesses reporting capital expenditure.

On the whole, data validation is carried out on the returned forms ensuring internal consistency within the form, checking data falls within expected limits, or by contacting the company for clarification where appropriate. However, at this stage the CapEx variables do not receive the same level of data validation that other data within the ABI receives, therefore, part of this exercise was to assess the quality and fitness of the data, perform any additional data validation required within and across returned forms and raising and resolving queries with the Economic and Labour Market Statistics Branch of NISRA. This work included identifying outliers and correcting or estimating returned values where necessary.

For non-returns for businesses above a selected employment threshold, data for all variables were imputed using a methodology which takes account of previous returned data and the performance of other similar businesses. This information is then grossed to the reporting unit population, to ensure that results are representative of the sampled population. Published annual data are on a current prices basis and no adjustment is made for inflation as would be reflected in a constant prices series. On a

² For further information on the NIABI see: [Annual Business Inquiry | Northern Ireland Statistics and Research Agency \(nisra.gov.uk\)](https://www.nisra.gov.uk/annual-business-inquiry)

comparable basis, NIABI data is available from 2011 onwards however, following initial exploratory work, the following analyses covers the period from 2016 onwards given the difficulties in querying and validating more historic data.

Values for Net CapEx as reported here, were calculated by subtracting the financial income derived from the disposal of assets from the financial cost of acquisitions for each business reporting.

Results

Headline estimates of Net CapEx

Around a third of all businesses reported Net CapEx each the year, with 2019 reporting the largest proportion (37%), with 35% in the latest year (2020) (Figure 1).

Figure 1: Proportion of the total number of businesses reporting Net CapEx from 2016 to 2020

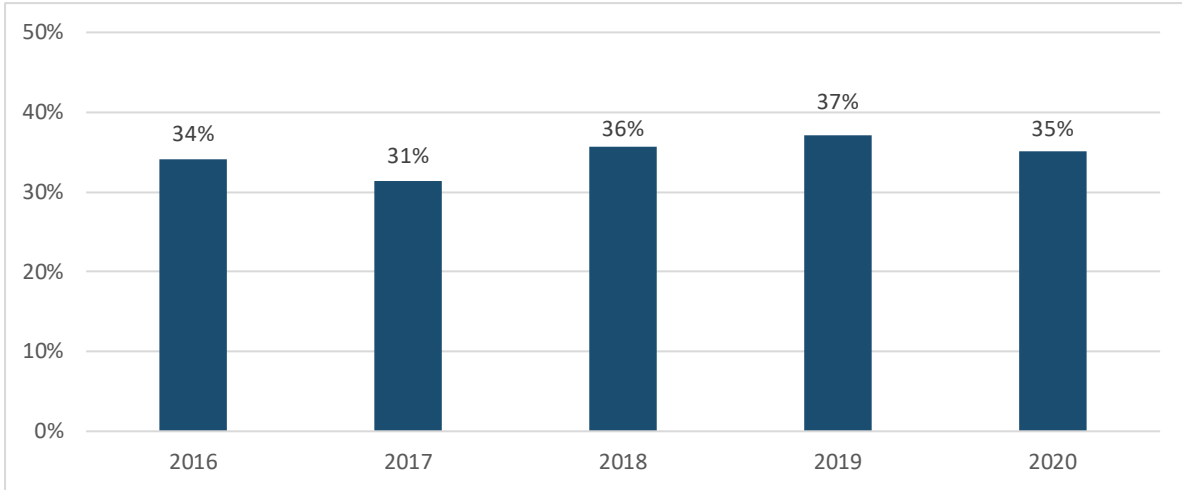


Figure 2 shows the number of businesses reporting Net CapEx from 2016 to 2020. The number of businesses reporting Net CapEx grew by 23% between 2017 (17,005) to 2019 (20,893), with a slight drop of 3% in 2020 to 20,306.

Figure 2: The number of businesses reporting Net CapEx from 2016 to 2020

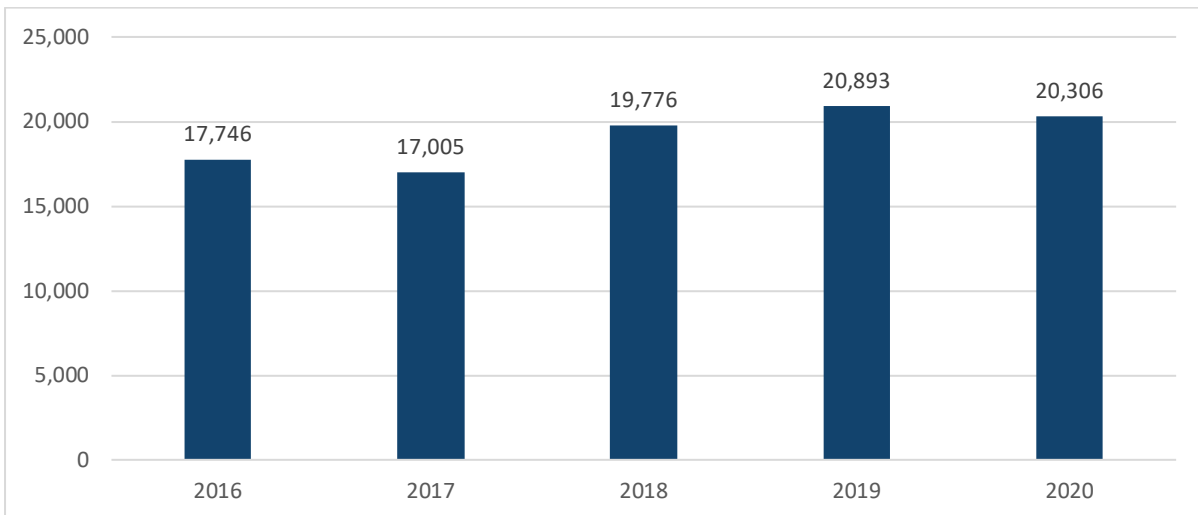
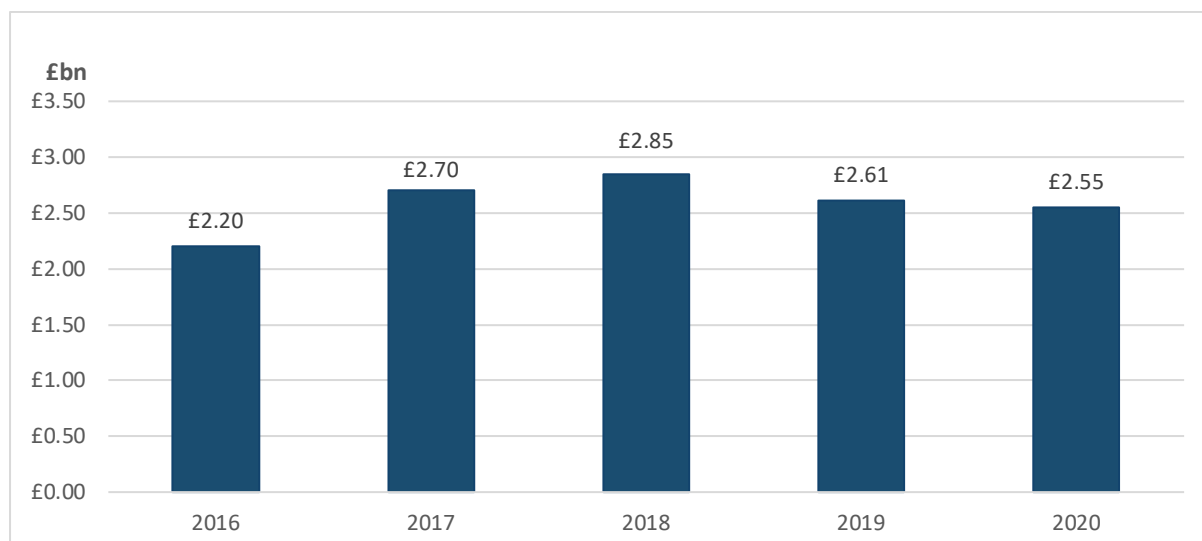


Figure 3 presents the total value of Net CapEx from 2016 to 2020. Due to its nature and the impact of small numbers of high value acquisitions or disposals, the value of Net CapEx can vary somewhat over time, rising from £2.20 billion in 2016 to £2.85 billion in 2018 followed by a fall to £2.55 billion in 2020.

Figure 3: Value of Net CapEx from 2016 to 2020 (£ billion)

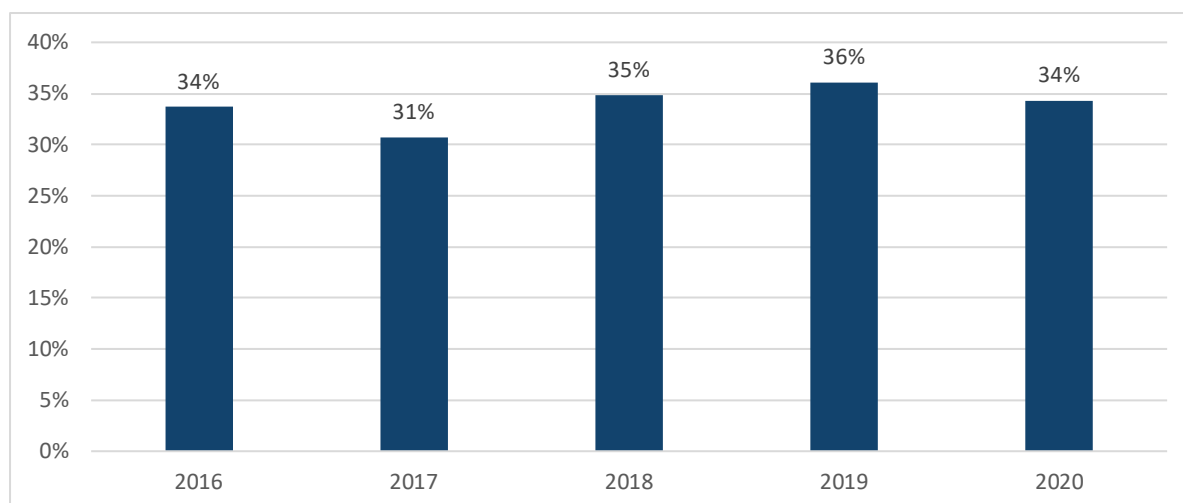


Components of Net Capital Expenditure (Net CapEx)

