

Article

UK productivity flash estimate: July to September 2018

Flash estimate of productivity for Quarter 3 (July to Sept) 2018 based on preliminary gross domestic product and labour market data.

Contact:
Sunny Sidhu
productivity@ons.gov.uk
+44 (0)1633 455086

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1 . UK productivity flash estimate: July to September 2018

Output per hour – Office for National Statistics' (ONS') main measure of labour productivity – decreased by 0.4% in Quarter 3 (July to Sept) 2018. This follows a 0.5% increase in the previous quarter (Apr to June) 2018. In contrast, output per worker increased by 0.5% (see Figure 2).

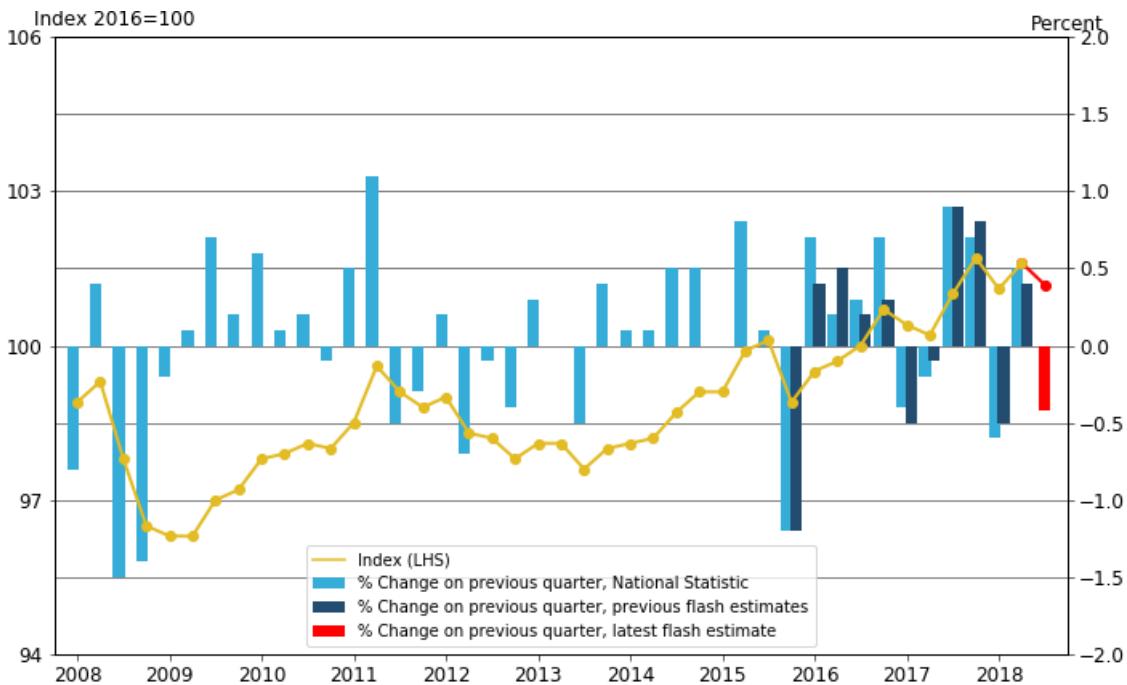
The decrease in output per hour in Quarter 3 was the result of a 0.6% increase in Gross Value Added (GVA) – using the preliminary Gross Domestic Product (GDP) estimate – accompanied by stronger growth in total hours worked – using the latest Labour Force Survey data. This increase in total hours worked (1.0%) was driven by an increase in average hours worked for both full-time and part-time workers, and a small increase in employment.

While the flash estimate of labour productivity focuses on the quarter-on-quarter growth rate, quarterly movements in labour productivity tend to be volatile, and may not indicate the long-term trend of labour productivity growth in the UK. Therefore, a quarter-on-annual growth rate may provide a better measure of the long-term trend of labour productivity growth. Output per hour increased by 0.1% in the year to Quarter 3 2018, following a 1.4% increase in the year to Quarter 2 2018. Output per worker increased by 0.4% in the year to Quarter 3 2018.

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 [GDP 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 3 (July to Sept) 2018, UK

