

Article

GDP and the Labour Market: Quarter 4 (Oct to Dec) 2015

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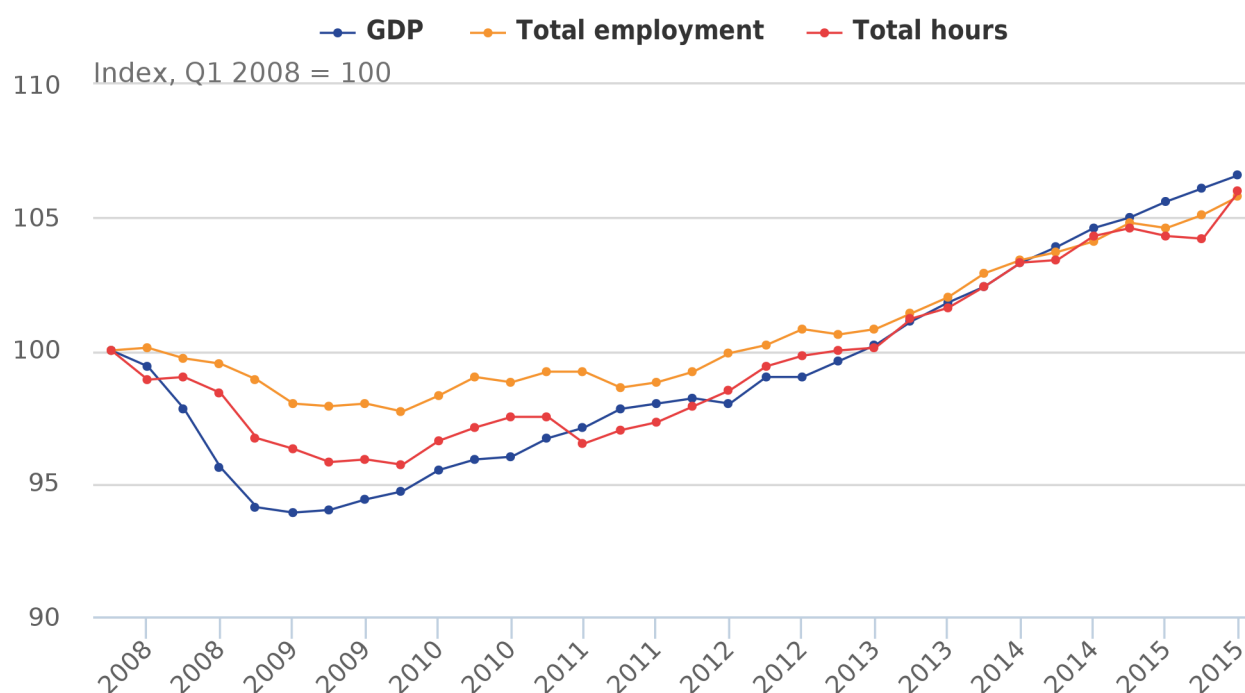
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1 . GDP and the Labour Market - Quarter 4 (Oct to Dec) 2015 Quarterly Update

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



Source: Office for National Statistics

The preliminary estimate of GDP indicated that the UK economy grew by 0.5% in the final quarter of 2015, resulting in a growth rate of 2.2% for 2015 as a whole – slightly lower than 2014's annual growth rate of 2.9%. Figure 1 shows that in the final quarter of 2015, the economy was 6.6% larger than the pre-downturn peak level of output in Q1 2008 (Jan to Mar). The services industry continued to be the main driver of growth in output, growing by 0.7% in Quarter 4 (Oct to Dec) 2015 and contributing 0.5 percentage points to the quarterly GDP growth rate. A slowdown in the construction and production industries weakened the overall picture, with output falling by 0.1% and 0.2% on the quarter respectively.

At the same time, the employment level of those aged 16 and over increased by 0.7% in Quarter 4 (Oct to Dec) 2015 to reach 31.42 million, the highest level since comparable records began, and 1.7% higher than the same quarter in 2014. In comparison, total weekly hours worked grew by 1.7% in the quarter, as a result of a substantial 1.1% increase in average weekly hours worked.

Taking the preliminary estimate of GDP growth of 0.5% in the fourth quarter of 2015 together with a 0.7% increase in employment indicates that productivity - measured as output per worker - fell by 0.2% during the period. Total hours worked increased by 1.7% between the third and fourth quarters of 2015, pointing to a much bigger fall – by 1.2% - in productivity when measured as output per hour. However output per worker and output per hour were both around 0.2% higher than a year earlier. These indicative estimates of productivity growth in the quarter will be updated in the labour productivity statistical bulletin, to be published on 1 April, which will also include the usual detailed analysis of productivity trends.

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.

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 recent periods, growth in both total employment and average hours has had a positive impact on total hours worked, which has reached a peak in Quarter 4 (Oct to Dec) 2015.