

Article

# UK GDP and the labour market, update: Jan to Mar 2016

Comparison of developments in GDP and the labour market

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Release date:  
17 May 2016

Next release:  
To be announced

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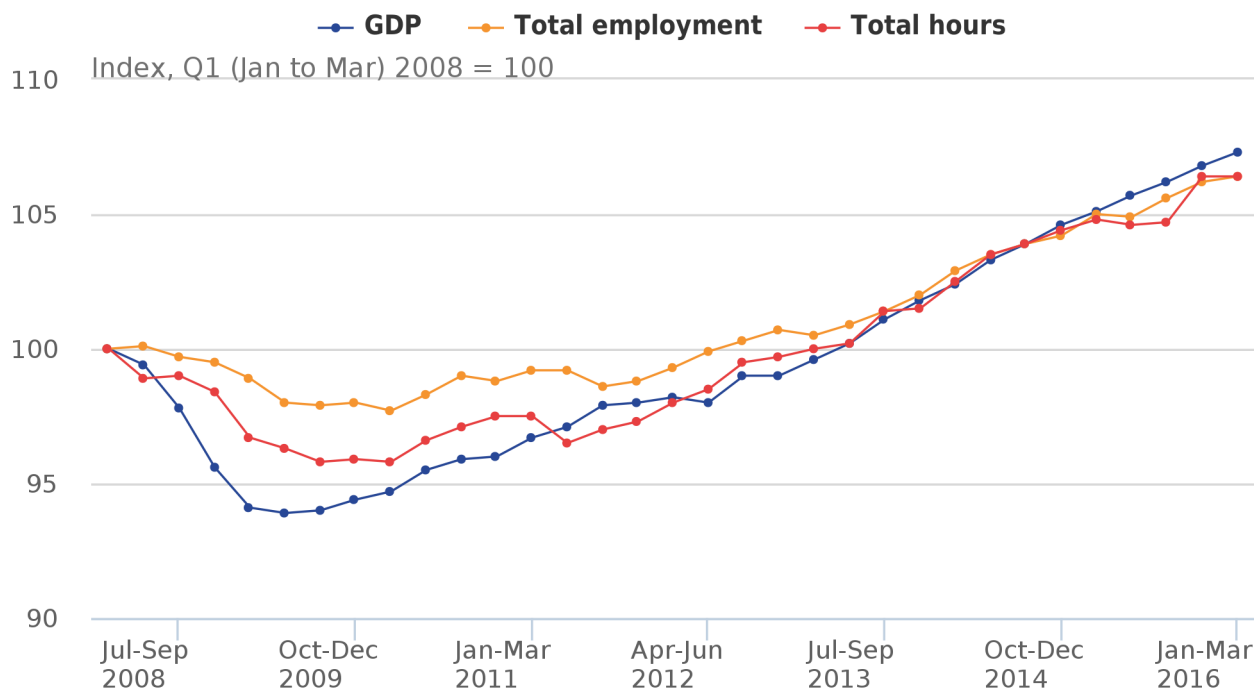
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# 1. UK GDP and the Labour market, update: Jan to Mar 2016

The preliminary estimate of GDP indicated that the UK economy grew by 0.4% in the first quarter (Jan to Mar) of 2016. Figure 1 shows that in the first quarter of 2016, the economy was 7.3% larger than the pre-downturn peak level of output in Quarter 1 (Jan to Mar) 2008. The services industry continued to be the main driver of growth in output in the latest quarter, growing by 0.6% in Quarter 1 (Jan to Mar) 2016 and contributing 0.5 percentage points to the quarterly GDP growth rate. The other 3 main industrial groupings contracted, with production falling by 0.4%, construction output by 0.9% and agriculture by 0.1%.

**Figure 1: Index of GDP (chained volume measure) since Quarter 1 (Jan to Mar) 2008, seasonally adjusted**

UK



Source: Office for National Statistics

In the same quarter, the employment level of those aged 16 and over increased by 0.1% in Quarter 1 (Jan to Mar) 2016 to reach 31.58 million and 1.3% higher than the same quarter in 2015. In comparison, total weekly hours worked stayed unchanged on the quarter, following a substantial increase in Quarter 4 (Oct to Dec) of 2015.

During the 2008 to 2009 economic downturn, Gross Domestic Product (GDP) fell by 6.1% and did not return to its pre-downturn levels until mid-2013. The number of people employed also fell following the downturn but to a lesser extent, by just 2.3%. As employment proved more resilient than GDP during the downturn, the UK produced less output on average per worker employed. Although employment is one measure of an economy's labour input, it does not capture changes in working patterns and these are reflected in the total hours worked measure. While employment fell following the onset of the economic downturn, total hours worked fell further because those who were in employment worked fewer hours on average. Total hours worked fell 4.3% following the downturn – less than GDP, but more than employment. With GDP falling by more than employment or hours worked during the downturn and the labour market recovering quicker than output, productivity growth has been subdued since the downturn and has recovered more slowly than following previous downturns.

Taking the preliminary estimate of GDP growth of 0.4% in the first quarter (Jan to Mar) of 2016 together with an unchanged estimate of total hours worked on the quarter, indicates that productivity as measured by output per hour increased by 0.4%. Total employment increased by 0.1% between Quarter 4 (Oct to Dec) of 2015 and Quarter 1 (Jan to Mar) of 2016, pointing to a slight increase of 0.3% in productivity on an output per worker basis. These indicative estimates of productivity growth in the first quarter will be updated in the UK Labour Productivity bulletin, to be published on 8 July, which will also include the usual detailed analysis of productivity trends.