Office for
National Statistics

Article

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

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

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1 . Main points

- Monthly gross domestic product (GDP) rose by 6.6% during July 2020 but was 11.7% below February 2020 levels.

- Following a third consecutive month of growth during July 2020, monthly GDP has recovered just over half of the decline in output from February 2020, measured from its lowest point during April 2020.

- Analysis of our Monthly Business Survey (MBS) returns and external data, including comments from over 9,500 businesses, has shown that businesses continued to increase output as demand increased following the easing of social distancing and lockdown measures.

- Services saw widespread improvement in July 2020, with over half of the growth coming from industries where continued easing of lockdown restrictions had a significant impact, namely education, motor trades, pubs and restaurants, personal services, and hotels and accommodation.

- Manufacturing and construction saw widespread improvement during July 2020, with motor vehicle manufacturing and house building showing the strongest growth.

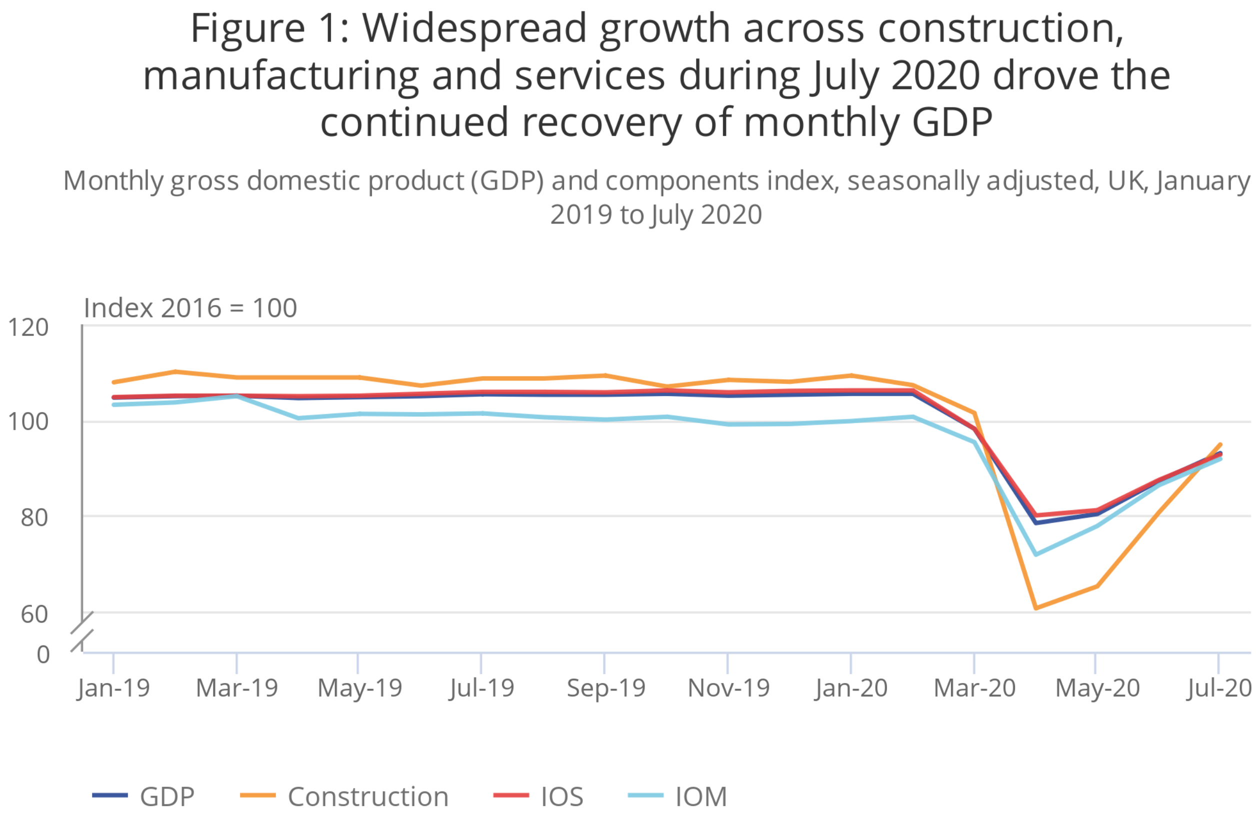
2 . The UK economy during the coronavirus (COVID-19) pandemic

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

Monthly GDP in July 2020 was 11.7% below the level of February 2020, having risen by 6.6% compared with June 2020 (Figure 1). The monthly rise reflects widespread growth across construction, manufacturing and services.[1] For more details, please see GDP monthly estimate, UK: July 2020.

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

Monthly gross domestic product (GDP) and components index, seasonally adjusted, UK, January 2019 to July 2020



Source: Office for National Statistics – Monthly GDP

Notes:

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

The output of service industries remained 12.6% below the level of February 2020, growing by 6.1% in the latest month. The production industries remained 7.0% below their February 2020 level, following growth of 5.2% in the latest month. Within production, manufacturing has declined by 8.7% since February 2020 following growth of 6.3% during July 2020. The construction industry remained 11.6% below the February 2020 level, despite a rise of 17.6% in the latest month.

Although the overall level of activity was below February levels, the further easing of restrictions in July allowed many more businesses to increase output or resume some level of trading. However, some services sectors continued to be severely affected as many businesses remained closed.

