

Article

UK productivity flash estimate: April to June 2018

Flash estimate of productivity for Quarter 2 (April to June) 2018 based on preliminary gross domestic product and labour market data.

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1 . UK productivity flash estimate: April to June 2018

Output per hour – Office for National Statistics' (ONS') main measure of labour productivity – increased by 0.4% in Quarter 2 (Apr to June) 2018. This follows a 0.4% decrease in the previous quarter (Jan to Mar) of 2018 (see Figure 1). Output per worker also increased by 0.2% (see Figure 2).

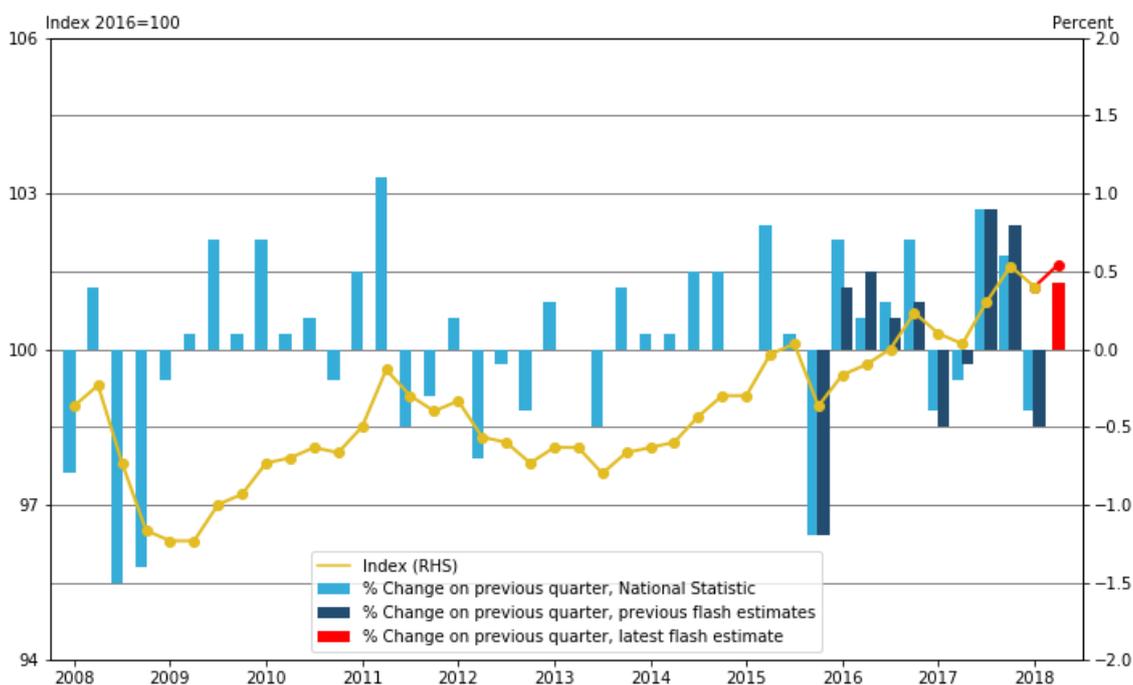
As quarterly movements in labour productivity can be volatile in nature, we prefer to look at data that better reflect the long-term trend of labour productivity growth, particularly growth over the past 12 months. Output per hour on a quarter-on-year basis grew by 1.5% in Quarter 2 2018, compared with 0.9% in Quarter 1 (Jan to Mar) 2018. This is the highest quarter-on-year increase in output per hour since Quarter 4 (Oct to Nov) 2016.

The rise in output per hour in Quarter 2 compared with the previous quarter was the result of a 0.4% increase in gross value added (GVA) (using the preliminary gross domestic product (GDP) estimate) accompanied by a 0.1% decrease in total hours worked (using the latest Labour Force Survey data). This fall in total hours was driven primarily by a 0.2% fall in average hours per worker.

