Article

UK productivity flash estimate: Jan to Mar 2017

Flash estimate of productivity for Quarter 1 (Jan to Mar) 2017 based on preliminary GDP and labour market data.

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1 . UK productivity flash estimate: Jan to Mar 2017

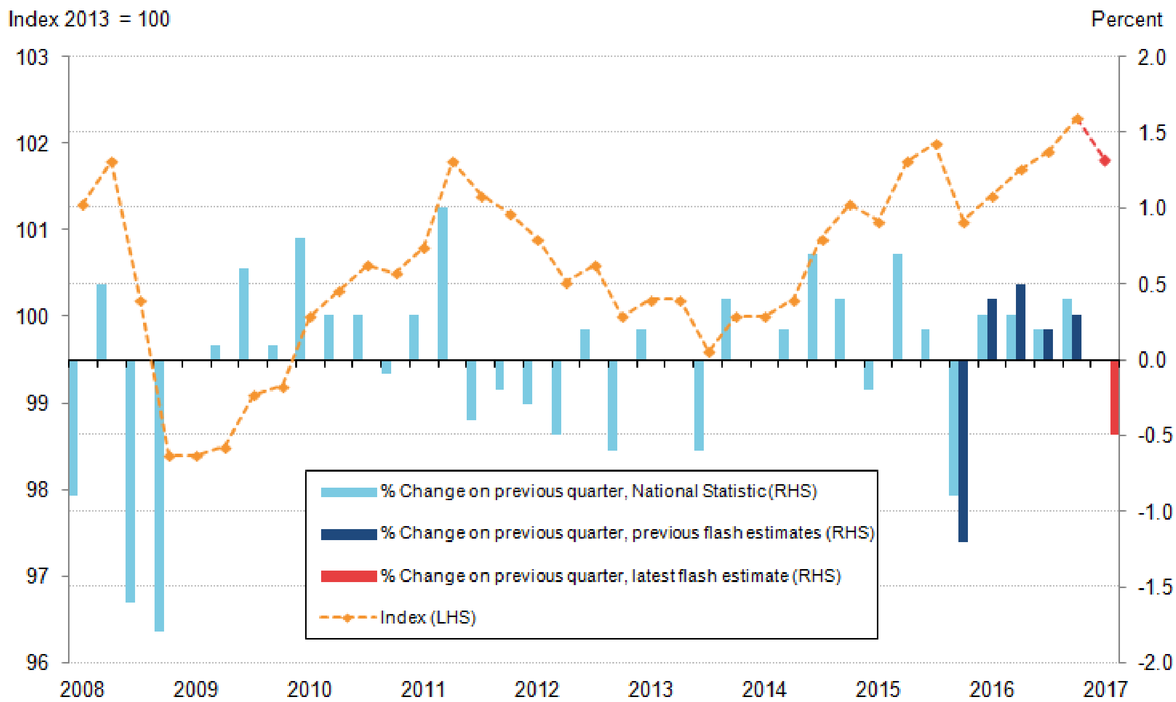
Output per hour – our main measure of labour productivity – fell by 0.5% in Quarter 1 (January to March) 2017. This compares with growth of 0.4% in Quarter 4 (October to December) 2016, as published in the April 2017 Productivity Bulletin and as presented in Figure 1.

The fall in productivity in Quarter 1 was the result of slower gross value added (GVA) growth (using the preliminary gross domestic product (GDP) estimate) combined with an increase in total hours worked driven by growth in both employment and average weekly hours worked (using the latest Labour Force Survey data).

This flash estimate of UK productivity uses the first available information on output and labour input for the quarter. This data may be revised in subsequent months. As such, we release the more detailed Productivity Bulletin after the third estimate of GDP for the quarter is published, which will be consistent with the Quarterly National Accounts.

Figure 1: Percentage change on previous quarter and index of output per hour

Seasonally adjusted, Quarter 1 (Jan to Mar) 2008 to Quarter 1 (Jan to Mar) 2017, UK