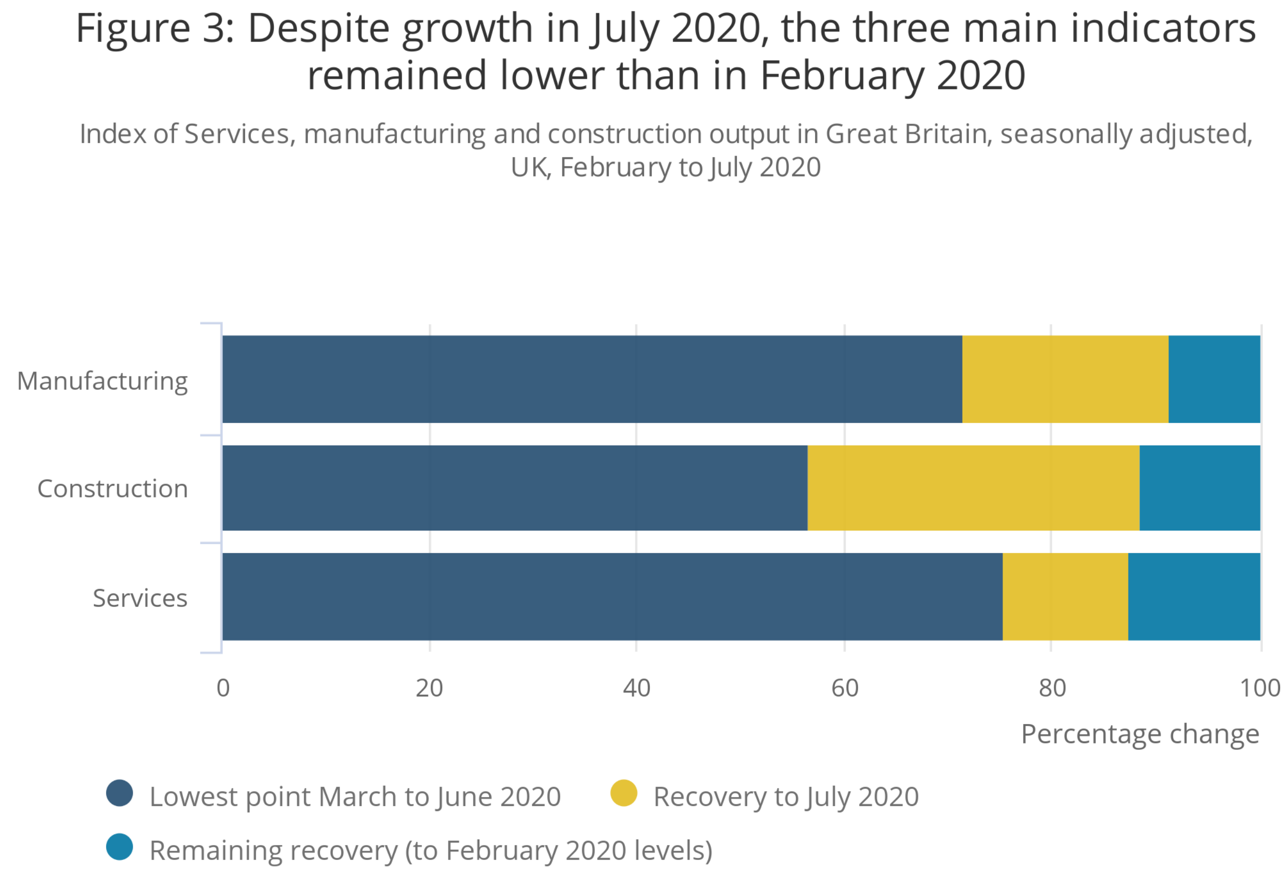
Figure 2: Some businesses were able to open in July as lockdown restrictions were eased, but many were still required to stay closed

Timeline of easing of lockdown restrictions, monthly gross domestic product (GDP), seasonally adjusted, England, Northern Ireland, Scotland and Wales, 11 May to 28 September 2020

The rate of progress for each sector in returning to February 2020 levels can be understood more easily in Figure 3 where, for example, in July services was at 87.4% of the February 2020 level, rising from its lowest point between March and June of 75.4% of the February 2020 level. The left-hand part of Figure 3 represents the lowest point, the middle the recovery so far, and the right-hand side the remaining recovery needed to return to the February 2020 levels.

Figure 3: Despite growth in July 2020, the three main indicators remained lower than in February 2020

Index of Services, manufacturing and construction output in Great Britain, seasonally adjusted, UK, February to July 2020



Source: Office for National Statistics – Index of Services, Index of Manufacturing and Construction output in Great Britain

During 2019, an average of approximately 3.4% of businesses in the production industries reported having zero turnover. After three months of a considerably larger percentage of businesses reporting zero turnover, this returned to a near normal 4.8% of businesses in July 2020. In the services industries, on average during 2019 5.8% of businesses reported no turnover; in July 2020, this was still higher at 8.9% but was starting to return to normal levels compared with April to June 2020.

These figures are supported by our release [Coronavirus and the economic impacts on the UK: 13 August 2020](). This reported that in the last two weeks of July, of the 5,733 businesses that responded (out of a sample size of 24,464) to Wave 10 of the Business Impact of COVID-19 Survey (BICS), 94% of businesses reported currently trading as their current trading status, while 6% reported that they had temporarily closed or paused trading. BICS includes all businesses in our Monthly Business Survey (MBS) and so also includes retail and construction businesses as well as production and services. Please note, BICS is voluntary and currently unweighted, so it may only reflect the characteristics of those who responded.

Despite a higher number of business that reopened across the UK during July, Figure 4 shows that the rate of recovery across different industries varied significantly. This is largely because of the level of consumer demand for products and services and how the remaining restrictions have impacted on different industries. One example is creative, arts and entertainment where ongoing social distancing requirements and the closure of theatres and concert halls has restricted the recovery.

Figure 4: Most of the industries in production and services saw a continued recovery in July 2020, though many remained substantially below their February 2020 level

Index for various industries, seasonally adjusted, UK, January 2018 to July 2020

Download the data

More about coronavirus

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

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

1. Services comprise 79.6% of the UK economy, while production (including manufacturing) and construction comprise 13.6% and 6.1% respectively.