This flash estimate of UK productivity uses the first available information on output and labour input for the quarter. These data may be revised in subsequent months. As such, ONS releases the more detailed [Labour productivity bulletin](#) after the publication of 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 2 (Apr to June) 2018, UK

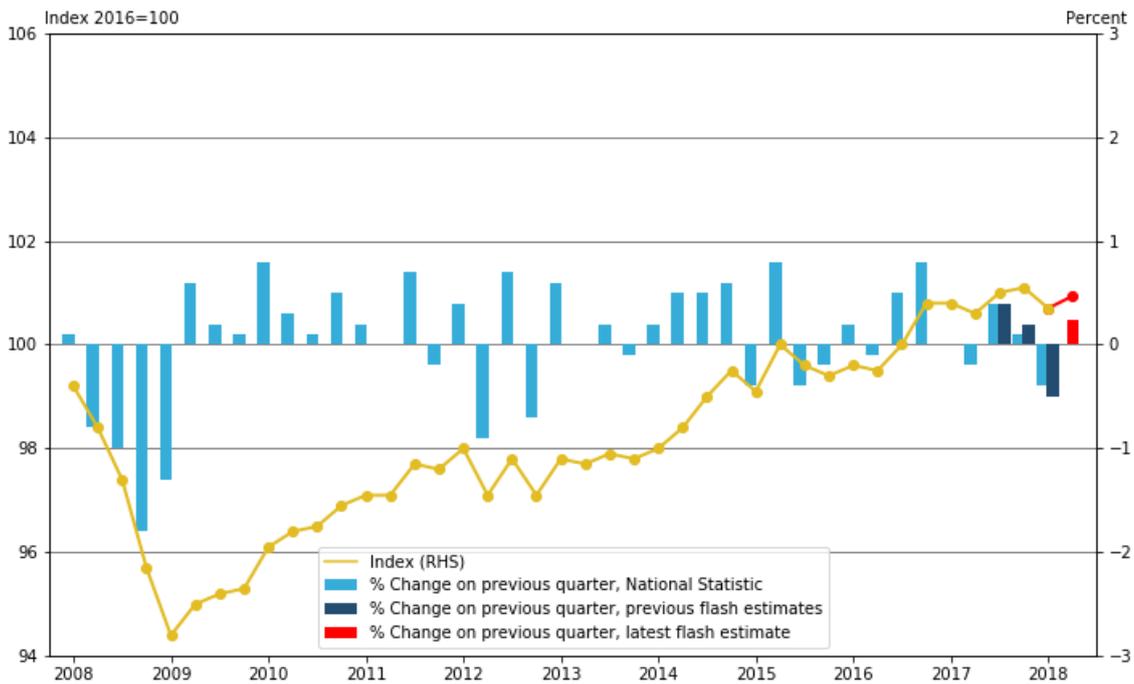


Source: Office for National Statistics

This is the first quarterly growth in output per hour in 2018, following a fall in the previous quarter. Over a longer period, UK productivity growth has been relatively weak – in particular, since the onset of the economic downturn in Quarter 1 (Jan to Mar) 2008 – because of the relative strength of the labour market as compared with GDP.

Figure 2: Percentage change on previous quarter and Index of Output per Worker

Seasonally adjusted, Quarter 1 (Jan to Mar) 2008 to Quarter 2 (Apr to June) 2018, UK



Source: Office for National Statistics

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 either 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.

