Office for National Statistics

Article

UK productivity flash estimate: April to June 2019

Flash estimate of labour productivity for Quarter 2 (April to June) 2019 based on latest data from GDP first quarterly estimate and labour market statistics.

Contact:
Marianthi Dunn
productivity@ons.gov.uk
+44 (0)1633 455086

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1 . UK productivity flash estimate: April to June 2019

The latest labour market statistics and GDP first quarterly estimates data indicate that output per hour – the Office for National Statistics' (ONS) main measure of labour productivity – fell by 0.6% in Quarter 2 (Apr to June) 2019 compared with the same quarter in the previous year; this was a larger quarter-on-year decrease than the 0.2% seen in Quarter 1 (Jan to Mar) 2019. This is the fourth consecutive quarter that productivity has had negative quarter-on-year growth rates.

2 . Output per hour and output per worker

The fall in output per hour in Quarter 2 (Apr to June) 2019 compared with the same quarter a year ago was the result of total weekly hours worked growing faster than gross value added (GVA), at 1.8% and 1.2% respectively. GVA is a measure of the production of goods and services in the economy and is closely aligned to gross domestic product (GDP).

The increase in total weekly hours worked was driven by growth in average actual weekly hours of work for both full-time and part-time workers, which increased by 0.6% and 0.8% respectively. This is alongside a 1.3% increase in total employment.

Output per worker in Quarter 2 2019 also fell, by 0.1% compared with the same quarter in the previous year. This was the result of employment growing faster than GVA, at 1.3% and 1.2% respectively.

The growth in employment was driven by both the numbers of employees and self-employed, which grew by 0.8% and 3.9% respectively.

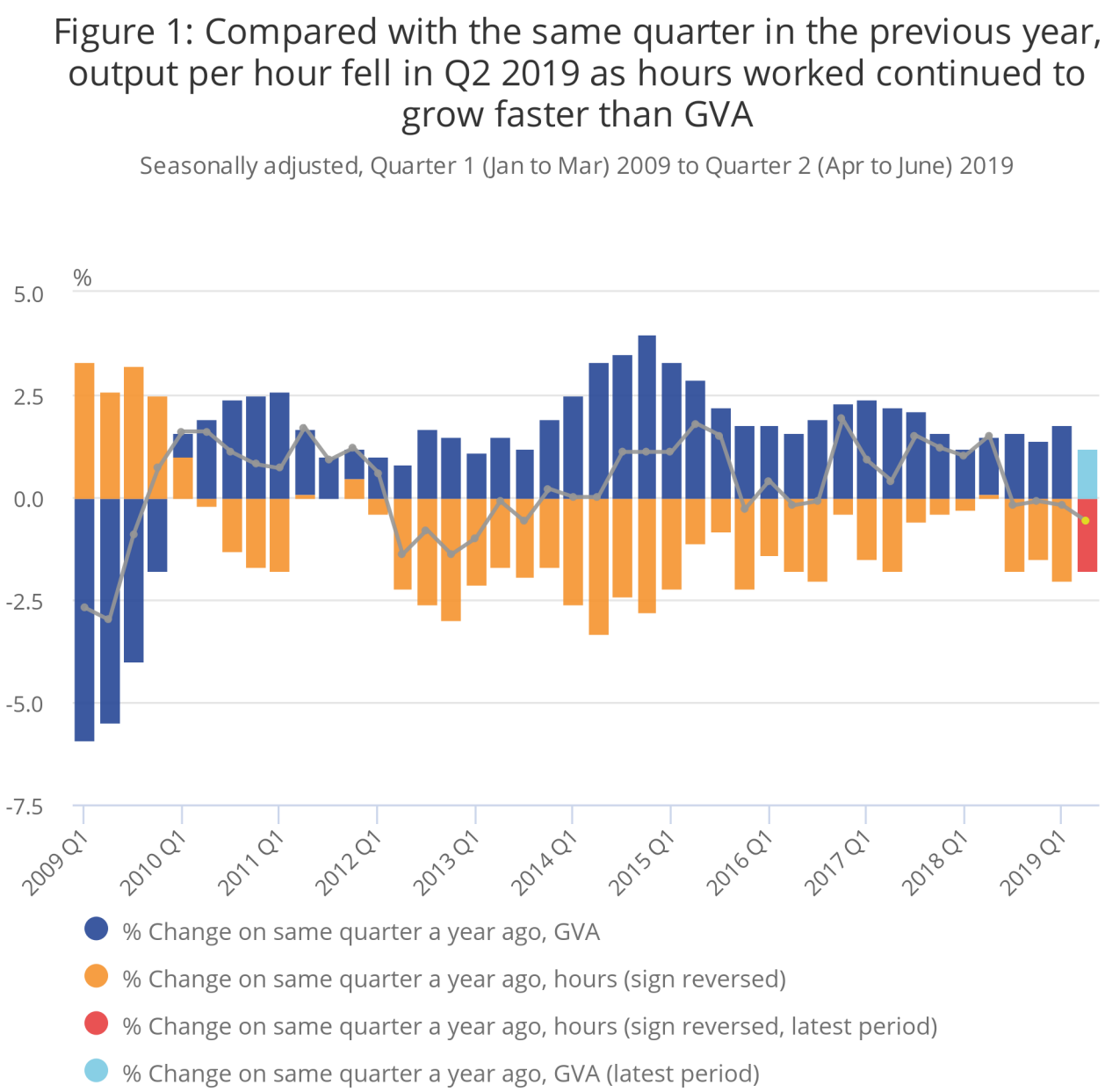
As an alternative to measuring growth relative to the same quarter a year ago, growth can also be measured relative to the previous quarter. Quarterly movements in labour productivity can be volatile and may not indicate the long-term trend of labour productivity growth in the UK. In this release we present the latest quarter growth rates with the same period a year ago to also facilitate comparison with the Labour productivity statistics.