Acquisitions

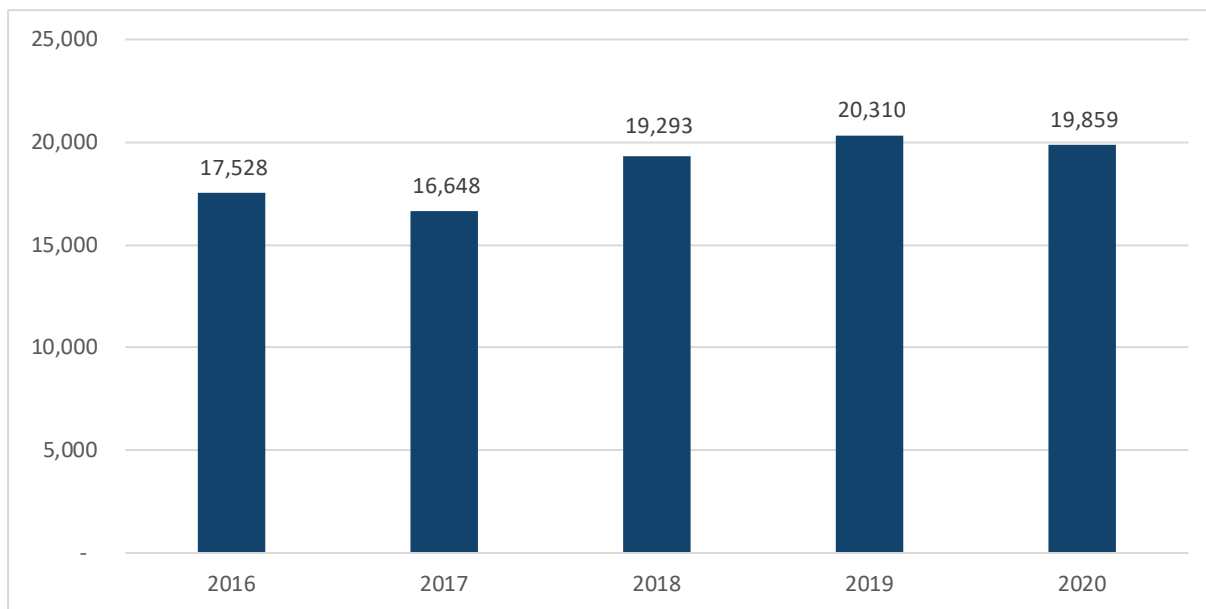
Around a third of all businesses had reported at least one Acquisition each year (Figure 4).

Figure 4: Proportion of the total number of businesses reporting acquisitions from 2016 to 2020



The number of businesses reporting at least one acquisition grew by 22% between 2017 (16,648) to 2019 (20,310), with a slight drop of 2% in 2020 to 19,859 (Figure 5).

Figure 5: The number of businesses reporting an acquisition from 2016 to 2020



Given that an individual business may report multiple types of acquisitions within a given year, Figure 6 shows the number of businesses reporting different types of acquisition from 2016 to 2020. The type of acquisition that showed the largest increase in numbers of businesses reporting it over time was Machinery and Equipment, reported by 15,021 businesses in 2017 rising to 19,066 businesses in 2019. Most businesses who reported an acquisition (around 90%) reported an acquisition of Machinery and Equipment. 2018 was an exception to this general picture with 8 in 10 businesses who reported an acquisition acquiring Machinery and Equipment, however this difference should be treated with caution due to 13% of businesses with an acquisition having no acquisition breakdown details provided³.

The number of businesses acquiring New Construction increased over the time period, from a low of 7,067 in 2017 to 9,328 in 2020 representing a 32% increase.

The number of businesses acquiring Computer Software rose from 4,729 businesses in 2016 to 7,650 in 2019 falling back to 6,890 in 2020.

The number of business reporting expenditure on existing buildings was lowest in 2018 (2,942) with a high of 5,733 in 2019.

³ Improvements to refine imputation processes for Census businesses on the ABI are currently ongoing. 2018 was the first run of the process and only imputed for some overall level variables within the dataset. For later years it has been refined/improved to run on sub-components of variables. The 2018 data will be revisited in due course to address these inconsistencies.

Figure 6: Number of businesses by acquisition type from 2016 to 2020

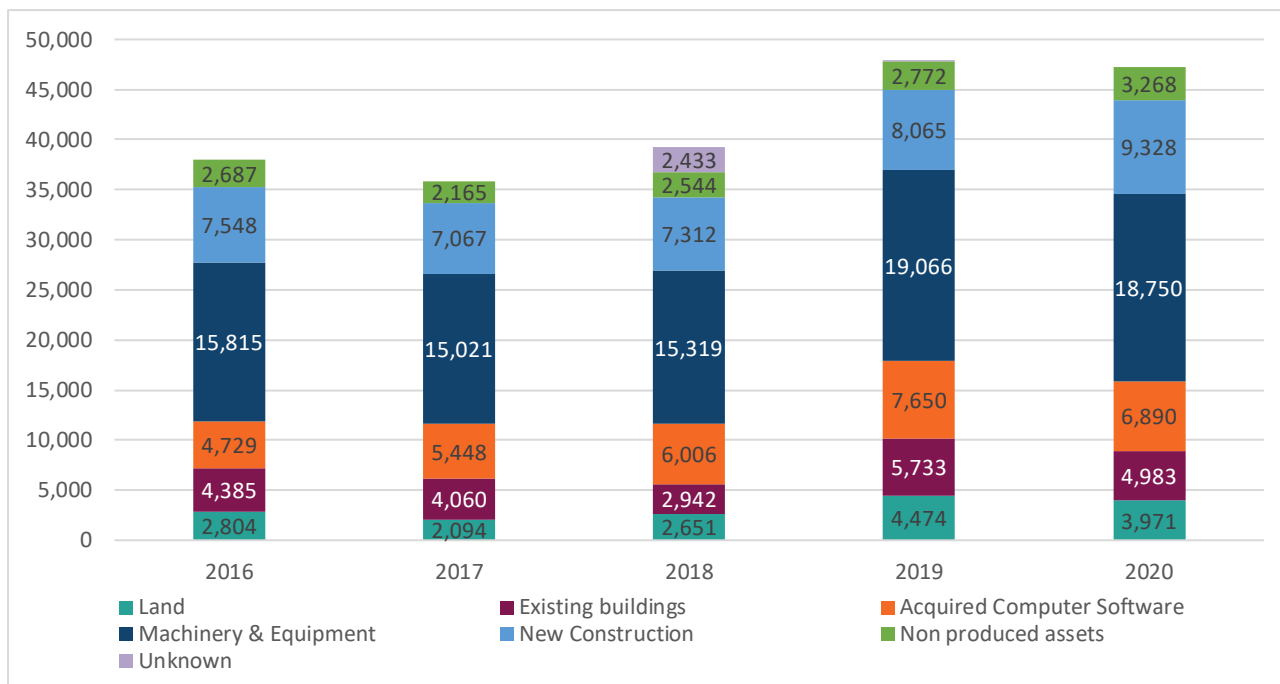


Figure 7 shows total value of Acquisitions from 2016 to 2020. Due to its nature and the impact of small numbers of high value acquisitions, the value of acquisitions can vary somewhat over time, ranging from £2.95bn in 2019 to £3.22bn in 2018.

Figure 7: Total value of acquisitions from 2016 to 2020 (£ billion)

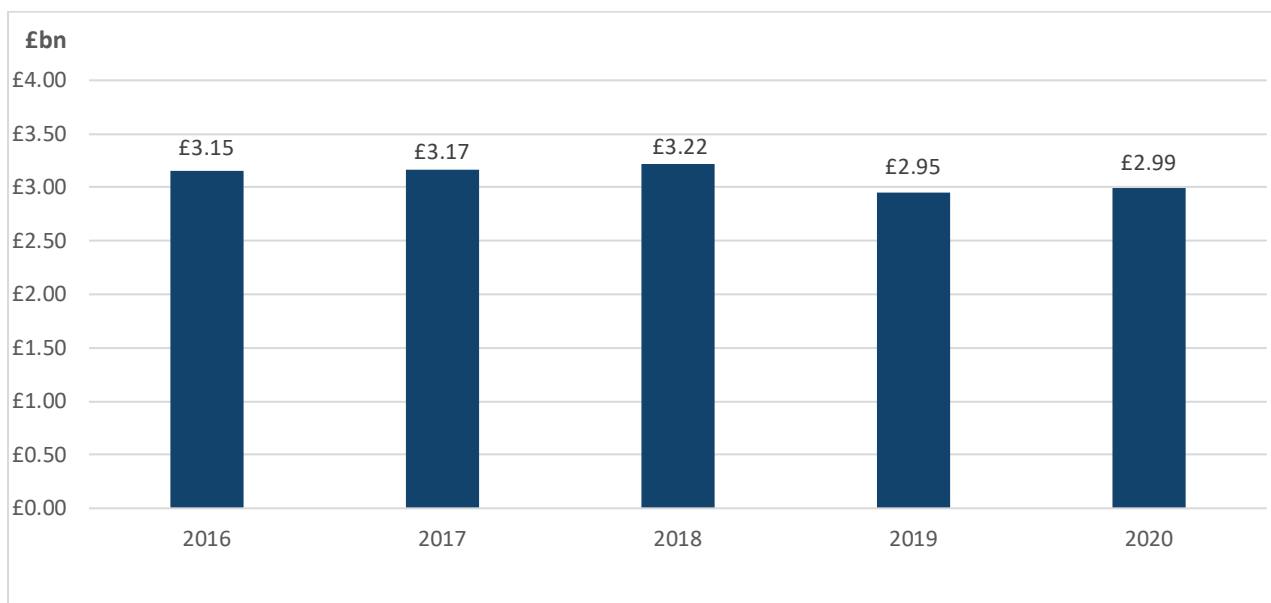


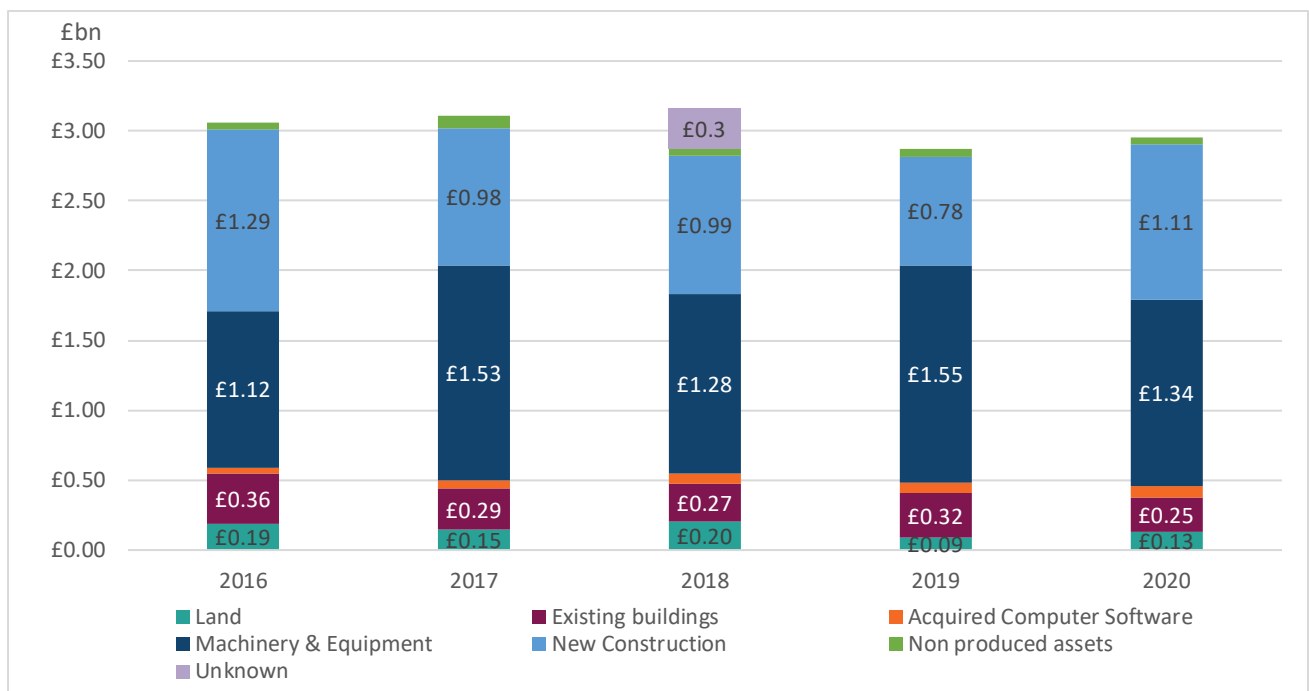
Figure 8 shows the value of each acquisition type from 2016 to 2020.