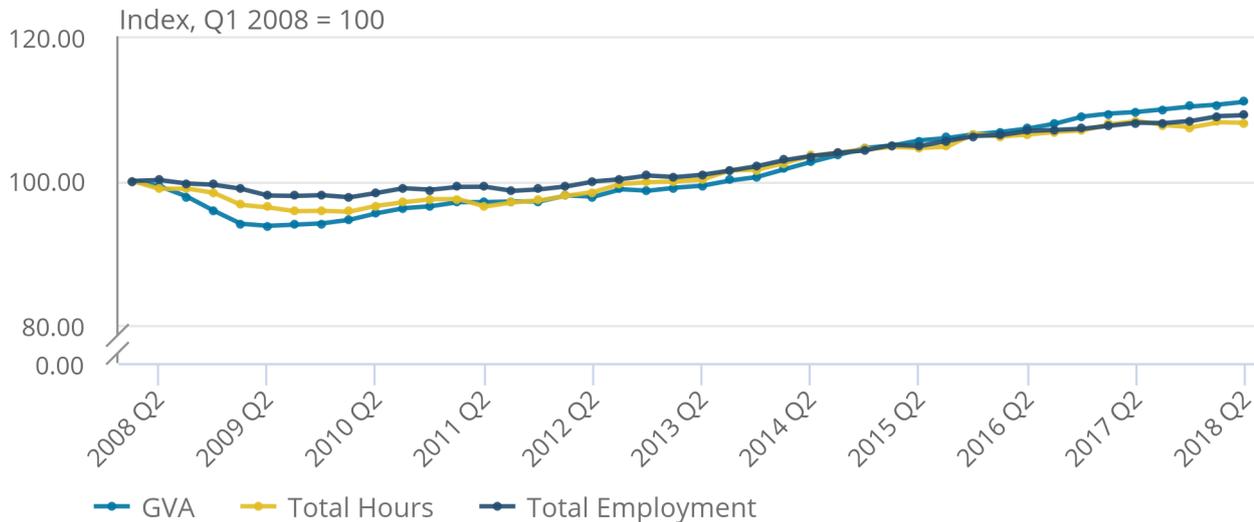
The increase in productivity in Quarter 2 2018 was a result of an increase in GVA, while total hours worked fell. The [most recent estimate of GDP](#) indicated that the UK economy grew by 0.4% in Quarter 2 2018, which contrasts with a slight fall of 0.1% in total hours worked. Employment over the same period went up 0.1%. Figure 3 shows these relative movements over the post-downturn period. It indicates that in Quarter 2 2018, the economy was around 11% larger than the pre-downturn level of output in Quarter 1 2008, while total hours worked and employment were around 8% and 9.1% above their pre-downturn levels respectively.

Figure 3: Index of gross value added (chained volume measure), employment level (16 and over) and total hours worked (weekly)

Quarter 1 (Jan to Mar) 2008 to Quarter 2 (Apr to June) 2018, UK

Figure 3: Index of gross value added (chained volume measure), employment level (16 and over) and total hours worked (weekly)

Quarter 1 (Jan to Mar) 2008 to Quarter 2 (Apr to June) 2018, UK



Source: Office for National Statistics

[Services](#) industries experienced robust growth of 0.5% in Quarter 2 2018. This was driven by strong growth in wholesale and retail trade of 1.6% (contributing 0.16 percentage points). Within this, retail trade growth was particularly strong (2.1%), because of the warm weather seen in this quarter ([see Retail sales bulletin](#)). Of services industries, retail (0.11 percentage points), wholesale trade (0.05 percentage points) and computer programming (0.05 percentage points) were the largest contributors to growth.

[Production](#) contracted by 0.8 percentage points in Quarter 2 2018. This was due primarily to manufacturing growth of negative 0.9%, which was itself driven by a notable fall in April. Quarterly growth in the energy sector fell due to a fall in demand because of the warm weather. However, there was an increase in growth in the last month of the quarter. Mining and quarrying growth (0.7%) continued to be dampened, due partially to the maintenance on the Sullom Voe oil terminal in May.

[Construction](#) recovered in the most recent period, following three consecutive months of negative rolling three-month growth. Growth in Quarter 2 2018 was 0.9%, a similar level to growth rates seen immediately before the period of contraction.

[August's UK labour market release](#) shows that there were 32.4 million people aged 16 years and over in work in Quarter 2 2018, which was 42,000 more than the previous quarter. The fall in total hours worked was caused by average hours worked falling by 0.2%.

2 . Data sources

Gross domestic product (GDP) data are from the [GDP first quarterly estimate, UK: April to June 2018](#), published on 10 August 2018.

Labour market data are from the [Labour market statistics – August 2018 statistical bulletin](#), published on 14 August 2018.

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