



HM Treasury

# **Comparative national perspectives on the slowdown:**

## **The UK**

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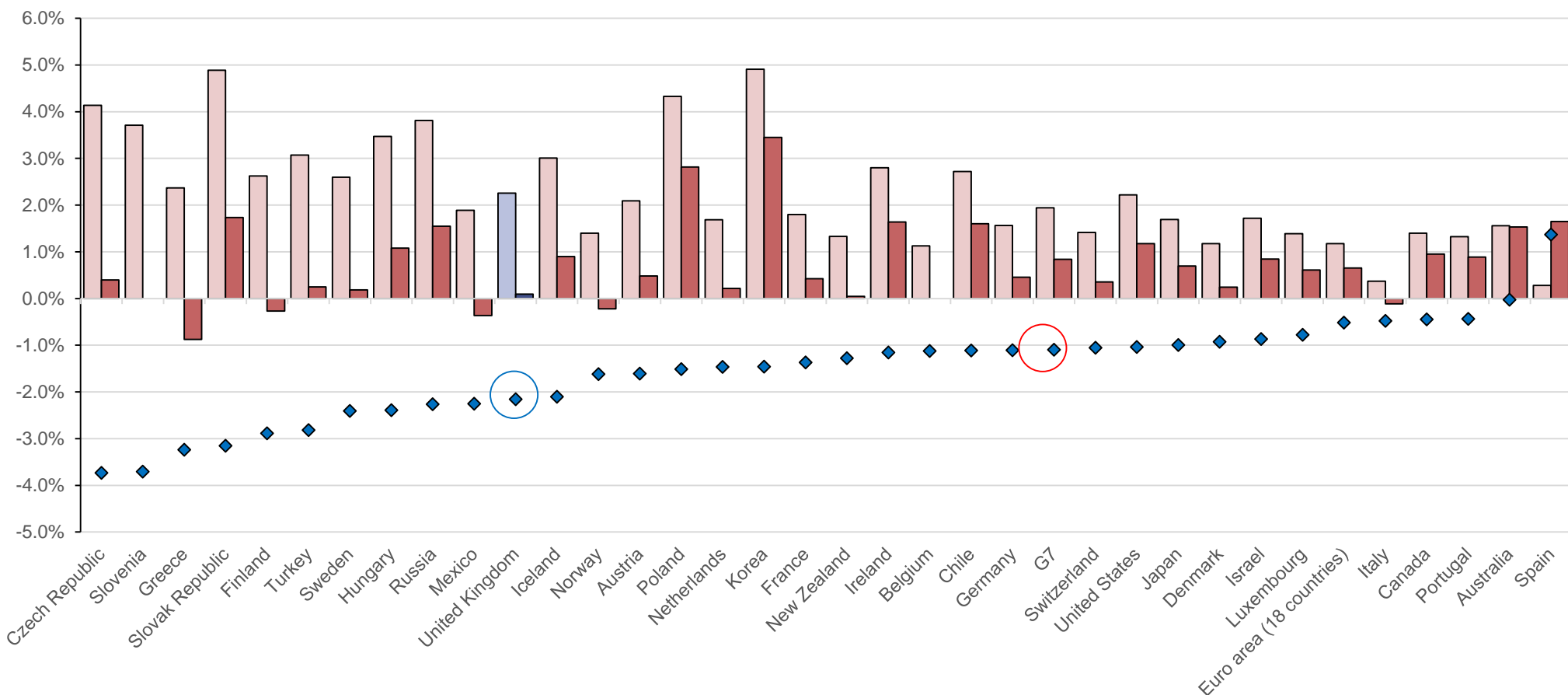
Dave Ramsden