3 . Services industries

Total services output during July 2020 continued to be significantly affected by the coronavirus (COVID-19) pandemic, at 12.6% below February 2020 level, the last full month of “normal” operating conditions.

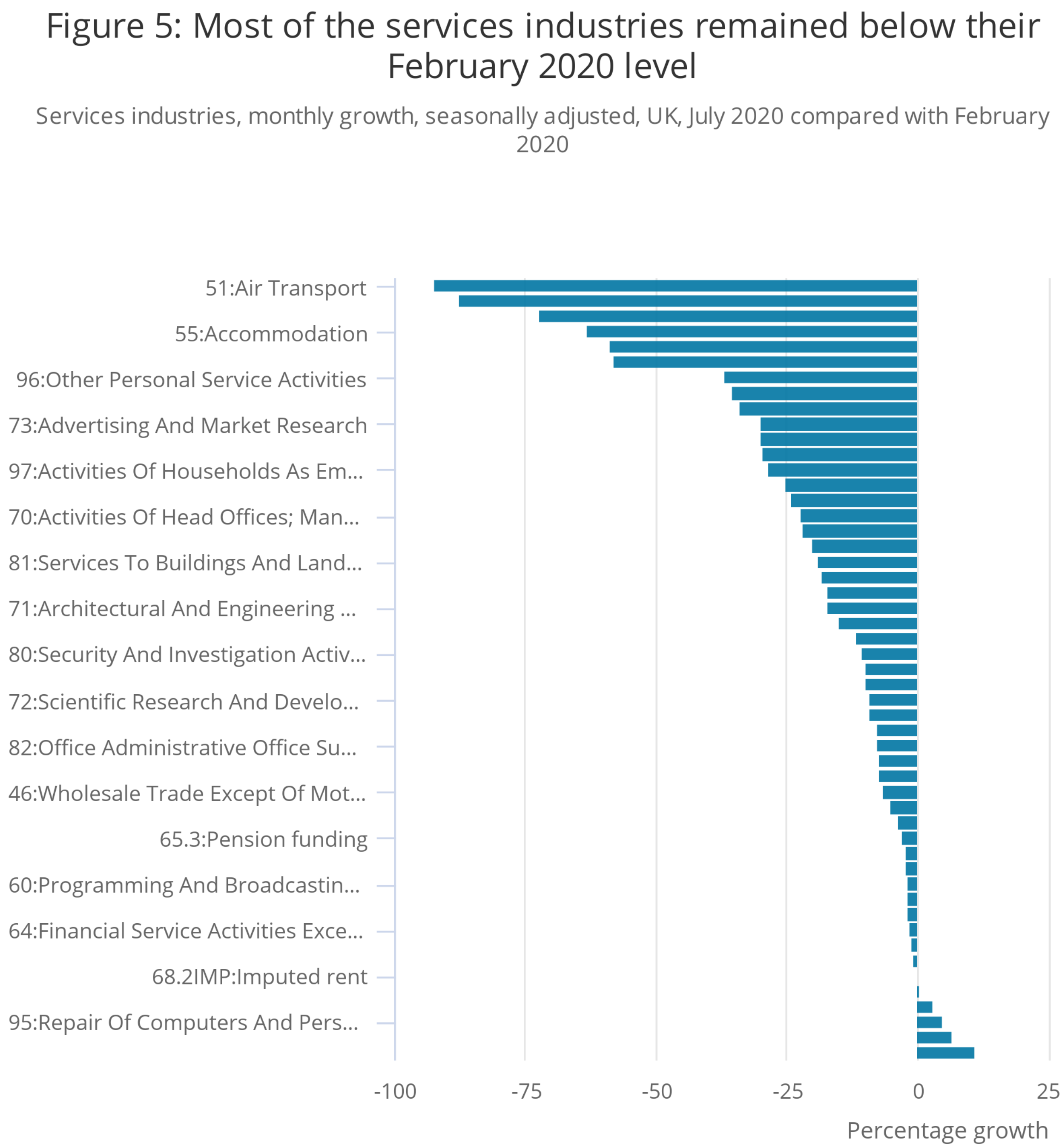
Monthly output increased during July 2020 by 6.1%. Of the 50 services industries, 48 grew between June and July 2020. Information and services activities and scientific research and development are the only two industries that declined in July 2020.

Despite growth in the services industries, few had higher output in July 2020 than their February 2020 level. The effect of the coronavirus in July 2020 was still evident, as shown in Figure 5 where a large majority of industries can be seen to have remained below their February 2020 level. In particular, travel- and holiday-related industries were still considerably lower than February 2020, as were those industries still impacted by social distancing such as hotels and accommodation and food and beverage services.

Retail, warehousing, motor trades and postal activities were all above their February 2020 level. Food stores have grown in recent months, putting them above their February 2020 level, but there was some contraction in June and July 2020 from the sharp growth in March, April and May 2020; this is possibly an impact of an increasing number of retail stores reopening.

Figure 5: Most of the services industries remained below their February 2020 level

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



Source: Office for National Statistics – Index of Services

Wholesale and retail trade: repair of motor vehicles

In the motor trades industry, both maintenance and sale of accessories have returned to their pre-COVID-19 level; in July 2020, turnover from the sale of motor vehicles was 18% above the July 2019 level (Figure 4).

Transport

The transport sector remained one of the biggest areas of services affected by the coronavirus as people have been homeworking, with rail at only 27.8% of the level in February 2020.

With many restrictions on travel and quarantine regulations in place, the slowdown in international travel has seen air transport reduce to only 7.7% of its February 2020 level. Land transport has been affected by a reduction in commuters, especially the London Underground, which in July 2020 was at 23% of its usage in July 2019 according to the Cabinet Office Briefing Room report, Transport use during the coronavirus (COVID-19) pandemic.