The value of acquisitions of Machinery and Equipment and New Construction were substantially higher compared to the other acquisition types.

Machinery and Equipment acquisitions had the highest value of acquisitions for 2017 to 2020, ranging from £1.12 billion in 2016 to £1.55 billion in 2019. For the most recent period, 2020, Machinery and Equipment acquisitions accounted for £1.34 billion which equated to 45% of the total value of acquisitions.

New Construction acquisitions had the highest value in 2016, although it was the second highest from 2017 to 2020. In 2019, New Construction acquisitions accounted for a low of £0.78 billion, which was 26% of the total value of acquisitions, it increased to £1.11 billion for 2020 representing 37% of the total value of acquisitions.

Figure 8: Value of each acquisition type from 2016 to 2020 (£ billion)



Disposals

Just under one in ten of all businesses had reported at least one disposal in each year (Figure 9).

Figure 9: Proportion of the total number of businesses reporting disposals from 2016 to 2020

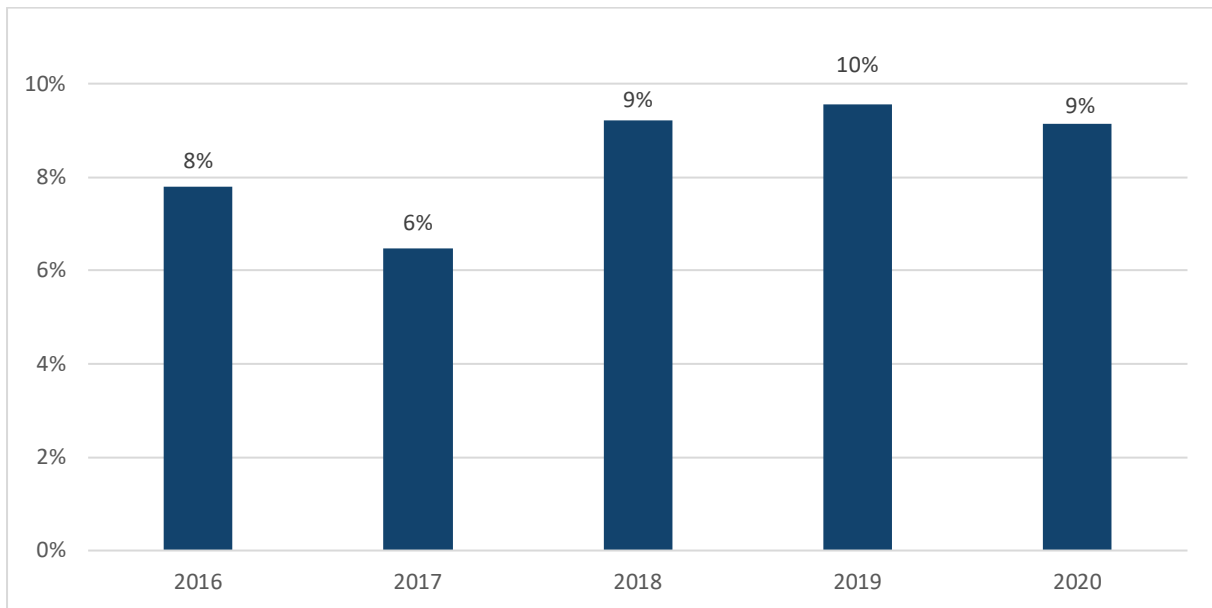


Figure 10 shows the number of businesses reporting at least one disposal from 2016 to 2020. There has been an increase in the number of businesses reporting disposals from 4,063 in 2016 to 5,390 in 2019 with 5,291 in 2020. There were considerably fewer businesses reporting disposals compared to businesses reporting acquisitions.

Figure 10: The number of businesses reporting a disposal from 2016 to 2020

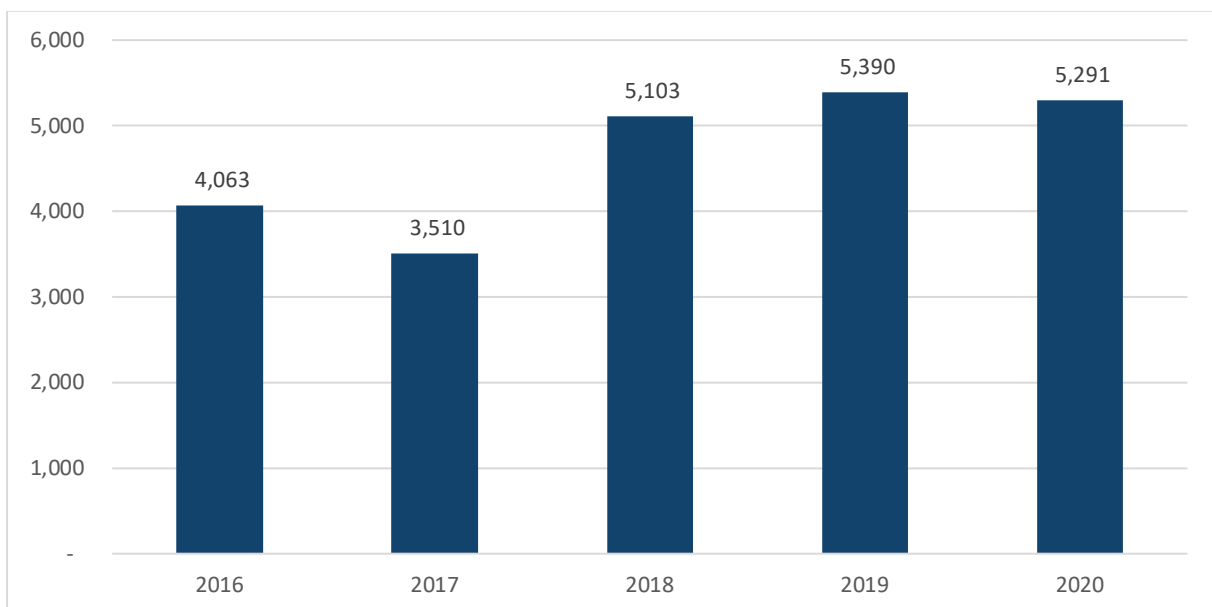


Figure 11 shows the number of businesses reporting different types of disposal from 2016 to 2020. Individual businesses may report multiple types of disposal within a given year. Machinery and Equipment was the most prominent disposal with around 90% of businesses with disposals reporting this. As with acquisitions, 2018 was the exception to this with 7 in 10 of these businesses disposing of Machinery and Equipment, however this difference should be treated with caution due to 23% of businesses with a disposal having no disposal type breakdown⁴.

In 2020, there was an increase in the number of businesses reporting the disposal of Existing Buildings to 1,878 from 453 businesses in 2018. The number of businesses disposing of Non-produced assets has nearly doubled from 714 in 2016 to 1,403 in 2020.

Figure 11: Number of businesses by disposal type from 2016 to 2020

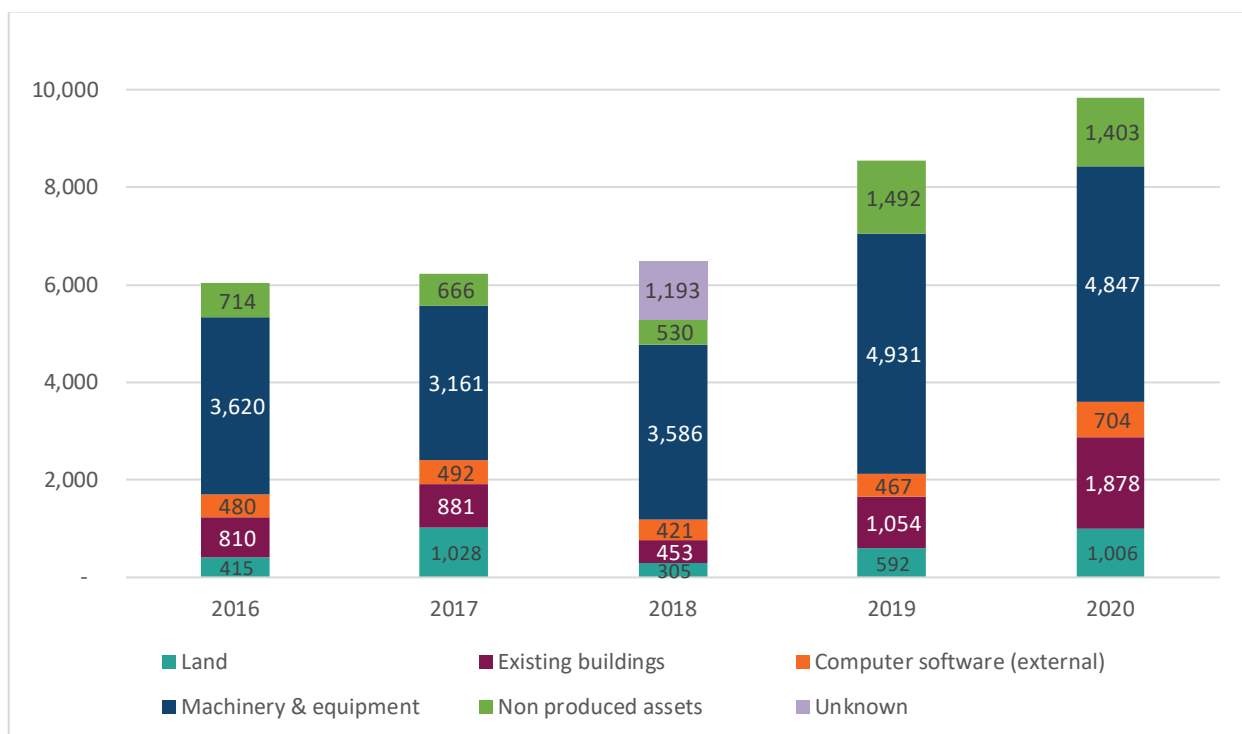


Figure 12 shows the total value of disposals from 2016 to 2020. The total value of disposals fell from £0.95 billion in 2016 to £0.34 billion in 2019 with an increase to £0.44 billion in 2020.