Chief Economic Adviser to the Treasury

16 November 2015

# Weak productivity: a global issue

Change in average productivity growth - pre & post crisis



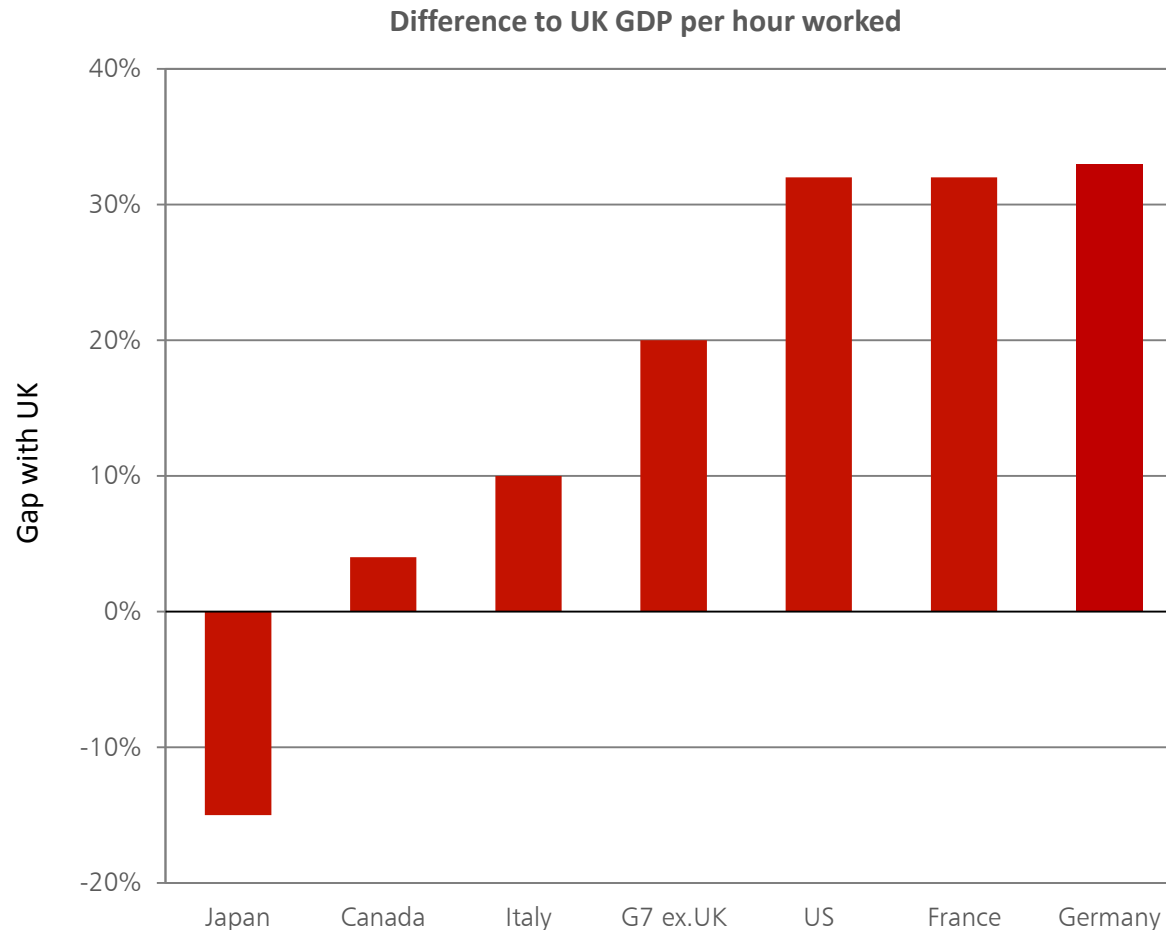