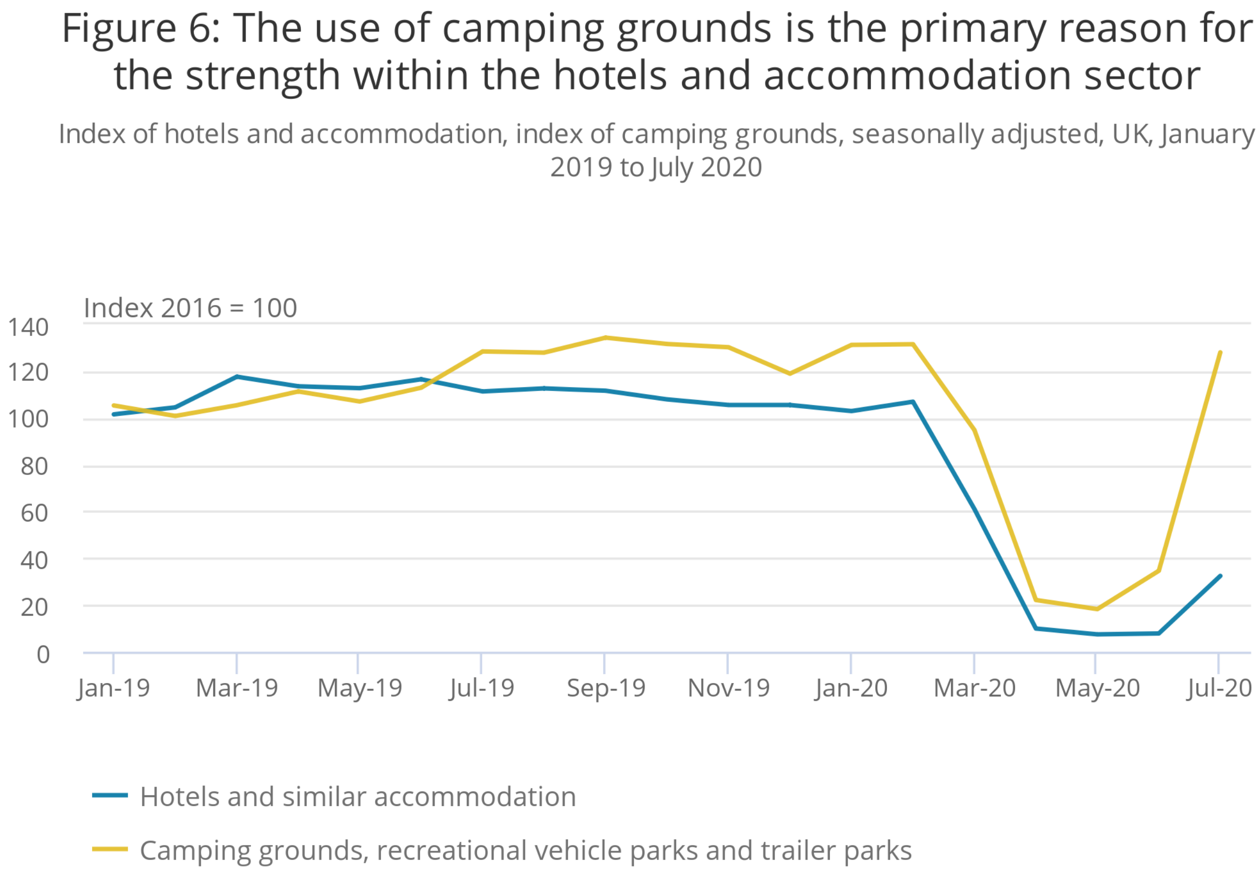
Post and courier activity was 11.0% above the February 2020 and has benefitted from the increase in online retailing, which remained 50.4% higher than February's pre-pandemic levels (see Retail sales, Great Britain: July 2020).

Hotels and accommodation

Hotels and accommodation was still impacted by social distancing with output in July 2020 at 36.8% of the level seen during July 2019. However, this compares favourably with output during June 2020, which was 6.9% of the level seen during June 2019. Figure 6 shows that growth has been driven by increased use of accommodation such as campsites, cottages and caravan parks, taking activity in July to a similar level seen in July 2019 because of a large increase in "staycations". Activity for hotels has grown but at a much slower rate.

Figure 6: The use of camping grounds is the primary reason for the strength within the hotels and accommodation sector

Index of hotels and accommodation, index of camping grounds, seasonally adjusted, UK, January 2019 to July 2020



Source: Office for National Statistics – Index of Services

Food and beverage services

As in April to June 2020, we continued to receive widespread evidence of severe disruption from the hospitality sector. On 8 July 2020, the government announced that it would introduce a temporary 5% reduced rate of Value Added Tax (VAT), which would affect businesses in this sector (see Section 6: Data collection and sources for more details). Food and beverages services saw a 99.0% growth in July 2020 yet remained 58.7% below February 2020, with most of the impact from higher demand from businesses that had reopened or were preparing to reopen, but the overall output level remained very weak.

Information and communication

In information and communication, growth in publishing and film and TV was subdued, with publishing being 17.2% and film and TV being 25.0% respectively below February 2020. Film and TV were still suffering the effects of social distancing with cinemas still heavily affected because of the reduced number of new film releases to screen. In computer programming, facilities management continued to do well and although consultancy and computer programming have strengthened, small businesses were comparatively weak across the industry because of a lower demand for their services.

Professional, scientific and technical

Professional, scientific and technical activities were 15.9% below February 2020 and showed a mixed picture, with veterinary activities at normal levels but advertising and market research 30.0% below February. In July, scientific research and development was one of only two industries that declined compared with June because of a large order in June. This industry remained 9.1% below February 2020.

Travel agents

Travel agents remained one of the most severely affected industries and in July 2020 were at 12.3% of their level in February 2020. This impact was also felt in air transport and water transport where declines can be seen because of the lack of overseas travel.