⁴ Improvements to refine imputation processes for Census businesses on the ABI are currently ongoing. 2018 was the first run of the process and only imputed for some overall level variables within the dataset. For later years it has been refined/improved to run on sub-components of variables. The 2018 data will be revisited in due course to address these inconsistencies.

Figure 12: The total value of Disposals from 2016 to 2020 (£ billion)

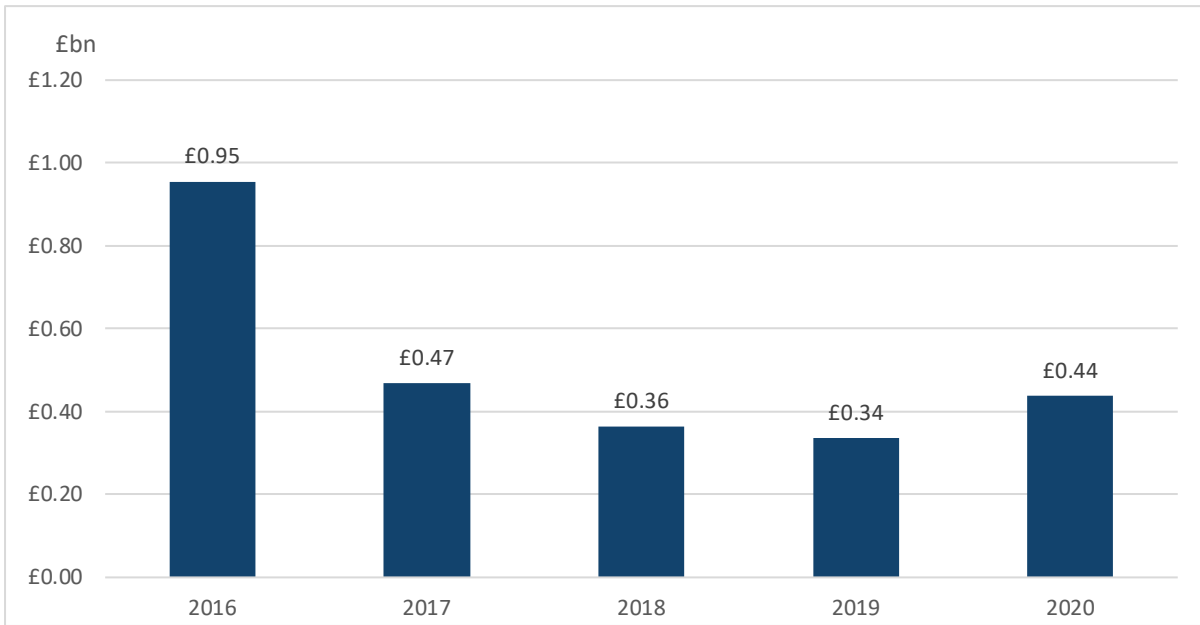
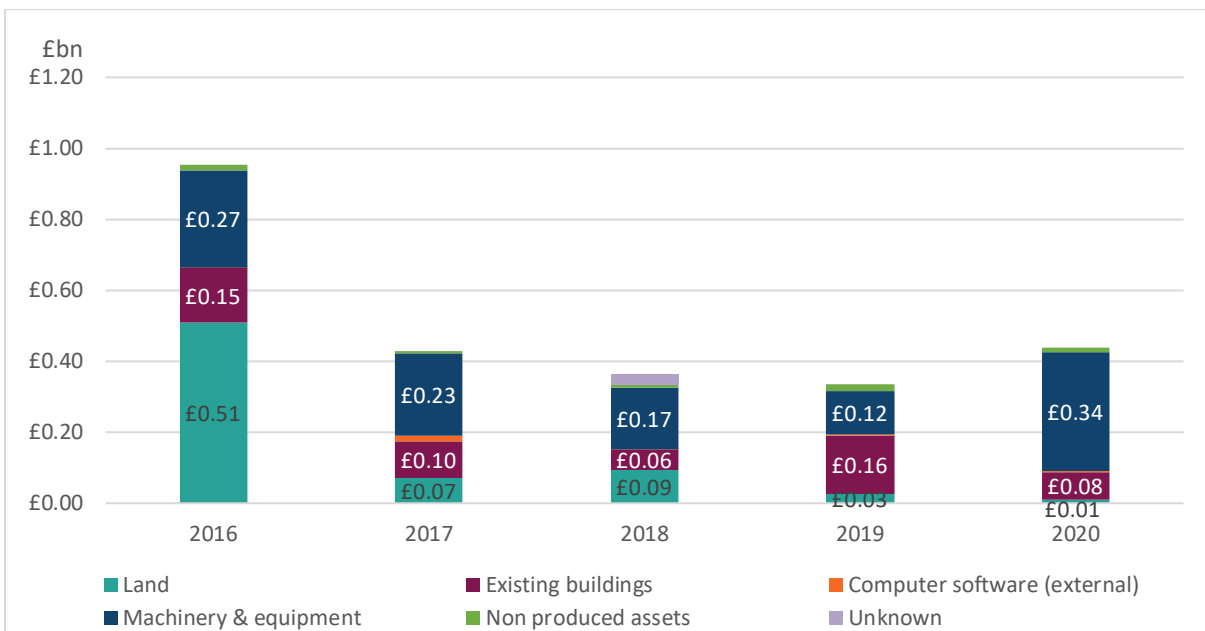


Figure 13 shows the total value of the five highest value disposal types from 2016 to 2020. The disposal of Land accounted for the highest total value of disposals for 2016 with £0.51 billion compared to £0.01 billion in 2020. The share of the total value of disposals accounted for by the disposal of Machinery and Equipment ranged from 29% in 2016 to 77% in 2020.

Although the number of businesses disposing of Existing Buildings increased from 1,054 in 2019 to 1,878 in 2020, the total value of the disposal of Existing Buildings fell from £0.16 billion in 2019 to £0.08 billion in 2020.

Figure 13: Value of the top 5 disposals from 2016 to 2020 (£ billion)



Characteristics of businesses reporting Net CapEx

Business size

Figure 14 shows the share of all businesses in each business size group who reported Net CapEx from 2016 to 2020.

The share of businesses in each business size group reporting Net CapEx has been relatively stable over time. Although there are a relatively small number of large businesses (250+ employees) in the economy, approximately 85% of all large businesses reported Net CapEx in each year with around 80% of all medium size businesses reporting Net CapEx each year. At the other end of the business size scale, just over one in four micro businesses reported Net CapEx in each year. Clearly then, there is a strong relationship between business size, and the shares of businesses reporting Net CapEx with the shares increasing as business size increases.

Figure 14: Proportion of business in each size group reporting Net CapEx from 2016 to 2020

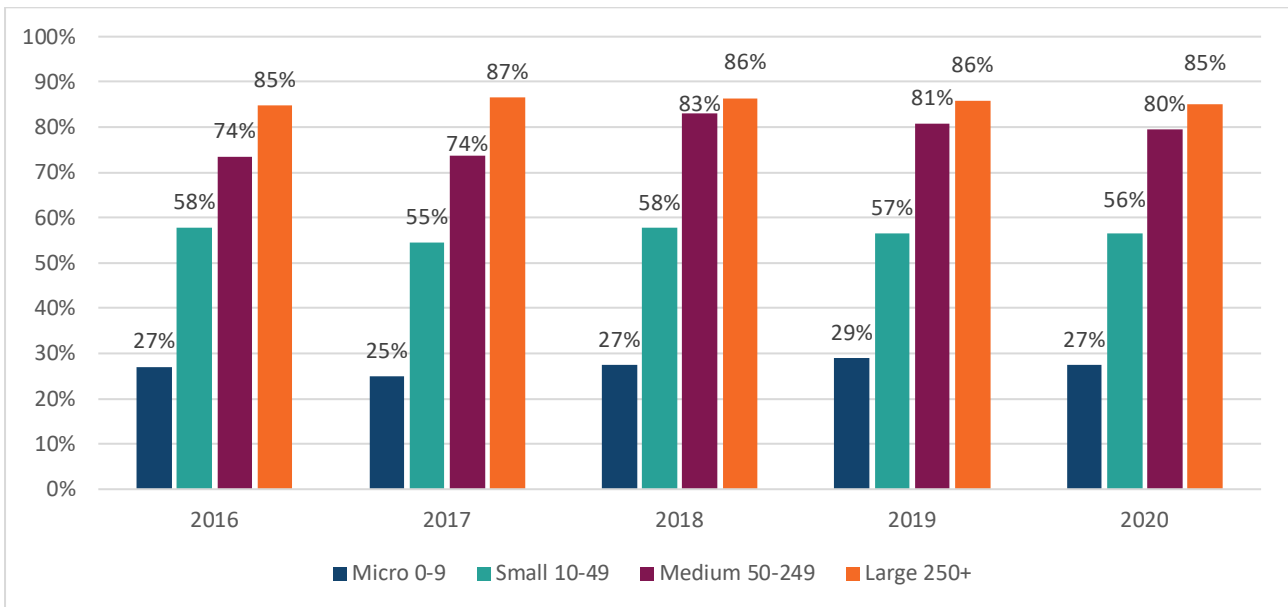


Figure 15 shows the number of business with Net CapEx by business size group from 2016 to 2020.

The composition of businesses reporting Net CapEx by business size was quite stable from 2016 to 2020. For all years, businesses reporting Net CapEx were made up of approximately 60% of micro businesses (0-9 employees), around a third were small (10-49 employees) businesses (ranging from 29% in 2017 to 37% in 2019), approximately 5% were medium sized businesses (50-249 employees) and 1% large businesses (250+ employees) for all years.