Output per hour fell by 0.2% during Quarter 2 2019 compared with the previous quarter. This follows a 0.6% decrease in Quarter 1 (Jan to Mar) 2019. During the same period, output per worker fell by 0.5%, this was in contrast to the 0.2% increase seen in Quarter 1 2019.

This flash estimate of UK productivity uses the first available information on output and labour inputs for the latest quarter; earlier quarters are consistent with the Labour productivity statistics. The latest flash estimate data have been appended onto previous productivity statistics. These data may be revised in subsequent months. As such, the ONS releases the more detailed Labour productivity bulletin after the publication of GDP quarterly national accounts.

Figure 1: Compared with the same quarter in the previous year, output per hour fell in Q2 2019 as hours worked continued to grow faster than GVA

Seasonally adjusted, Quarter 1 (Jan to Mar) 2009 to Quarter 2 (Apr to June) 2019



Source: Office for National Statistics

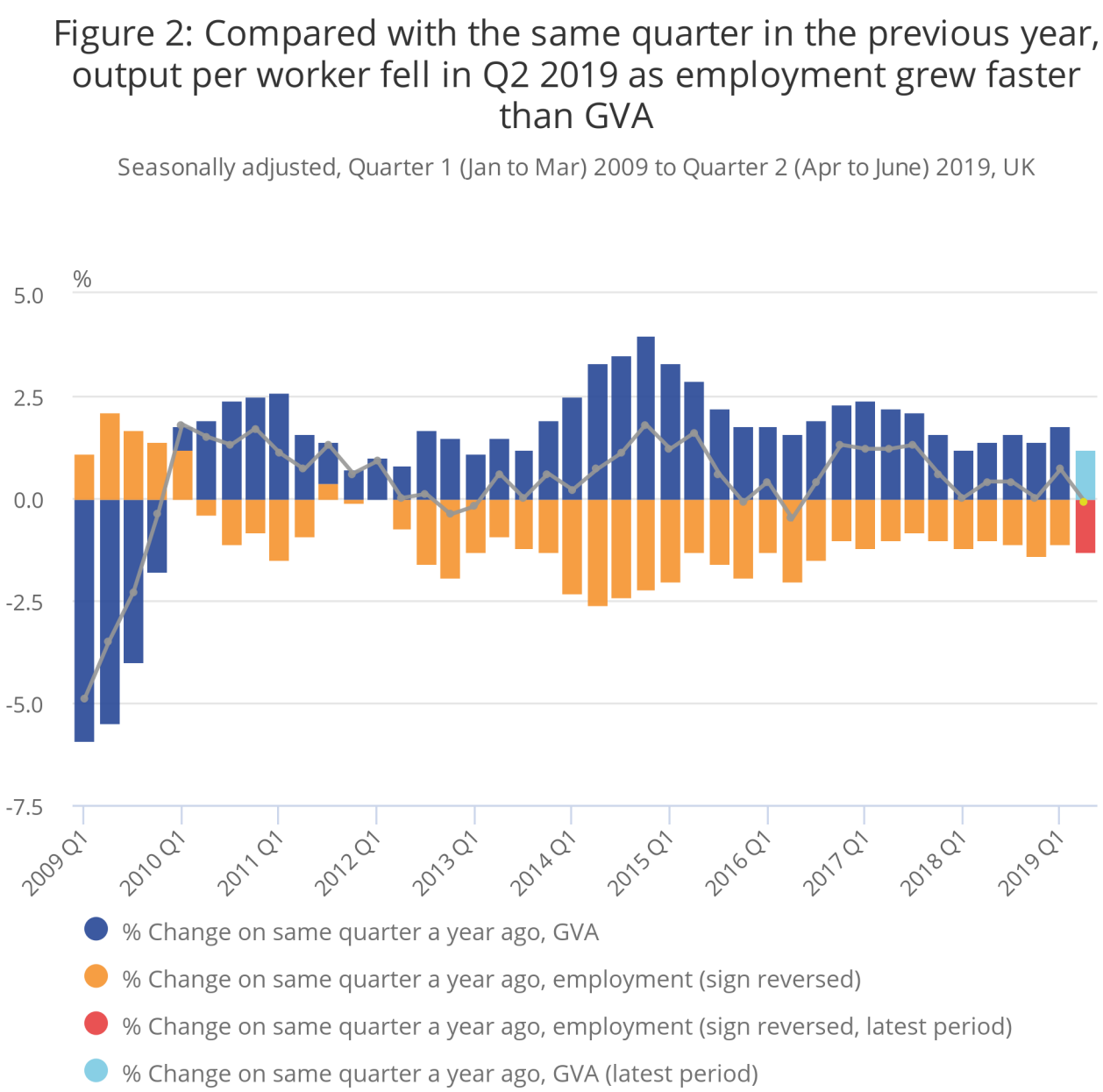
Notes:

1. Estimates of hours worked have had their sign reversed to reflect how they affect output per hour. An increase in hours worked will contribute negatively to output per hour; while a decrease in hours worked will contribute positively to output per hour.

Figure 1 shows the quarter on a year ago fall in output per hour in Quarter 2 2019. This is the fourth consecutive quarter of negative growth for productivity. 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 labour inputs grew faster than GVA.

Figure 2: Compared with the same quarter in the previous year, output per worker fell in Q2 2019 as employment grew faster than GVA

Seasonally adjusted, Quarter 1 (Jan to Mar) 2009 to Quarter 2 (Apr to June) 2019, UK



Source: Office for National Statistics

Notes:

1. Estimates of employment have had their sign reversed to reflect how they affect output per worker. An increase in employment will contribute negatively to output per worker; while a decrease in employment will contribute positively to output per worker.