Education

The market element of education consists primarily of universities and other education providers such as driving instructors. This element reported in the Business Impact on COVID-19 Survey (BICS) that approximately 10% of their staff were still on furlough during July 2020. Despite this, the market element of education saw a 1.5% growth into July 2020 compared with June 2020 despite remaining approximately 90% of its usual level. The market element of education comprises approximately 21% of the industry (the remaining 79% includes non-market education, predominantly primary and secondary schools). These were at approximately 75% of their normal level after a very low April, May and June as schools reopened to pupils and teacher-led remote provision continued.

Human health and social work activities

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

The market element of health saw an estimated 6.5% growth in July 2020, although this is based on an incomplete dataset at this stage. The Monthly Business Survey (MBS) measures 10% of the health industry and includes non-government health care; this element of health care rose by approximately 1.5% because of widespread growth across the sector.

Arts, entertainment and recreation

Creative, arts and entertainment remained subdued in July at 42.1% of February 2020. This industry was still affected by social distancing restrictions, though a small increase of 4.5% was seen in July compared with June. As lockdown restrictions continued to ease, a positive impact has been seen in sport, which saw a 26.9% rise into July after growing 58.9% in June.

Personal services were 36.6% below February 2020 after rises from hair and beauty as lockdown restrictions ended, while funeral directors had a 15% fall in July compared with June 2020.

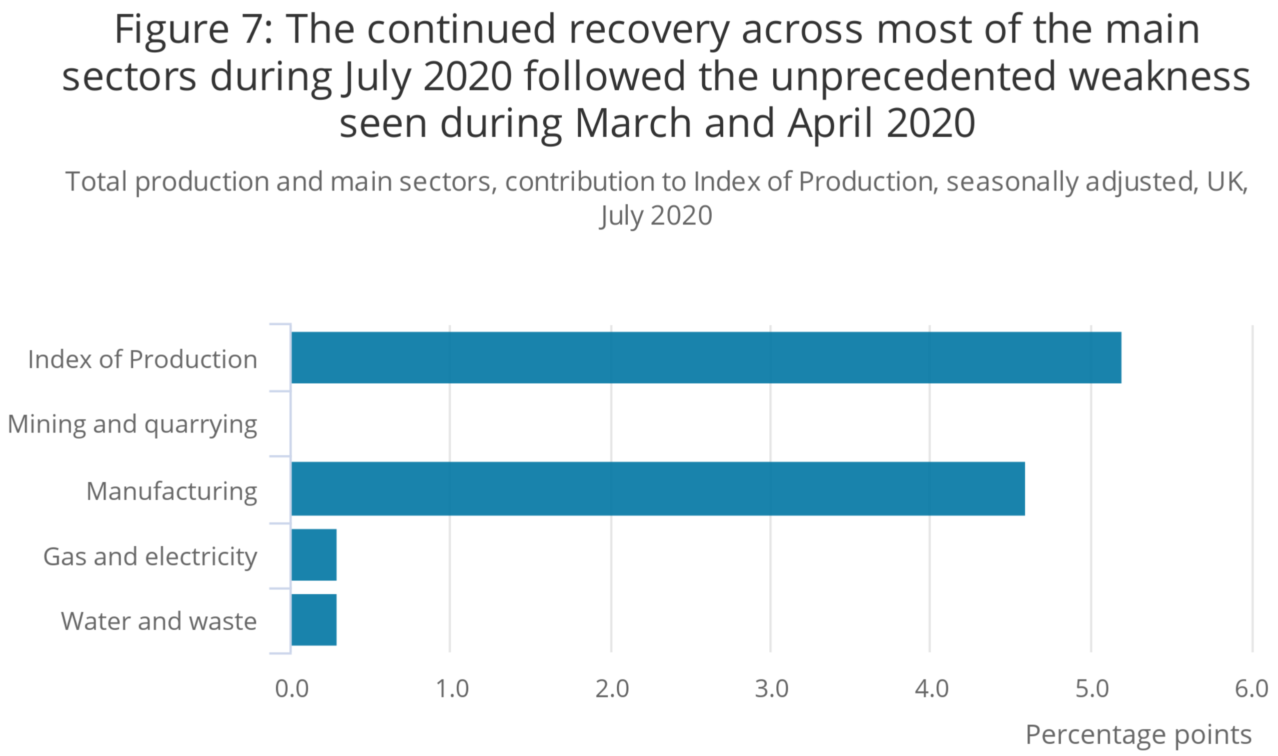
4 . Production industries

Production output during July 2020 continued to be affected by the coronavirus (COVID-19) pandemic, at 7.0% below the level of February 2020, the last full month of "normal" operating conditions.

Production output increased during July 2020 by 5.2%. The strength was primarily because of the rise from the manufacturing sector, which contributed 4.6 percentage points (Figure 7) and accounts for 75% of the production industries. July's growth is the third consecutive period of monthly growth but should be interpreted in the context of the weakness displayed during March and April 2020 because of the significant impact of the coronavirus.

