

Article

# UK GDP and the labour market, update: Apr to June 2016

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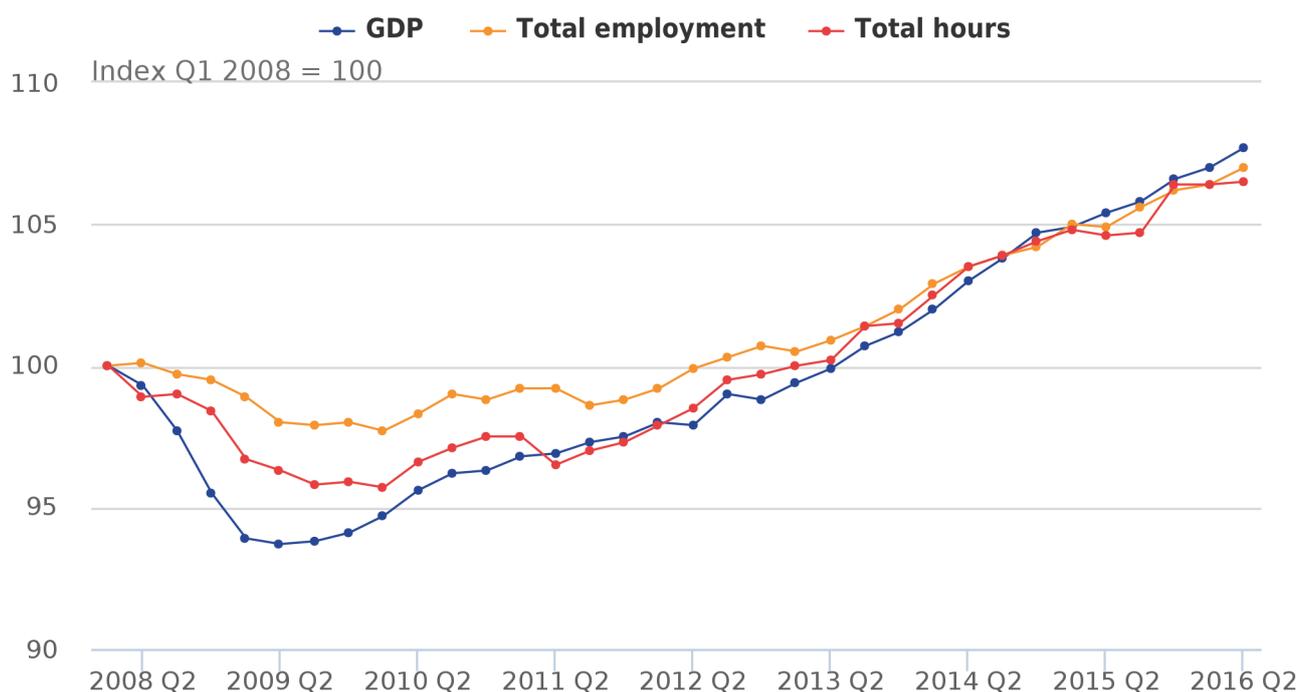
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# 1. UK GDP and the labour market, update: April to June 2016

The preliminary estimate of gross domestic product (GDP) indicated that the UK economy grew by 0.6% in the second quarter (April to June) of 2016. Figure 1 shows that in the second quarter, the economy was 7.7% larger than the pre-downturn peak level of output in Quarter 1 (January to March) 2008. The services industry continued to be the main driver of growth in output in the latest quarter, growing by 0.5% in Quarter 2 2016 and contributing 0.4 percentage points to the quarterly GDP growth rate. Production increased by 2.1% and contributed 0.3 percentage points to the quarterly GDP growth. The other 2 main industrial groupings contracted, with construction falling by 0.4% and agriculture falling by 1.0%.