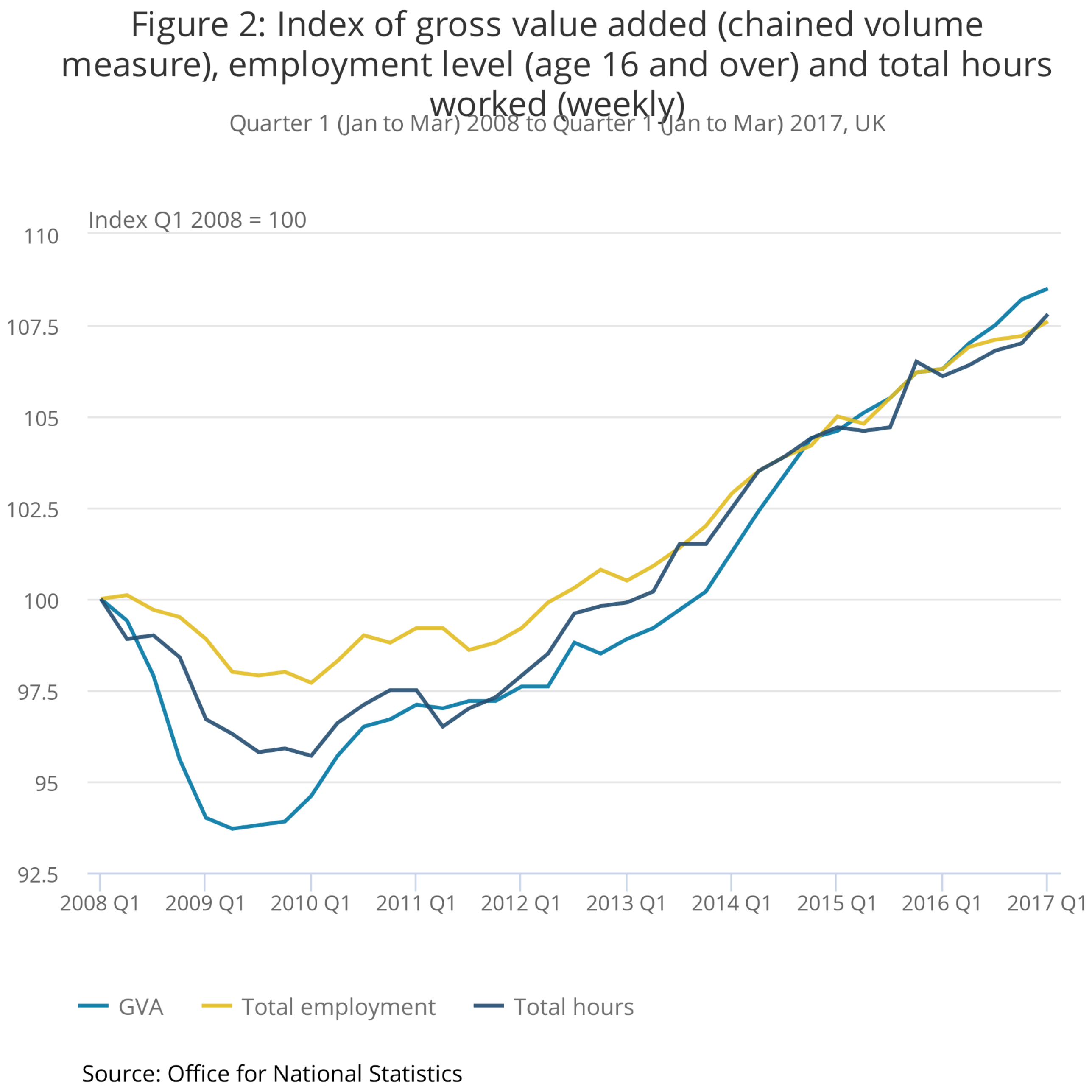
This is the first quarterly fall in output per hour since Quarter 4 (October to December) 2015, following 4 consecutive quarters of growth. UK productivity growth has been weak since the onset of the economic downturn in Quarter 1 2008 as a result of the relative strength of the labour market compared with GDP.

Both employment – which captures the total number of people in work – and total hours – which captures both changes in employment and working patterns – fell in the course of the economic downturn, but total hours fell further reflecting falls in the average hours of those in employment. However, as GDP fell by a larger proportion in the economic downturn than hours or employment and has grown slowly by historical standards during the recovery, productivity growth has been subdued since the downturn and has recovered more slowly than following previous downturns.

The fall in productivity in Quarter 1 was a result of hours worked growing faster than output; the most recent estimate of GDP indicated that the UK economy grew by 0.3% in Quarter 1 2017, the slowest rate of growth since Quarter 1 2016. Figure 2 shows that in Quarter 1, output was 8.5% larger than the pre-downturn level of output in Quarter 1 2008.

Figure 2: Index of gross value added (chained volume measure), employment level (age 16 and over) and total hours worked (weekly)

Quarter 1 (Jan to Mar) 2008 to Quarter 1 (Jan to Mar) 2017, UK



Source: Office for National Statistics

Notes:

1. Due to revisions in Labour Market data beginning in 2012 Q3 the series in this chart will not exactly replicate Labour Productivity national statistics. Labour Productivity estimates will be revised to incorporate the revisions in our next statistical bulletin release on the 5th July 2017.

2. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).

Slower growth in Quarter 1 2017 was due mainly to services, which grew by 0.3% compared with growth of 0.8% in Quarter 4 2016. Production output grew by 0.3% – including manufacturing growth of 0.5% – while construction grew by 0.2% on the quarter.

The main contributor to the slowdown in services was the distribution, hotels and restaurants sector, the output of which decreased by 0.5% on the quarter, contributing negative 0.07 percentage points to quarter-on-quarter GDP growth. The output of the transport, storage and communications industries also decreased by 0.2% in Quarter 1 2017. However, the negative growth in these two sectors was more than offset by positive growth in government and other services (which grew by 0.5%) and business services and finance sectors (which saw growth of 0.7% over the quarter). Many of the biggest negative contributions in the services industries in Quarter 1 2017 came from consumer-focused industries, such as retail trade, accommodation, and the trade and repair of motor vehicles, which all decreased when compared with the previous quarter – this was due in part to prices increasing more than spending.

May's UK Labour Market release shows that there were 31.9 million people aged 16 and over in work in Quarter 1 2017, which was 122,000 more than the previous quarter and 381,000 more than a year earlier. The negative growth in output per hour was caused by total weekly hours worked increasing by 0.8% on the quarter, reflecting an increase of 0.4% in both average weekly hours worked and employment.

2 . Background notes

1. GDP data is from the Gross Domestic Product: Preliminary Estimate – Quarter 1 (January to December) 2017 published on 28 April 2017.

   Labour Market data is from the Labour Market Statistics – May 2017 published on 17 May 2017.

2. Details of the policy governing the release of new data are available from the UK Statistics Authority.