Figure 7: The continued recovery across most of the main sectors during July 2020 followed the unprecedented weakness seen during March and April 2020

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



Source: Office for National Statistics – Index of Production

Notes:

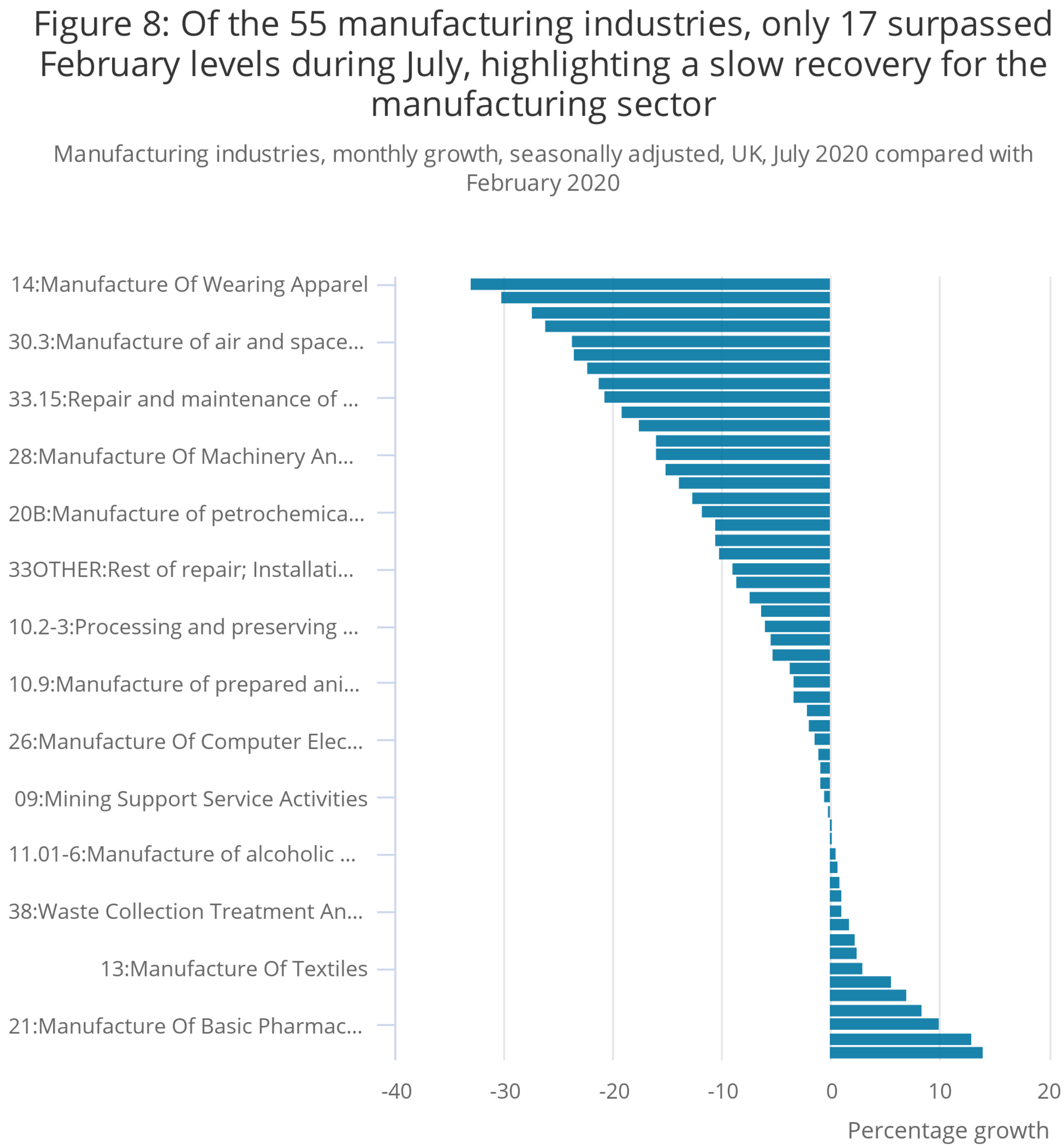
Parts may not sum to total because of rounding.

Monthly growth from manufacturing of 6.3% was widespread, with all 13 subsectors displaying growth.

The composition of progress in this sector in returning to February 2020 levels can more easily be understood in Figure 8 where, for example, we can see that in July 2020 wearing apparel was 32.9% below the February 2020 level.

Figure 8: Of the 55 manufacturing industries, only 17 surpassed February levels during July, highlighting a slow recovery for the manufacturing sector

Manufacturing industries, monthly growth, seasonally adjusted, UK, July 2020 compared with February 2020



Source: Office for National Statistics – Index of Production

During July 2020, there was a continued increase in demand across most sectors, amid easing of restrictions on business in line with the government's [three-step strategy](#) across England from 1 June 2020. This continued into July, and the devolved administrations for Northern Ireland, Scotland and Wales also announced the further easing of lockdown restrictions (Figure 2).

We also received respondent-led evidence that some of the strength during recent months was aligned to manufacturers having implemented changes to processes and/or machinery that allowed them to operate either partially or fully while adhering to social distancing and health and safety requirements.

The further easing of lockdown restrictions across the UK, but more importantly the demand for goods, will be the primary factors in determining how fast output for many of the manufacturing sectors return to levels seen before the coronavirus pandemic.

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

However, the remaining lockdown restrictions and social distancing measures that remained in the UK during July 2020 still had a negative impact across the manufacturing sector, more generally on:

- normal trading or factory operating conditions because of social distancing requirements
- supply chains (in the UK and overseas)
- consumer demand

The percentage of zero turnover responses, although lower in July compared with June, was still higher than normal. This highlights the positive impact of those responders that were able to resume factory operations, even at reduced capacity.

Adaptations to processes and equipment may be required for some businesses to operate at full capacity or to recommence factory operations. Our Business Impact of Coronavirus (COVID-19) Survey (BICS) Waves 9 and 10: 29 June to 26 July 2020 reported that over 90% of businesses across all manufacturing industries had responded they were implementing, or intending to implement, the top three most common safety measures (social distancing, hygiene measures and personal protective equipment (PPE)).

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

Food products

Despite monthly growth of 1.0%, the food products industries were 3.6% weaker in July than in February 2020, with the other food products category the hardest hit since the start of the pandemic.

Only four of the eight sub-industries within this sector rose, highlighting a mixed picture for monthly growth, with the most notable rise in meat products (3.6%).

We received some respondent-led evidence that the reopening of the food services sector during July (for example, pubs, restaurants and cafés) did have a positive impact on demand for food products.

