

Article

GDP and the Labour Market: Q3 2015 quarterly update

We look at growth in GDP, employment and total hours worked in Q3 2015 compared with the previous quarter and a year ago, and the trends since 2008. While GDP and employment both grew, hours worked fell by 0.1% compared with Q2 but is higher than it was a year ago. Over the period since 2008, GDP has grown by a similar amount to both employment and total hours worked.

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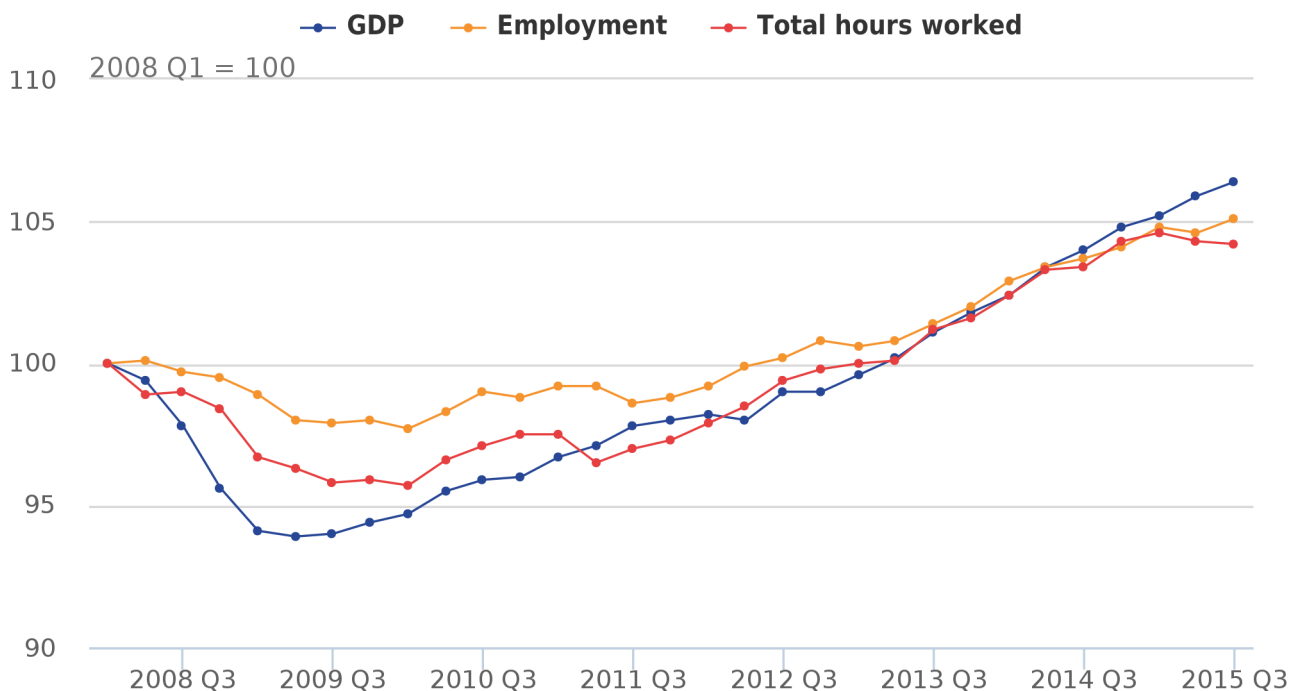
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1 . Quarter 3 (July to Sept) quarterly update

Figure 1: Index of GDP (chained volume measure), employment and hours since Quarter 1 (Jan to Mar) 2008, seasonally adjusted

UK



Source: Office for National Statistics

In Quarter 3 (July to September) 2015, GDP grew by 0.5%. This was slightly slower than the growth of 0.7% in Quarter 2 (April to June), but represented the eleventh consecutive quarter of growth. GDP was 2.3% higher in Quarter 3 (July to September) 2015 compared with the same quarter a year ago.

In comparison, total employment grew 0.6% in Quarter 3 (July to September) 2015 to reach 31.2 million, the highest level since comparable records began and 1.4% higher than the same quarter last year. Total weekly hours worked fell 0.1% in Quarter 3 (July to September) compared with Quarter 2 (April to June) but grew 0.7% compared with the same period last year.

During the 2008 to 2009 economic downturn, Gross Domestic Product (GDP) fell by 6.1% 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. Output per worker is one way of measuring productivity, indicating that the productivity of the UK's economy fell immediately following the downturn.

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. In more recent periods, growth in both total employment and average hours has had a positive impact on total hours worked, which reached a peak in Quarter 1 (January to March) 2015.

Looking at the entire period since the pre-downturn peak, from Quarter 1 (January to March) 2008 to Quarter 3 (July to September) 2015, GDP grew by a similar amount to both employment and total hours worked. This implies relatively flat productivity growth: a marked deviation from its long-run trend. This has led to what is known as the “Productivity Puzzle”.

Source: Office for National Statistics

2 . Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gov.uk