Figure 15: Number of businesses who reported Net CapEx by business size group from 2016 to 2020

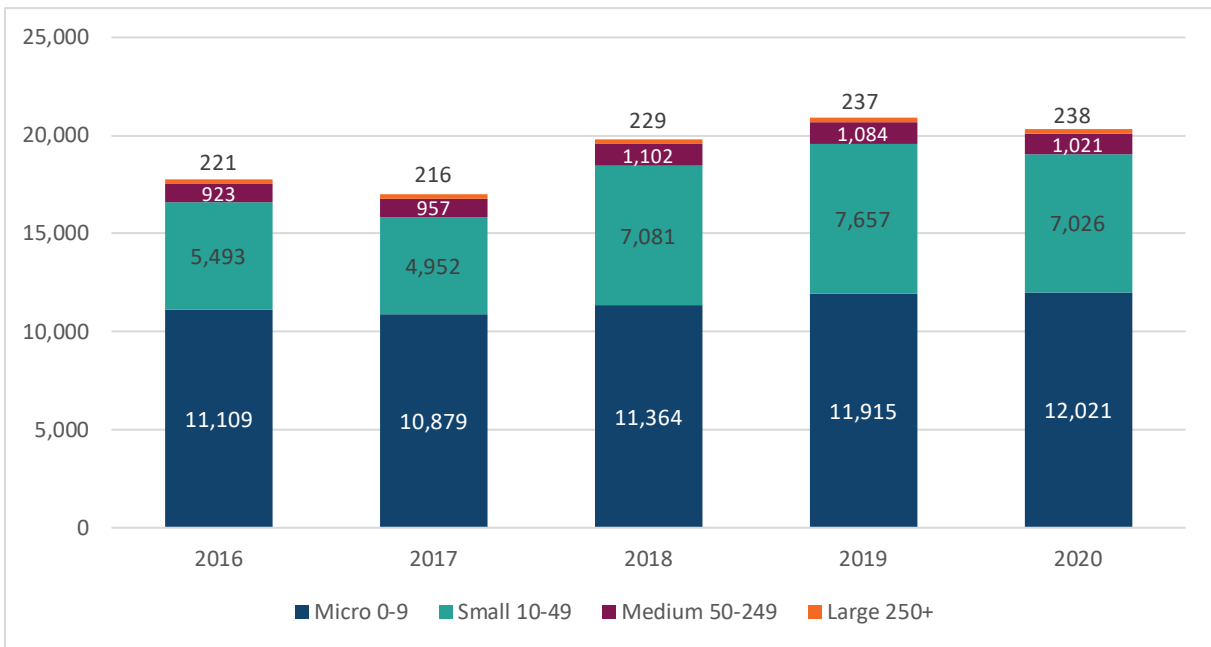


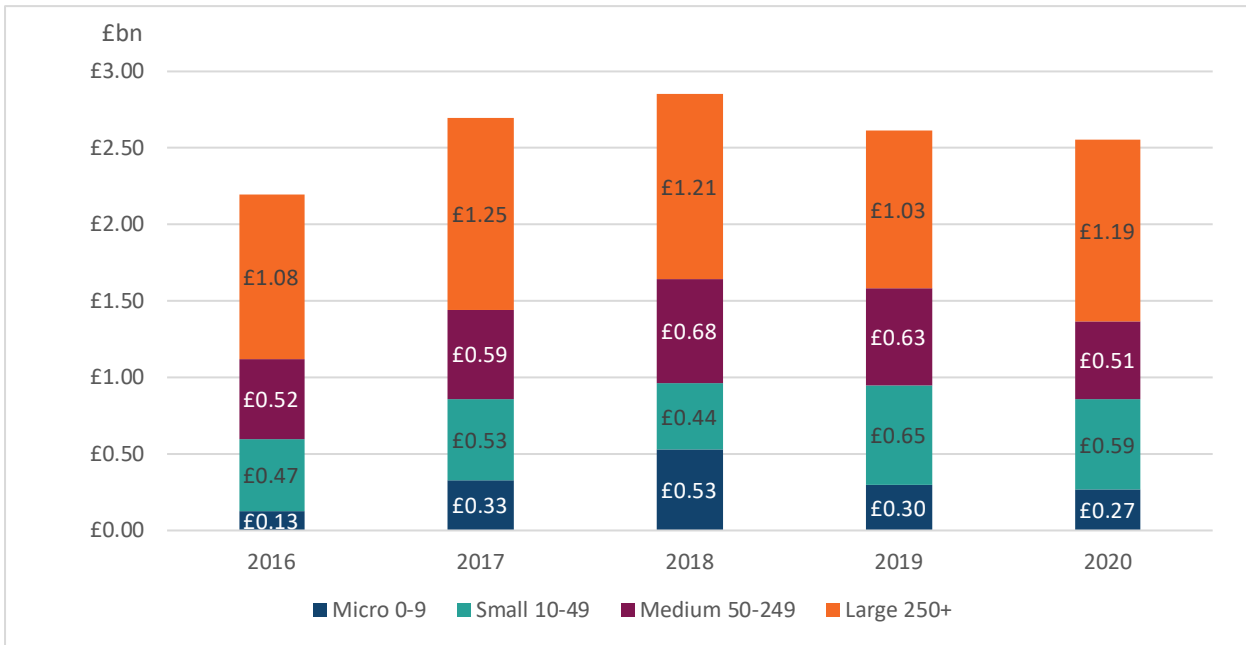
Figure 16 looks at the value of Net CapEx by business size group from 2016 to 2020.

A relatively small number of large businesses (250+ employees) accounted for the greatest share of the value of Net CapEx for all years. In the latest period (2020) large businesses accounted for £1.19 billion equating to 46% of the total value of Net CapEx.

From 2016 to 2018, the value of Net CapEx for micro businesses (0-9 employees) increased from £0.13 billion to £0.53 billion, with a fall in value between 2018 and 2020 to £0.27 billion. Medium sized businesses (50-249 employees) have followed a similar pattern with the value of Net CapEx increasing from £0.52 billion in 2016 to £0.68 billion in 2018, dropping to £0.51 billion in 2020.

There appears to be a strong relationship between business size and the value of Net CapEx reported with the value broadly increasing with business size.

Figure 16: The value of Net CapEx by business size group from 2016 to 2020 (£ billion)



Standard Industrial Classification Sector Groups⁵

Figure 17 shows the share of all businesses in each grouped Standard Industrial Classification Sector ⁶ reporting CapEx from 2016 to 2020.

Between 2018 and 2020, around two thirds of businesses in the Production sector reported Net CapEx, higher than the other grouped SIC sectors. Between 35% and 40% of businesses in the Distribution G sector reported CapEx between 2018 and 2020, with the proportion of businesses reporting Net CapEx in the Services sector at around 30% between 2018 and 2020.

⁵ The sectoral analyses are based on the Standard Industrial Classification 2007 (or SIC 2007). See Annex 1 for a full list of Standard Industrial Classification (SIC) main sectors and their mapping to grouped SIC.

⁶ The ABI sample includes the production, construction, distribution and service industries in Northern Ireland but excludes public sector activity for the most part. Coverage also includes agriculture (support activities), hunting, forestry and fishing but excludes farming. For more detail on the ABI sample coverage see: [ABI sample coverage | Northern Ireland Statistics and Research Agency \(nisra.gov.uk\)](https://www.nisra.gov.uk/abi-sample-coverage)

Figure 17: Proportion of businesses in each grouped Standard Industrial Classification Sectors reporting Net CapEx from 2016 to 2020

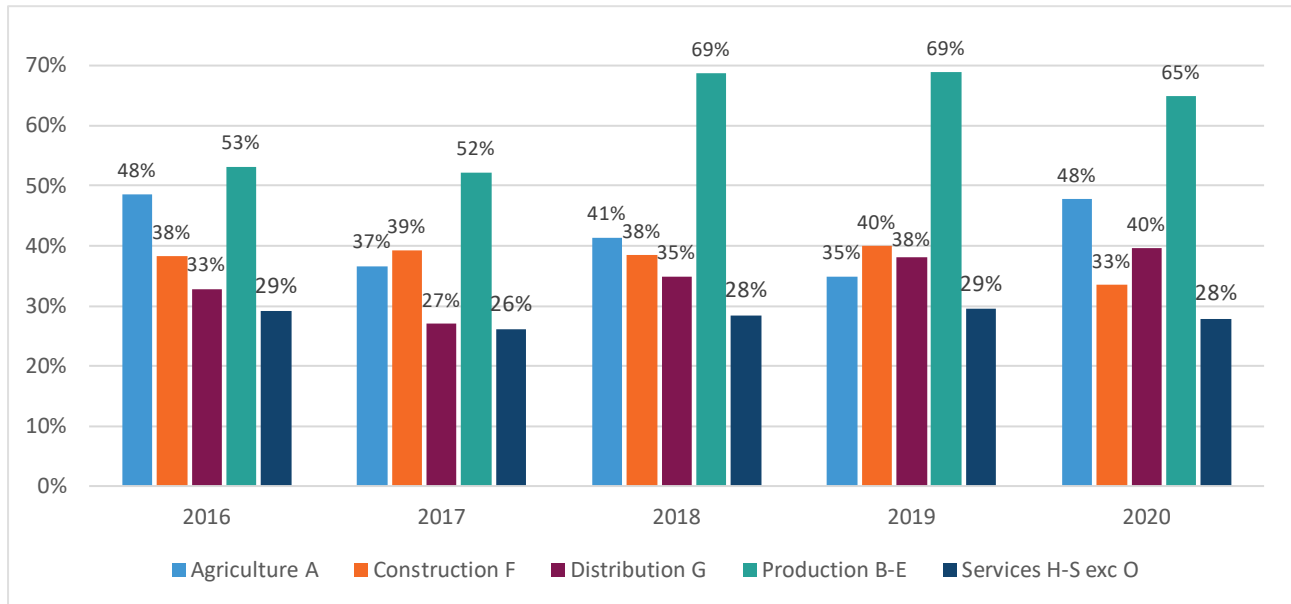


Figure 18 shows the total number of business reporting Net CapEx by grouped Standard Industrial Classification (SIC) Sector from 2016 to 2020.

In terms of numbers of businesses reporting Net CapEx, the composition of businesses by grouped SIC sector has remained relatively stable each year since 2018. The largest number of businesses reporting Net CapEx were in the Services sector representing approximately 40% of all businesses reporting Net CapEx each year.

Figure 18: The number of businesses reporting Net CapEx by grouped Standard Industrial Classification Sector from 2016 to 2020