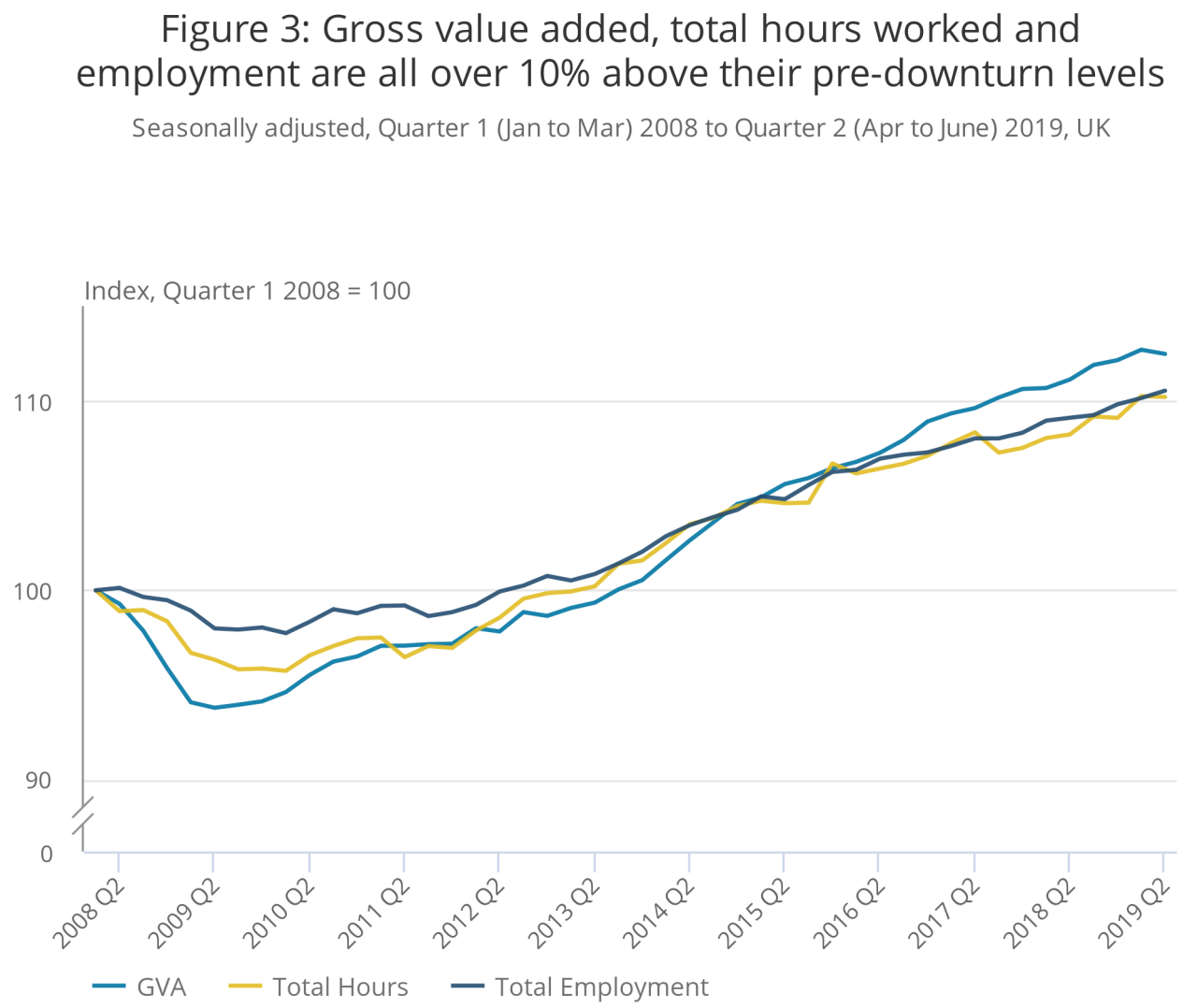
Both employment – which captures the total number of people in work – and total hours – which captures both changes in employment and working patterns – fell in the course of the economic downturn, though total hours fell further reflecting a fall in the average hours of those in employment.

However, 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. In consequence, productivity growth has been subdued since the downturn and has recovered more slowly compared with previous downturns.

Figure 3 shows these relative movements over the post-downturn period. It indicates that in Quarter 2 2019, all three economic indicators were above their pre-recession levels with GVA, hours and employment being up by 12.5%, 10.2% and 10.5% respectively.

Figure 3: Gross value added, total hours worked and employment are all over 10% above their pre-downturn levels

Seasonally adjusted, Quarter 1 (Jan to Mar) 2008 to Quarter 2 (Apr to June) 2019, UK



Source: Office for National Statistics

Growth in GVA during Quarter 2 2019, compared with the same quarter a year ago, was due to growth in services and construction, which contributed 1.3 and 0.1 percentage points respectively. In contrast, production reduced GVA by 0.1 percentage point.

3 . Things you need to know about this release

This flash estimate of UK productivity uses the first available information on output and labour input for the latest quarter, Quarter 2 (Apr to June) 2019. These data may be revised in subsequent months. As such, we release the more detailed Labour productivity bulletin after the publication of GDP quarterly national accounts.

This release uses gross value added (GVA) to determine growth in output for the latest quarter and uses the latest estimates, Quarter 2 2019, from the GDP first quarterly estimate released around a week before this publication. Estimates of earlier quarters are consistent with the Labour productivity statistics.