Elsewhere, we received some reports of negative coronavirus impacts on the food products sector. Some responders that saw increased demand from the “panic-buying phase”, prominent in supermarkets during March 2020, have seen turnover return to typical levels over the past few months, while others, especially those supplying the hospitality sector, have seen a fall in demand for their products.

Alcoholic beverages and soft drinks

Despite significant monthly growth of 17.4%, the output for alcoholic beverages and soft drinks was 3.9% weaker in July than in February 2020.

Increased output during July was clearly affected by demand from the hospitality sector because of the reopening of pubs, restaurants and cafés. This resulted in a monthly rise of 32.7% for the alcoholic beverages industry.

Over the past few months, we received respondent-led evidence that some manufacturers of bottled spirits were adapting to coronavirus social distancing and health and safety requirements, including bottling processes. This led to increased production levels during July, with the on-trade demand boosting sales.

In contrast, soft drinks fell by 1.4% during July, with no apparent boost from the reopening of pubs, restaurants and cafés.

Textiles, wearing apparel and leather products

This sector continued its recovery, rising by 20.0% during July 2020, led by increases across all three industries, although all had fallen during April to a notably weak level. As a result, output at sector level was still 8.5% weaker in July than in February 2020.

There was continued evidence of diversification, with some responders starting or continuing to produce PPE such as masks and overalls. This led to a rise of 22.9% for the textiles industry, lifting output above the February 2020 level by 2.9%.

In contrast, clothing was only at 67% of the February level, showing the variation of the rate of recovery for industries, even within the same sector.

Wood and wood products except furniture

Following notable strength during May and June, this industry also continued its recovery, rising by 12.1% during July, primarily because of a continued increase in supply to the construction trade. As a result, output was 5.6% above its February 2020 level.

There has also been continued evidence of increased demand for DIY products as people spent more time making home improvements during lockdown. This is supported by our Retail Sales Index release for July 2020, which evidenced that household goods stores saw an increase in volume sales in July at 6.0% compared with February 2020. According to retailers in this sector, consumers appeared to be carrying out home improvements while spending more time than usual in their homes.

Rubber and plastics products and other non-metallic mineral products

Sector-level growth of 6.4% continued the recovery that began in June and is because of strength across two of the three industries, although sector-level output was 10.1% weaker than February 2020.

The rubber and plastic products industry continued to rise strongly, with output at 80% of its typical level, partly because of increased retail and internet sales of plastic packaging. Other plastic products also showed strong growth since April; this component includes manufacture of PPE. The plastics industry has also been boosted by demand from construction and DIY but remained below February 2020 levels.

Rubber tyres had the largest decline since February 2020 and recovered the least because of lack of demand, particularly from motor vehicle manufacturers.

Transport equipment

Sector-level growth of 18.5% during July 2020 continued to recover, but this should be noted in the context of output being 26.7% weaker than in February 2020.

Monthly strength was led by motor vehicles, trailers and semi-trailers. This industry displayed a rise of 27.1%, although this is 30.2% lower than the February 2020 level (Figure 4 – see the manufacture of cars chart). We received respondent-led evidence that the largest manufacturers were operating at a reduced level compared with February and following plant closures because of the coronavirus.

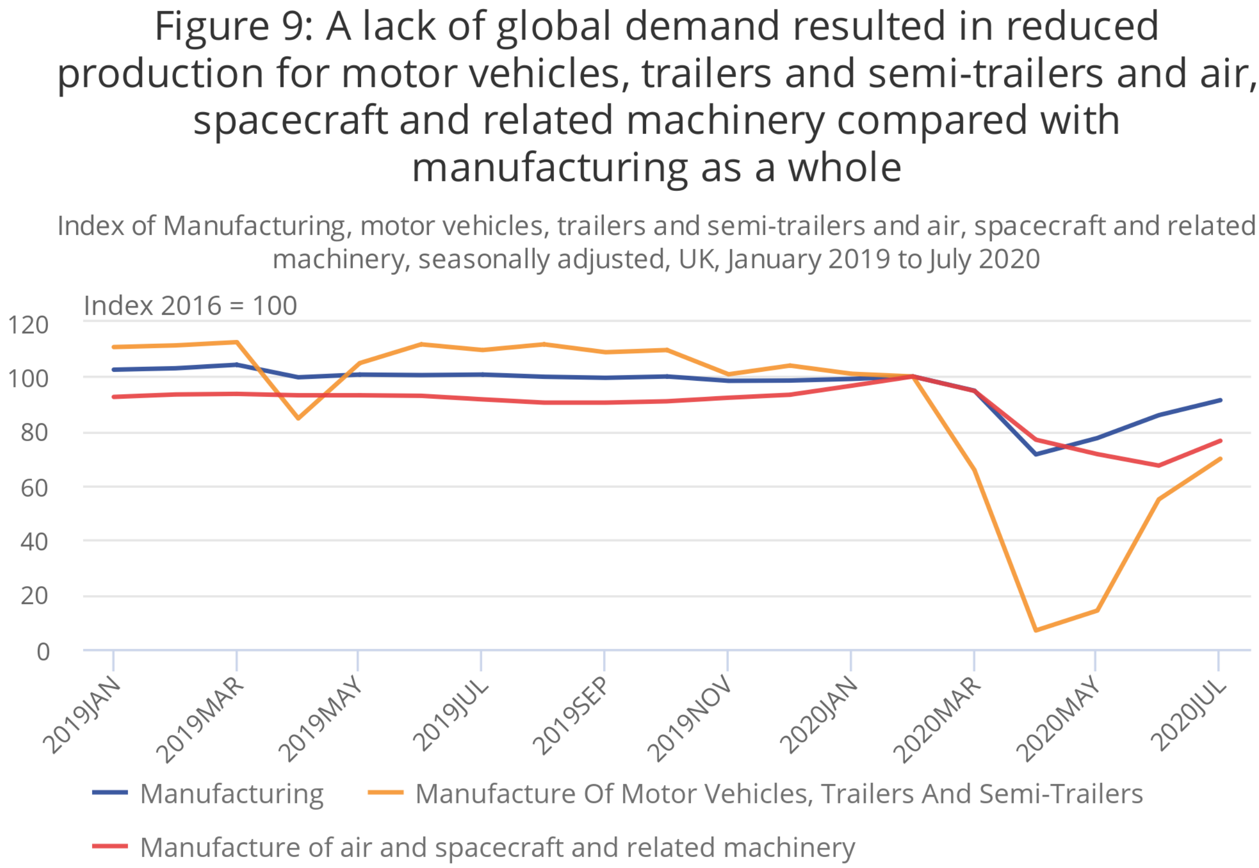
Because of ongoing weak global demand, car production remained significantly below normal levels. The Society of Motor Manufacturers and Traders (SMMT) reported that during July 2020, the total number of cars manufactured and the total number of cars exported had declined by 20.8% and 16.8% respectively on July 2019 levels.