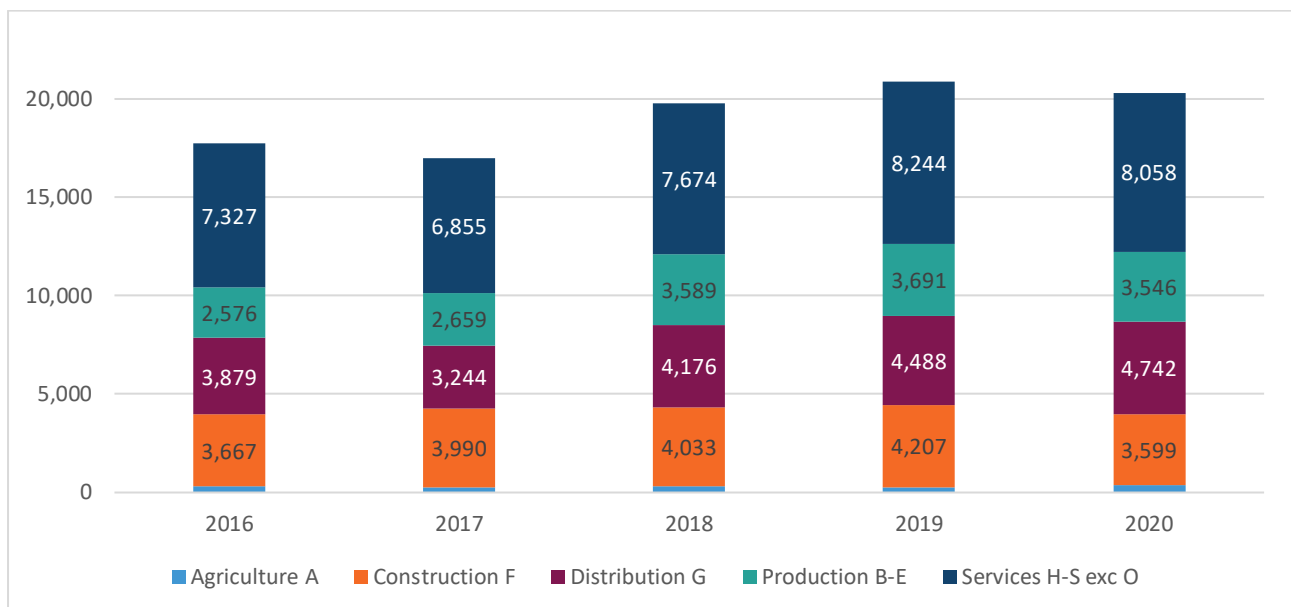


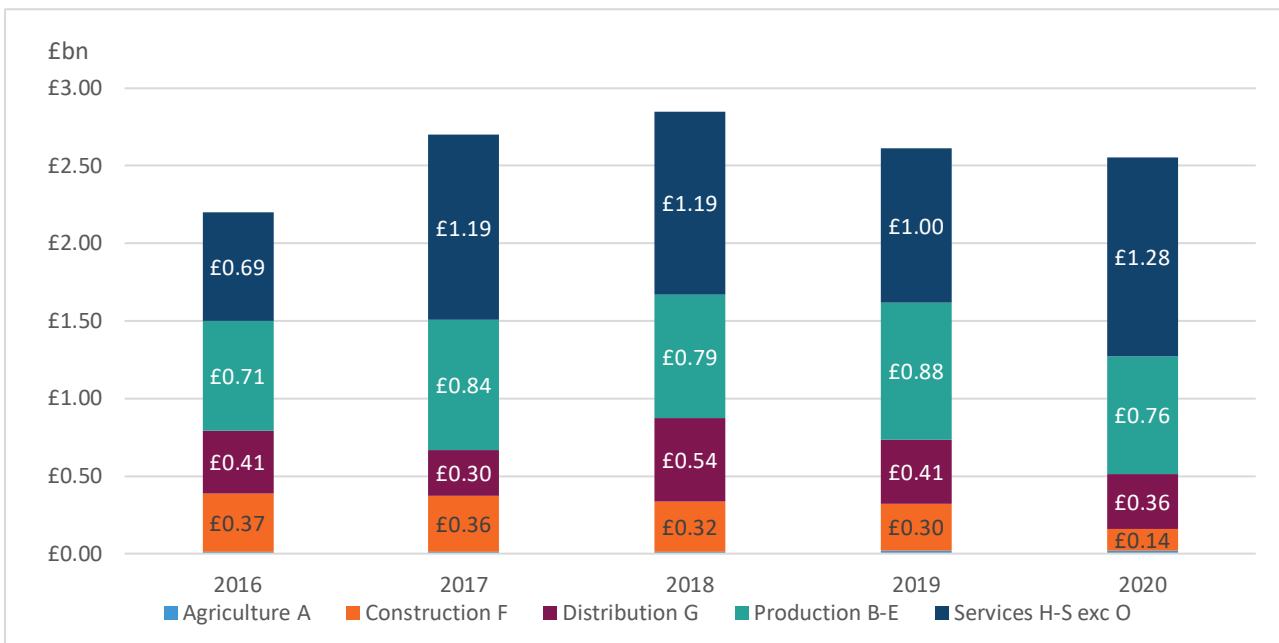
Figure 19 looks at the value of Net CapEx for each grouped Standard Industrial Classification Sector from 2016 to 2020.

Businesses in the Services Sector accounted for the greatest share of the total value of Net CapEx for 2017 to 2020, ranging from 38% in 2019 to 50% in 2020. For the latest period, 2020, the Service sector accounted for £1.28 billion of Net CapEx, half of the total value of Net CapEx and greater than its share of the number of businesses (40%).

The second highest share of total Net CapEx came from the Production Sector. For most years it accounted for between 28% and 34% of the total value of Net CapEx, in all years this was a greater share than its share of the number of businesses reporting Net CapEx. For the most recent period the Production Sector accounted for £0.76 billion of Net CapEx which is the equivalent to 30% of the total value of Net CapEx.

The value of Net CapEx accounted for by businesses in the Construction Sector has fallen by more than half from £0.37 billion in 2016 to £0.14 billion in 2020. There has also been a drop in the value of Net CapEx for businesses in the Distribution sector from a high of £0.54 billion in 2018 to £0.36 billion in 2020.

Figure 19: The value of Net CapEx by grouped Standard Industrial Classification Sector from 2016 to 2020 (£ billion)



External Sellers⁷

Figure 20 shows the proportion of all businesses that were external sellers or non external sellers reporting Net CapEx from 2016 to 2020.

A larger share of external sellers reported Net CapEx than non external sellers. The share of external sellers reporting Net CapEx peaked in 2018 at 56% with a drop to 52% in 2020. The share of non external sellers reporting Net CapEx ranged from 27% in 2017 to 31% in 2019.

Figure 20: Proportion of External Selling or non External Selling businesses reporting Net CapEx from 2016 to 2020

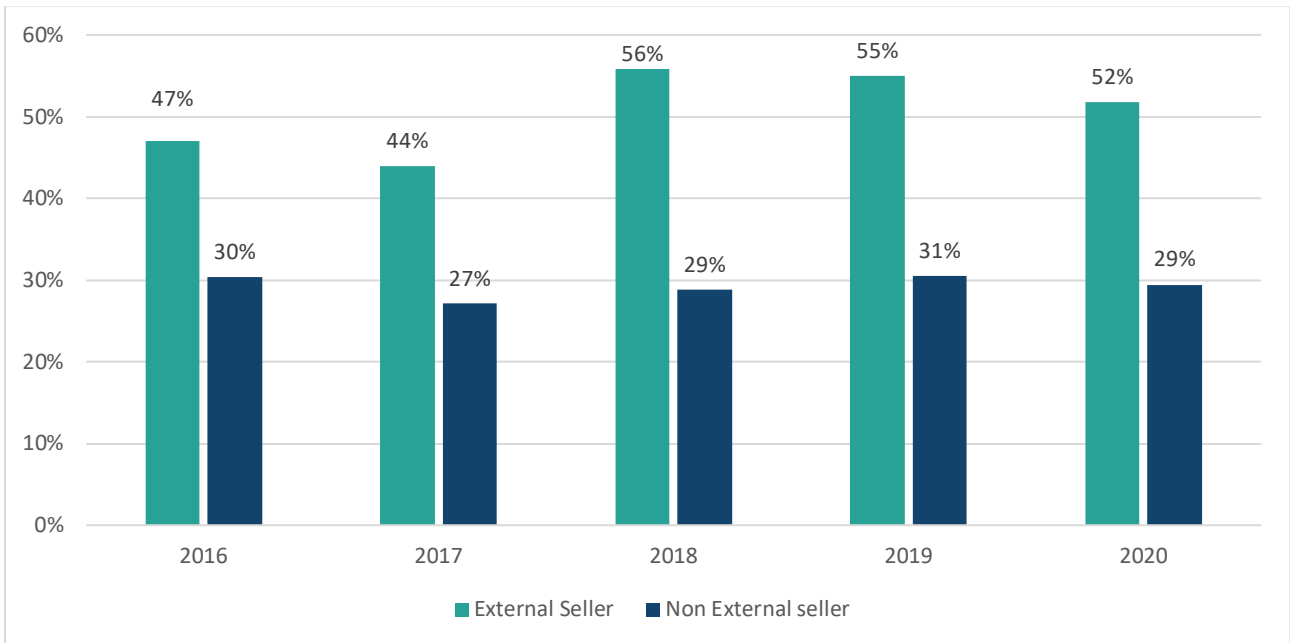


Figure 21 shows the number of business reporting Net CapEx for external sellers and those businesses with no external sales from 2016 to 2020.

In line with the business population as a whole, a larger number of businesses reporting Net CapEx were non external sellers. However, whereas in the business population as a whole, external sellers account for around a quarter of all businesses, external sellers account for a higher proportion (just under two fifths) of businesses reporting Net CapEx for most years.

⁷ An External Seller is a business that has External Sales which are comprised of those sales made outside Northern Ireland, that is, sales to Great Britain, Ireland, the Rest of the European Union and the Rest of the World. A non External seller only sells within Northern Ireland.

Figure 21: The number of businesses reporting Net CapEx by External Selling status from 2016 to 2020

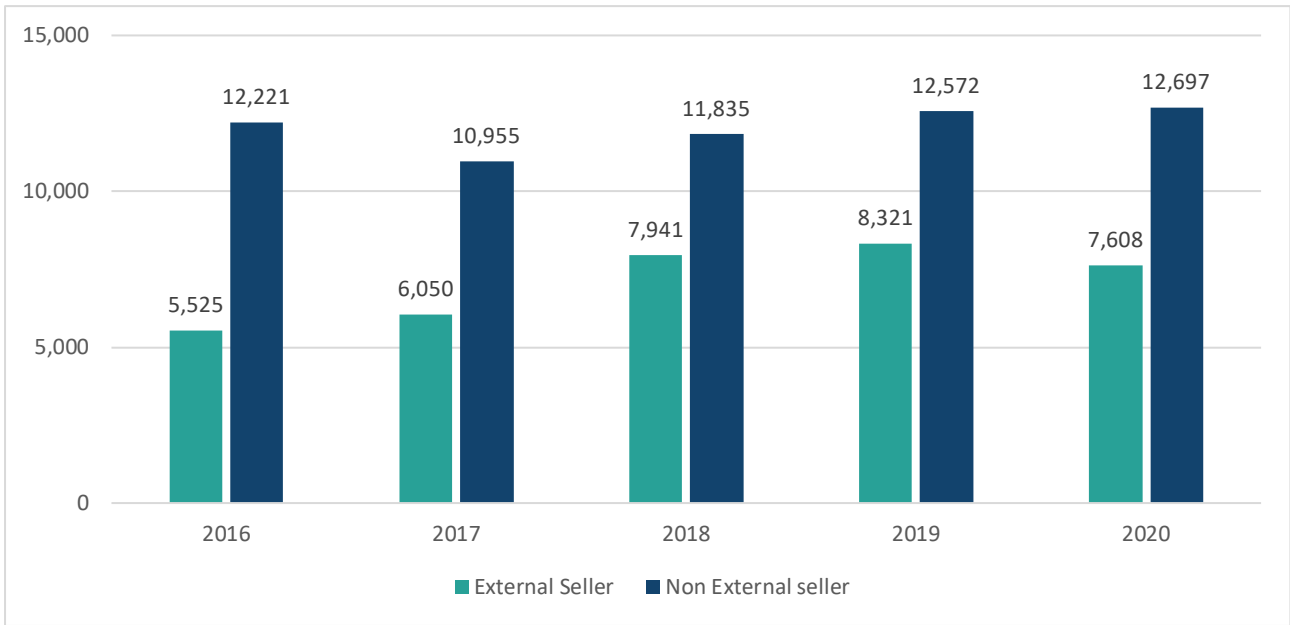


Figure 22 looks at the total value of Net CapEx for businesses that were external sellers or non external sellers from 2016 to 2020.