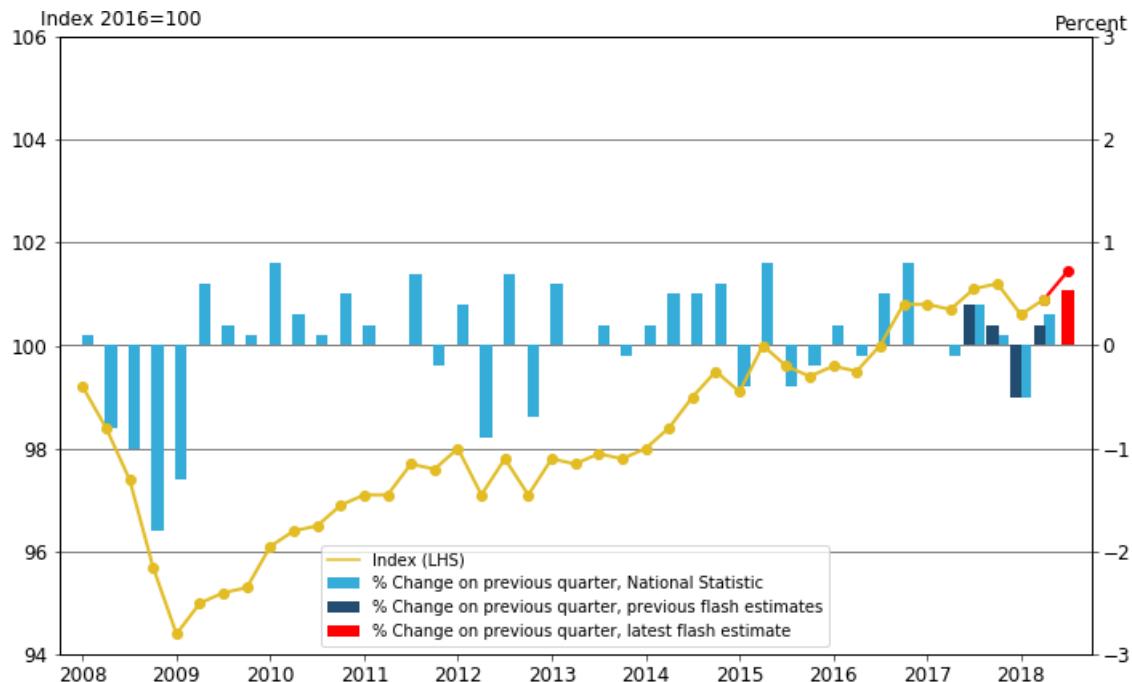


Source: Office for National Statistics

This is the second quarterly fall in output per hour in 2018, following an increase 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 the growth in labour market inputs outpaced GDP growth.

Figure 2: Percentage change on previous quarter and index of output per worker

Seasonally adjusted, Quarter 1 (Jan to Mar) 2008 to Quarter 3 (July to Sept) 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 during the economic downturn, though total hours fell further, reflecting a fall 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 compared to previous downturns.

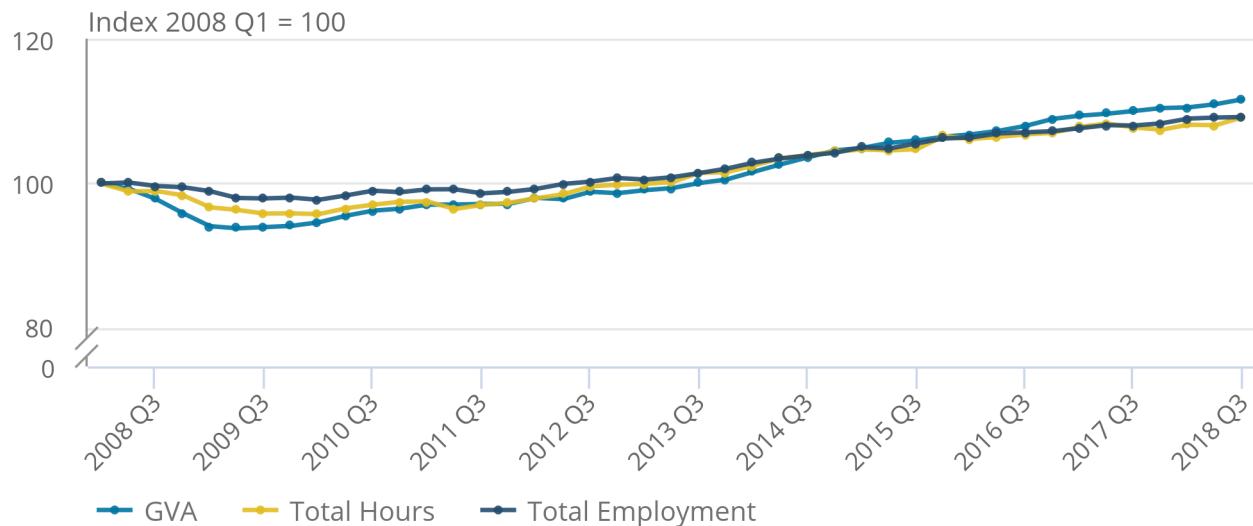
The [most recent estimate of GDP](#) indicated that the UK economy grew by 0.6% in Quarter 3 2018, which is slower than the increase of 1.0% in total hours worked. Employment over the same period went up 0.1%. Figure 3 shows these relative movements over the post-downturn period. It indicates that in Quarter 3 2018, the economy was around 11.6% larger than the pre-downturn level of output in Quarter 1 2008, while total hours worked and employment were around 9.2% above their pre-downturn levels respectively.

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

Seasonally adjusted, Quarter 1 (Jan to Mar) 2008 to Quarter 3 (July to Sept) 2018, UK

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

Seasonally adjusted, Quarter 1 (Jan to Mar) 2008 to Quarter 3 (July to Sept) 2018, UK



Source: Office for National Statistics

The increase in GVA in Quarter 3 2018 reflected growth in all industries, with services making the largest contributions to GVA growth (0.3 percentage points), alongside production and construction (equally 0.1 percentage points). The strong growth of GVA on the quarter corresponds with the growth of the UK labour market, as the number of people aged 16 years and over in employment increased by 0.1%, to 32.4 million, over the same period. This growth in employment was driven by an increase in employees working full-time, which grew by 0.5% in Quarter 3 2018, more than offsetting falls in employees working part-time and self-employed. In addition, average hours worked for full-time and part-time workers grew by 0.9%. The combination of an increase in employment and average hours worked meant that total hours worked grew at its fastest rate since Quarter 4 (Oct to Dec) 2015.

2 . Data Sources

Gross domestic product (GDP) data are from the [GDP first quarterly estimate, UK: July to September 2018](#), published on 09 November 2018.

Labour market data are from the [Labour market statistics – November 2018 statistical bulletin](#), published on 13 November 2018.