The air, spacecraft and related machinery industry rose by 13.5% during July 2020, the first sign of growth since February 2020, but output was 23.6% weaker than in February 2020. As a result of the widely reported negative impact on global civil aviation, manufacturers facing this sector have been hard hit. Continued uncertainty over worldwide travel and quarantine restrictions, during what should be a peak period for the industry, has impacted passenger numbers.

Figure 9 shows how the lack of global demand has reduced production for both sub-industries, in comparison with total manufacturing output.

Figure 9: A lack of global demand resulted in reduced production for motor vehicles, trailers and semi-trailers and air, spacecraft and related machinery compared with manufacturing as a whole

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



Source: Office for National Statistics – Index of Production

Other manufacturing

This industry rose by 10.7% during July, and all components within this industry performed above February 2020 levels. Respondent-led evidence suggested a continued positive effect in July from increased demand for medical equipment (for example, PPE, ventilators and oxygen tubing). We also received respondent-led evidence of increased demand for other medical equipment, linked to the reopening of non-essential medical appointments and surgery (for example, dentists and opticians).

We also received continued evidence of a positive impact from increased demand for toys and games, linked to keeping children occupied at home during the period of school closures.

Mining and quarrying

Monthly sector-level growth of 0.7% was because of increased output from other mining and quarrying (7.8%). However, much of this strength was offset by a fall of 0.8% from oil and gas extraction. Following several months of strength, output for this industry has levelled off during July; in part, this is a result of the impact of maintenance.

Sector-level output almost recovered to levels seen before the coronavirus pandemic but was still 1.9% below February 2020.

Electricity and gas

The rise of 2.7% at sector level was driven by electricity supply. This rose by 3.2%, mainly because of increased demand from industry as more factories and premises reopened during July.

Water and waste

The sector-level rise of 2.4% was led by waste collection, which rose by 6.7% because of a general increase in commercial, industrial and construction waste activity. This resulted in a full recovery for this industry, with output 1.0% above February 2020.

5 . Construction

Construction output remained 11.6% below its February 2020 level despite growing by 17.6% in July 2020 because of monthly growth across all sectors.

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

6 . Data collection and sources

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

Survey response

Response by turnover for services industries in July 2020 was 77.9%, down on the 84.0% achieved in July 2019 (see Historical MBS (services) response rates).

Similarly for production industries, response by turnover was 81.0% in July 2020, down on the 85.9% achieved in July 2019 (see MBS (production) response rates).

The response by turnover for the construction industries for July 2020 was 72.5% (see Table 5 in the construction output July 2020 release). This is partially because data collection for the MBS for construction and allied trades has been transitioning to an online questionnaire since April 2020.

Other data sources

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

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

Change in VAT rate for July 2020

On 8 July 2020, the government announced a temporary reduction in the rate of Value Added Tax (VAT) from 20% to 5% for accommodation, hospitality and admissions, which will primarily impact the hotels and accommodation; food and beverage services; arts; and libraries, museums and culture industries. It covers the period 15 July 2020 to 12 January 2021.

Businesses will decide whether to pass the cut fully or partially on to consumers or not at all. This would normally be reflected in changes to the Consumer Prices Index (CPI). However, the late announcement has meant that changes in consumer price behaviour have not been collected in July 2020 but will be in August 2020. We have estimated the pass-through rate of the VAT cut at 15% from studying volume data from OpenTable, which provide information on the industry by showing year-over-year seated diners at a sample of restaurants on the OpenTable network across all channels: online reservations, phone reservations and walk-ins. We have also used intelligence on business intentions in the restaurant and take-away sector. However, the impact of this rate cut has proven problematic to isolate given the increase in demand following the relaxing of social distancing measures. We must highlight that volume estimates for the primarily impacted industries are more prone to revision than normal in July. These will be revisited when August CPI data are made available.

Volatility

Care should be taken when using the month-on-month movements, as data can be volatile; longer-term growth rates and examination of the time series allow for better interpretation of the statistics. Shorter time series, including those for the construction industry, which only began in 2010, are implicitly more volatile.

7 . Related links

[GDP monthly estimate, UK: July 2020]
Bulletin | Released 11 September 2020
Gross domestic product (GDP) measures the value of goods and services produced in the UK. It estimates the size of and growth in the economy and includes the Index of Production (IoP), Index of Services (IoS) and construction output in Great Britain.

[Coronavirus and the latest indicators for the UK economy and society: 10 September 2020]
Article | Released 10 September 2020
Early experimental data on the impact of the coronavirus (COVID-19) on the UK economy and society. These faster indicators are created using rapid response surveys, novel data sources and experimental methods.

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

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

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

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