Although overall there were fewer external sellers than non external sellers reporting Net CapEx, in all years, with the exception of 2017, External sellers as a group reported nearly the same value or higher of Net CapEx than non external sellers as a group. In 2020, for example, external sellers accounted for 50% of the value of Net CapEx but only 37% of the number of businesses reporting Net CapEx.

Figure 22: The value of Net CapEx for businesses that were External Sellers or non External Sellers from 2016 to 2020 (£billion)



Exporters⁸

Figure 23 shows the proportion of all exporting and non exporting businesses reporting Net CapEx from 2016 to 2020.

From 2018 to 2020, around 60% of exporters reported Net CapEx which was around twice the proportion of non exporters reporting CapEx (around 30%). The proportion of exporters reporting Net CapEx over time was more variable, with half of exporters reporting Net CapEx in 2016 and 2017, rising to 62% in 2018 and remaining relatively steady thereafter.

The proportions over time of non exporters reporting CapEx has remained relatively steady from 2016 to 2020.

Figure 23: Proportion of Exporting and non Exporting businesses reporting Net CapEx from 2016 to 2020

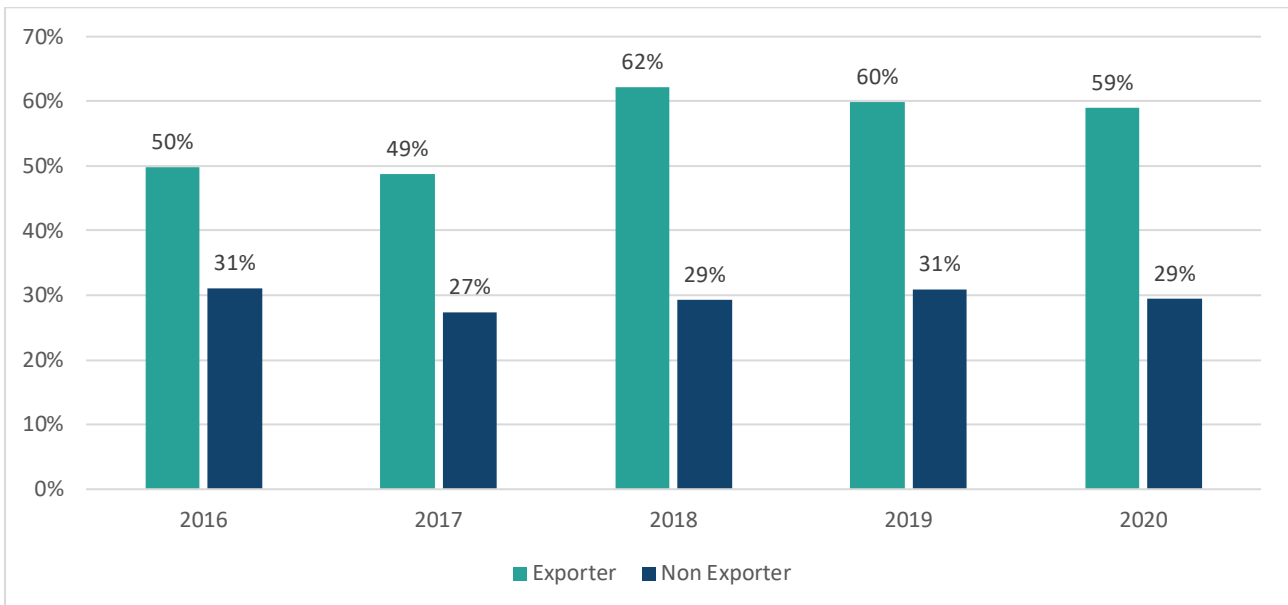


Figure 24 shows the number of business reporting Net CapEx for exporters and those businesses that did not export from 2016 to 2020.

Like external sellers, the pattern for exporters reflects the business population to some degree with a larger number of businesses reporting Net CapEx being non exporters. Where in the wider business population, for most years, exporters account for around one in five businesses, exporters account for approximately one third of businesses reporting Net CapEx.

⁸ An Exporter is a business that has sales outside the United Kingdom, that is sales to Ireland, the Rest of the European Union and the Rest of the World. Non Exporters only sell in the UK.

Figure 24: The number of Exporting and non Exporting businesses reporting Net CapEx from 2016 to 2020

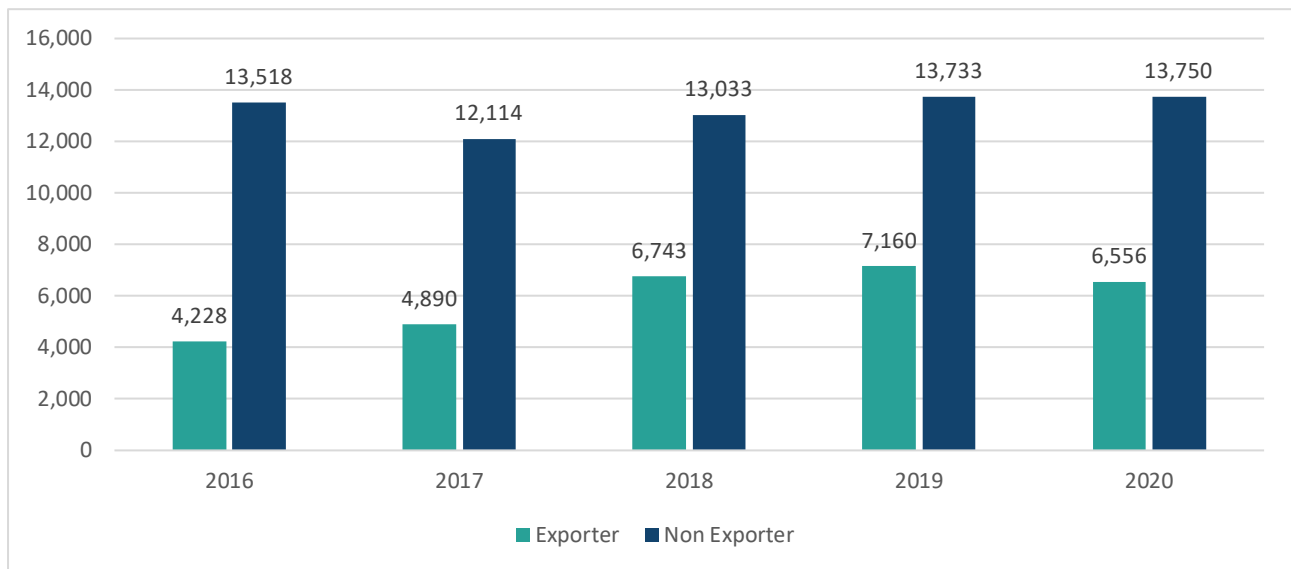
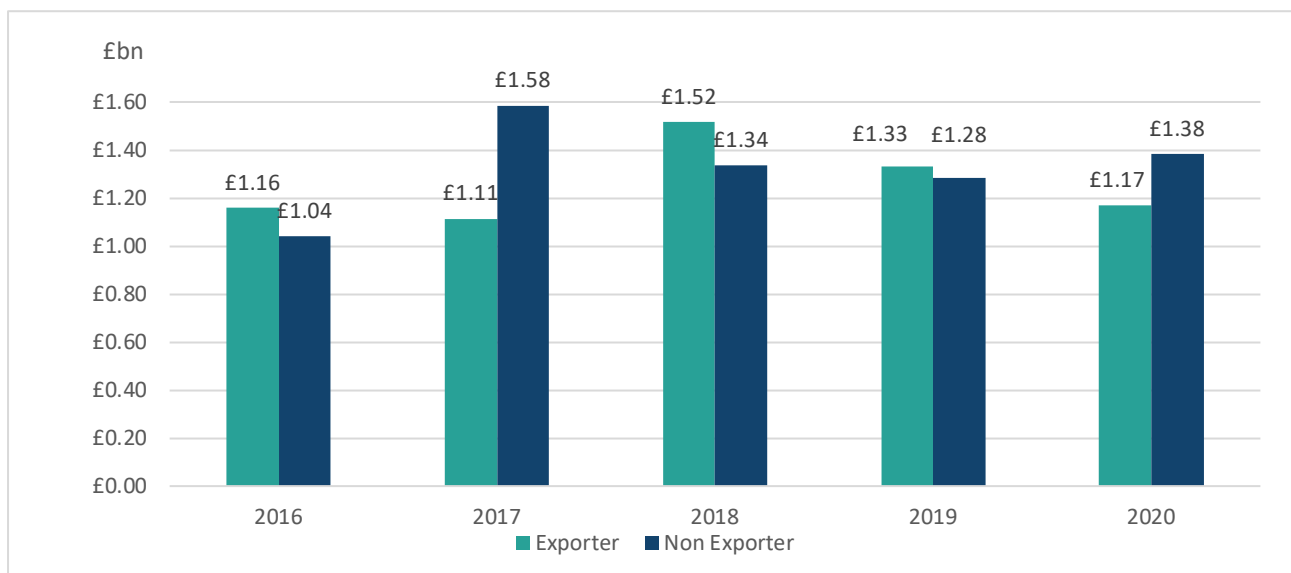


Figure 25 looks at the total value of Net CapEx for exporting and non exporting businesses from 2016 to 2020.

In absolute terms and over time, there was little difference in the value of CapEx accounted for by exporting and non exporting businesses. However, given the greater number of non exporting compared to exporting businesses, exporting businesses disproportionately contribute to total Net CapEx. For example, in 2020, exporters reported £1.17 billion Net CapEx representing 46% of the total value of Net CapEx that year, but accounted for only 32% of all business reporting Net CapEx.

Figure 25: The value of Net CapEx by exporting and non exporting businesses from 2016 to 2020 (£ billion)



Legal Status

Figure 26 shows the share of all businesses reporting Net CapEx by business legal status from 2016 to 2020.

Around 40% of Companies reported Net CapEx each year. From 2017 on, approximately 30% of Partnerships reported Net CapEx as did around one quarter of sole proprietors.