**Figure 1: Index of GDP (chained volume measure), employment level (16 and over) and total hours worked (weekly)**

Quarter 1 (January to March) 2008 to Quarter 2 (April to June) 2016, UK



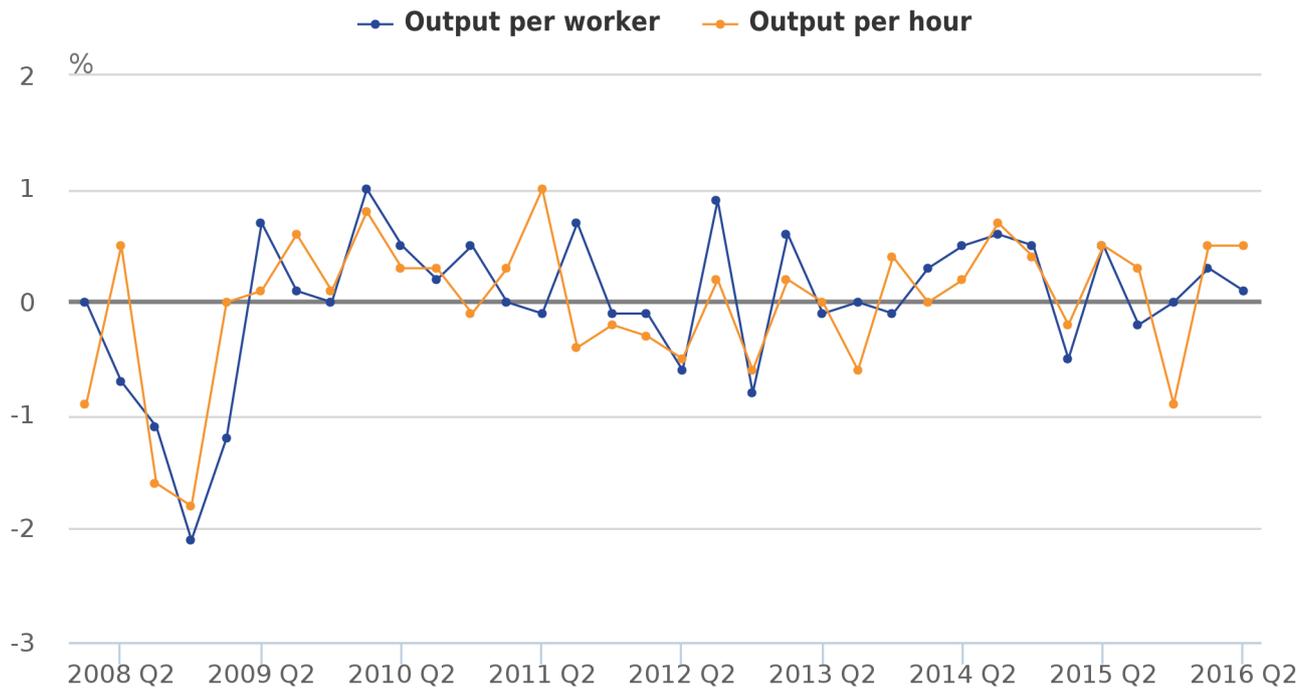
Source: Office for National Statistics

Today's [UK Labour Market](#) release shows that employment of those aged 16 and over increased by 0.5% in Quarter 2 2016 to reach 31.75 million and was 1.9% higher than the same quarter in 2015. Total weekly hours worked increased by 0.1% on the quarter, reflecting a fall of 0.4% in average weekly hours worked due to the increase in employment.

The preliminary estimate of GDP growth of 0.6% in the second quarter of 2016 together with a slight increase in total hours worked on the quarter indicate that productivity as measured by output per hour increased by 0.5% (Figure 2). Because employment grew more rapidly than total hours worked in the second quarter, productivity growth on an output per worker basis was lower at 0.1%. Compared with the same quarter last year, output per hour grew by 0.3% and output per worker grew by 0.2%. These indicative estimates of productivity growth in the second quarter will be updated in the UK Productivity bulletin, to be published on 7 October, which will also include the usual detailed analysis of productivity trends by industry.

**Figure 2: Growth in output per hour and output per worker, quarter-on-quarter**

Quarter 1 (January to March) 2008 to Quarter 2 (April to June) 2016, UK



Source: Office for National Statistics

## 2. Economic context

From Quarter 1 (January to March) 2008, which marks the beginning of the economic downturn, gross domestic product (GDP) fell by 6.3% 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.

## 3. Background notes

1. GDP data is from the "[Gross Domestic Product: Preliminary Estimate – Quarter 2 \(Apr to June\) 2016](#)" published on 27 July 2016.

Labour Market data is from the "[Labour Market Statistics - August 2016](#)" published on 17 August 2016.

2. Details of the [policy governing the release of new data](#) are available from the [UK Statistics Authority](#).