Source: OECD databank

□ 1997-2007 ■ 2007-2014 ◆ Difference



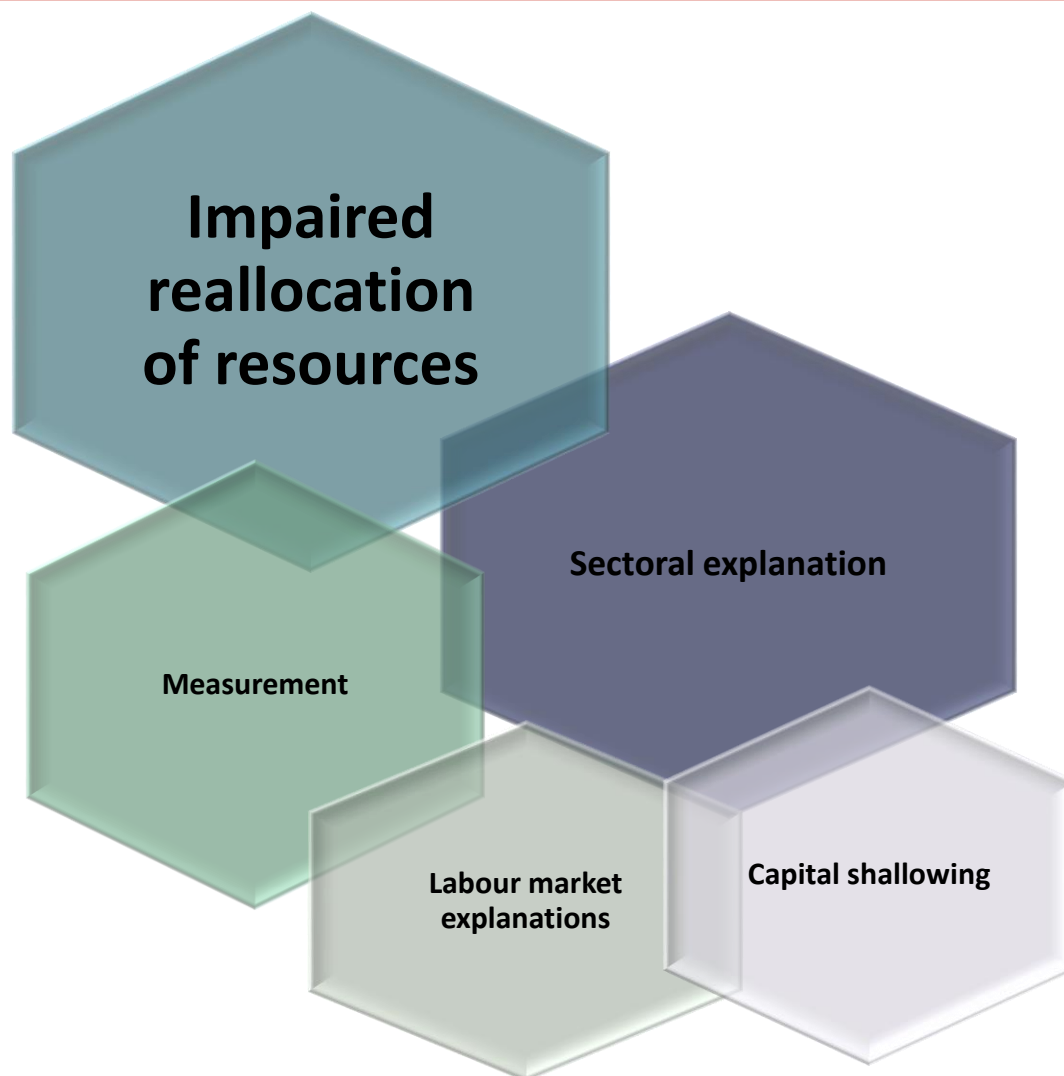
HM Treasury

# The historic gap between the UK and most of the G7 has continued to widen