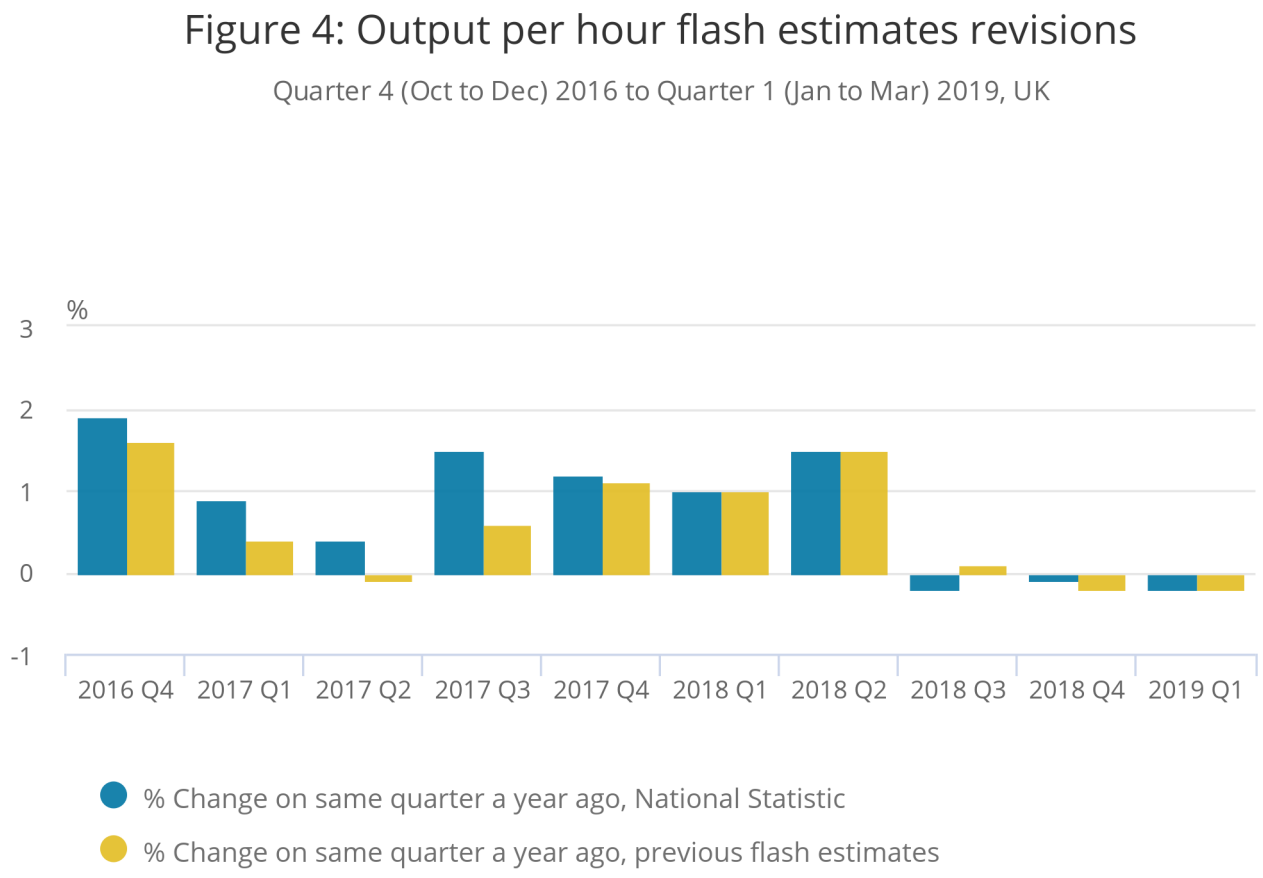
4 . Data sources and revisions

Gross value added (GVA) data for Quarter 2 (Apr to June) 2019 are from the GDP first quarterly estimate, UK: April to June 2019, published on 9 August 2019.

Contributions are to output GVA and therefore may not sum to the percentage change in average gross domestic product (GDP). More information of how GDP is measured can be found in the Short guide to national accounts.

Figure 4: Output per hour flash estimates revisions

Quarter 4 (Oct to Dec) 2016 to Quarter 1 (Jan to Mar) 2019, UK



Source: Office for National Statistics

Labour market data, for the same period are from the Labour market statistics – August 2019 statistical bulletin, published on 13 August 2019.

Data for the earlier quarters, Quarter 1 2008 until Quarter 1 2019, are consistent with the Labour productivity statistics. Figure 4 shows revisions to growth rates on the quarter a year ago compared with the first flash estimates published for the corresponding period. The aim is to show the reliability of the initial flash estimates over time.

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