Figure 26: Proportion of businesses in each Legal Status category reporting CapEx from 2016 to 2020

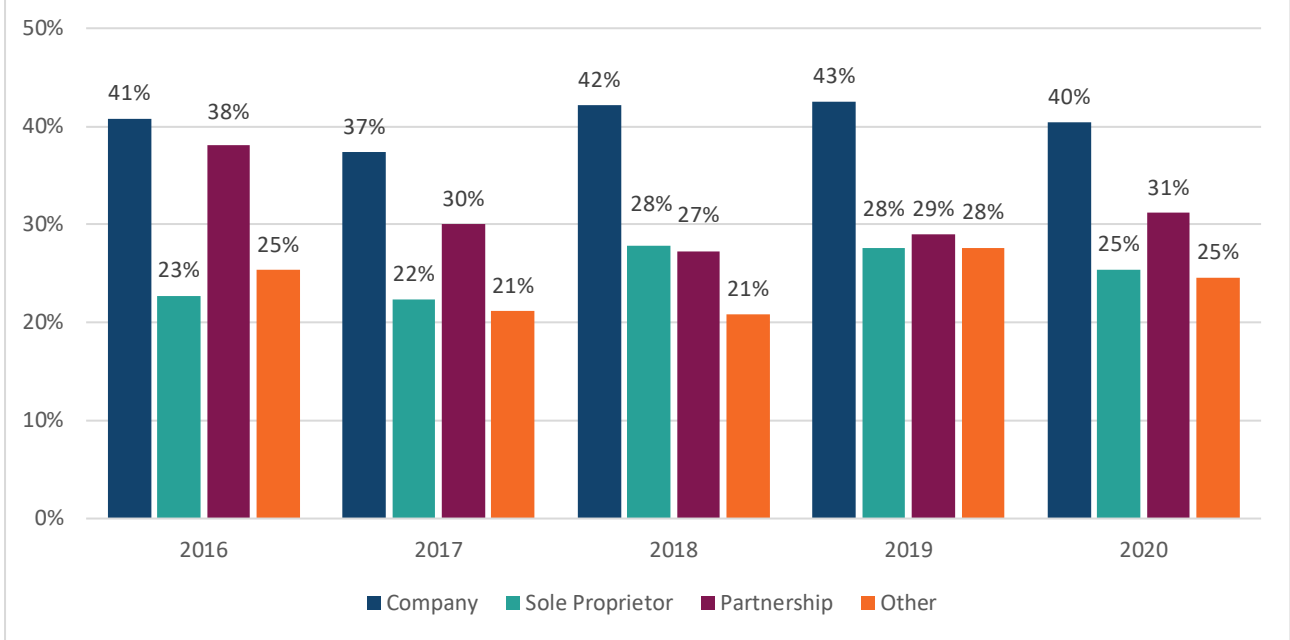


Figure 27 shows the number of business reporting Net CapEx by their legal status from 2016 to 2020.

Most businesses (around two thirds) that reported Net CapEx were Companies (ranging from 11,196 in 2016 to 14,972 in 2019). Sole proprietors accounted for between 15% to 20% of businesses reporting Net CapEx (ranging from 3,174 in 2019 to 3,678 in 2018).

Figure 27: The number of businesses reporting CapEx by Legal Status from 2016 to 2020

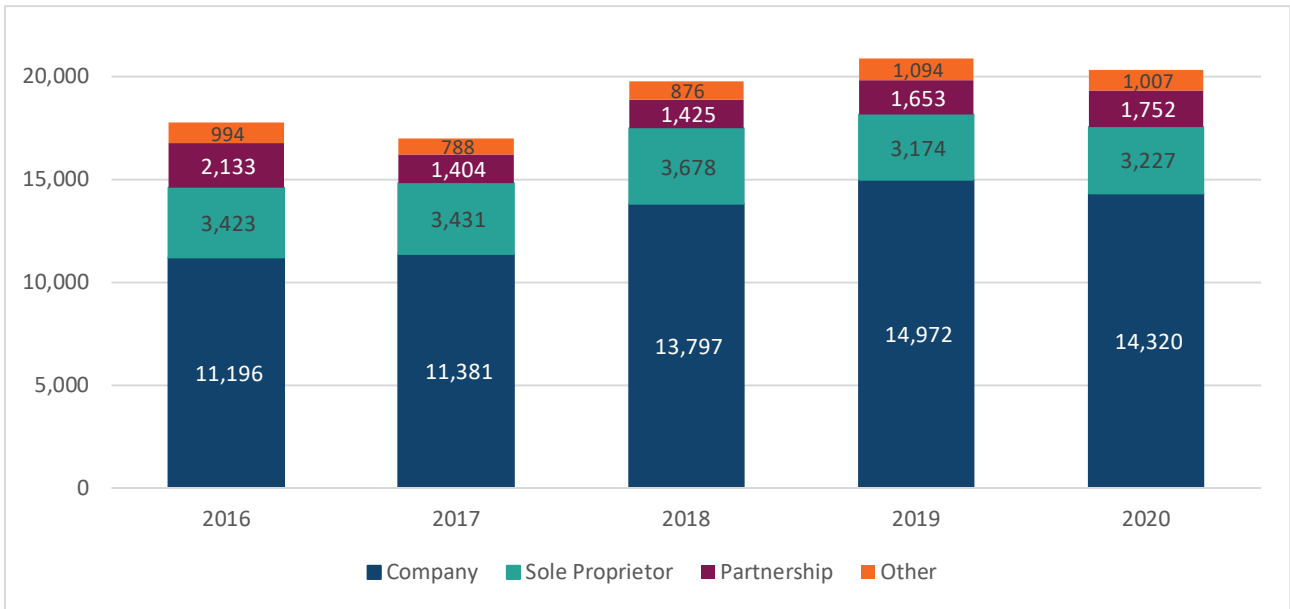
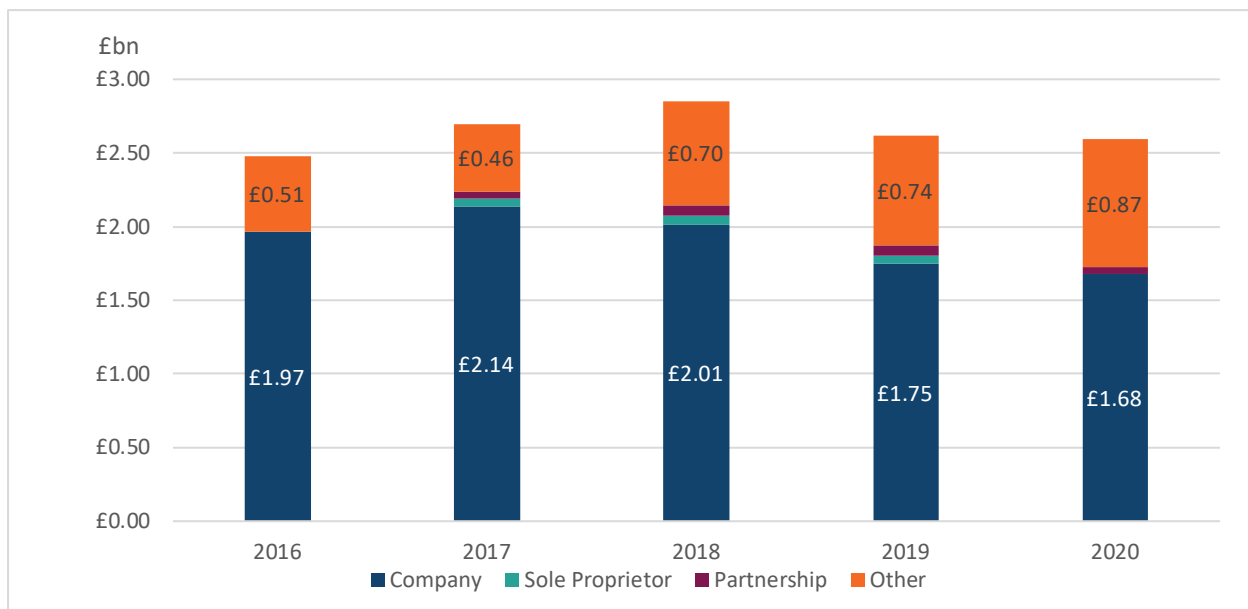


Figure 28 looks at the total value of Net CapEx for businesses by legal status from 2016 to 2020. As expected, given the dominance of Companies as a legal entity in the data, Companies reported the largest value of Net CapEx in each year although there has been a decline in the value from a high of £2.14 billion in 2017 to a low of £1.68 billion in 2020. ‘Other’⁹ legal status type businesses have seen a rise in Net CapEx from £0.46 billion in 2017 to £0.87 billion in 2020 and they accounted for a greater share of the value of Net CapEx compared to their share of all businesses reporting Net CapEx. ‘Other’ legal status businesses were responsible for 34% of Net CapEx but accounted for 5% of the total number of businesses reporting Net CapEx for 2020.

⁹ Other legal status type includes Public corporations or nationalised bodies, Central Government, Local authorities, Non-profit bodies or mutual associations and business that have no allocated legal status.

Figure 28: The value of Net CapEx for businesses by Legal Status from 2016 to 2020 (£ billion)



Conclusion

There has been very little change in the proportion of all businesses reporting Net CapEx, standing at around a third of all businesses each year. The value of Net CapEx had varied somewhat over time due to its nature and the impact of small numbers of high value acquisitions or disposals, rising from £2.20 billion in 2016 to £2.85 billion in 2018 followed by a fall to £2.55 billion in 2020.

There was relative stability over time in the composition of businesses by business size, grouped SIC sector, external seller and exporter type. There was also broad similarity between the number of businesses and value of the types of acquisitions reported each year.

Machinery and Equipment was the most prominent acquisition being acquired by 90% of businesses who had reported acquisitions and representing the highest value type of acquisition for all years between 2017 and 2020. This was followed by New Construction which saw an increase in the number of businesses reporting it over the time period, from a low of 7,067 businesses in 2017 to 9,328 in 2020. In 2019, New Construction acquisitions made up 26% of the total value of acquisitions, in 2020 it accounted for 37% of the total value.

Machinery and Equipment was the most prominent type of disposal reported, with around 90% of businesses with disposals reporting disposing of Machinery and Equipment over time. Considerably fewer businesses reported disposals of Existing Buildings and disposal of Non-produced assets.

The value of disposals was quite variable over time with no distinct pattern with the largest value of disposals for all years comprising the disposal of Machinery and Equipment, Land, or Existing Buildings.

There is a strong relationship between business size, and the share of businesses reporting Net CapEx with the shares increasing as business size increases. Similarly, there appears to be a strong relationship between business size and the value of Net CapEx reported with the value broadly increasing with business size.

The Service sector accounted for the largest proportion of businesses reporting Net CapEx (40%) and the greatest share of the value of Net CapEx for 2017 to 2020, ranging from 38% in 2019 to 50% in 2020. Just under one in five businesses reporting Net CapEx were in the Production sector making it the fourth largest sector in terms of number of such businesses throughout the years, however it had the second highest share of the value of Net CapEx reported accounting for between 28% and 34% of the total value of Net CapEx.

Despite the greater number of non exporting or non external sellers compared to exporting or external selling businesses, exporting businesses and external sellers disproportionately contributed to the value of total Net CapEx.

Annex 1: Standard Industrial Classifications (SIC) and Grouped SIC used in analysis

Standard Industrial Classification	Grouped Classification
A Agriculture, Forestry and Fishing	Agriculture A
F Construction	Construction F
G Wholesale and retail trade, repair of motor vehicles and motorcycles	Distribution G
B Mining and quarrying	Production B-E
C Manufacturing	
D Electricity, gas, steam and air conditioning supply	
E Water supply, sewerage, waste management and remediation activities	
H Transportation and storage	Services H-S exc O
I Accommodation and food service activities	
J Information and communication	
K Financial and insurance activities	
L Real estate activities	
M Professional, scientific and technical activities	
N Administrative and support service activities	
P Education	
Q Human health and social work activities	
R Arts, entertainment and recreation	
S Other Services	