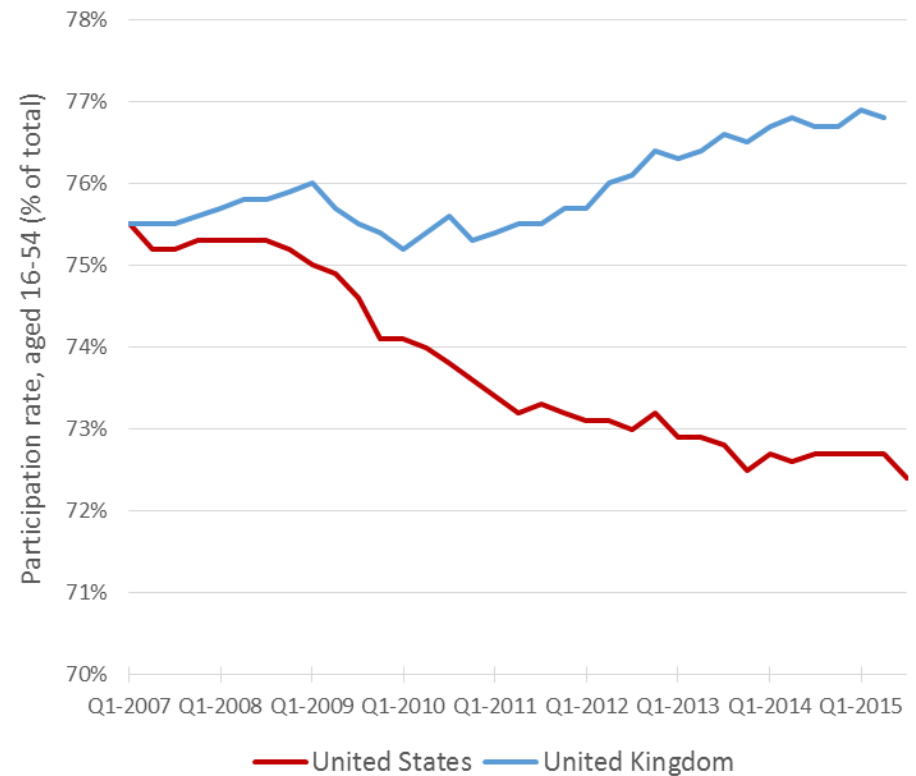
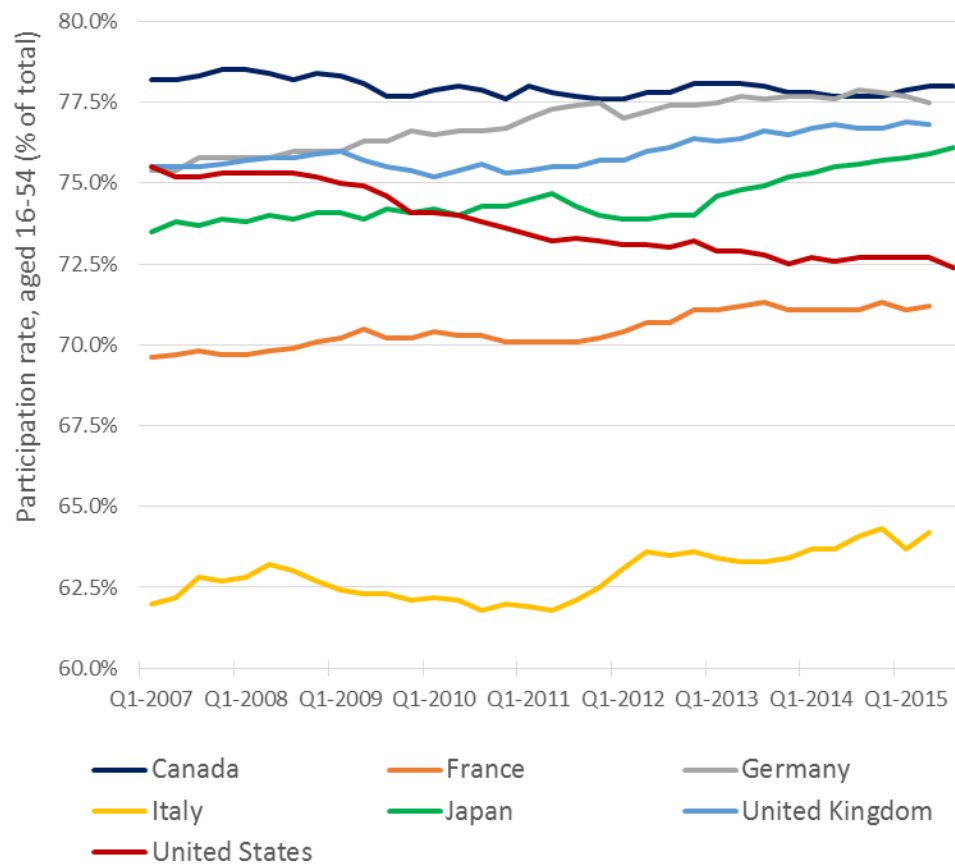


Source: ONS international comparisons of productivity 2014

# Leading explanations of the UK productivity slowdown

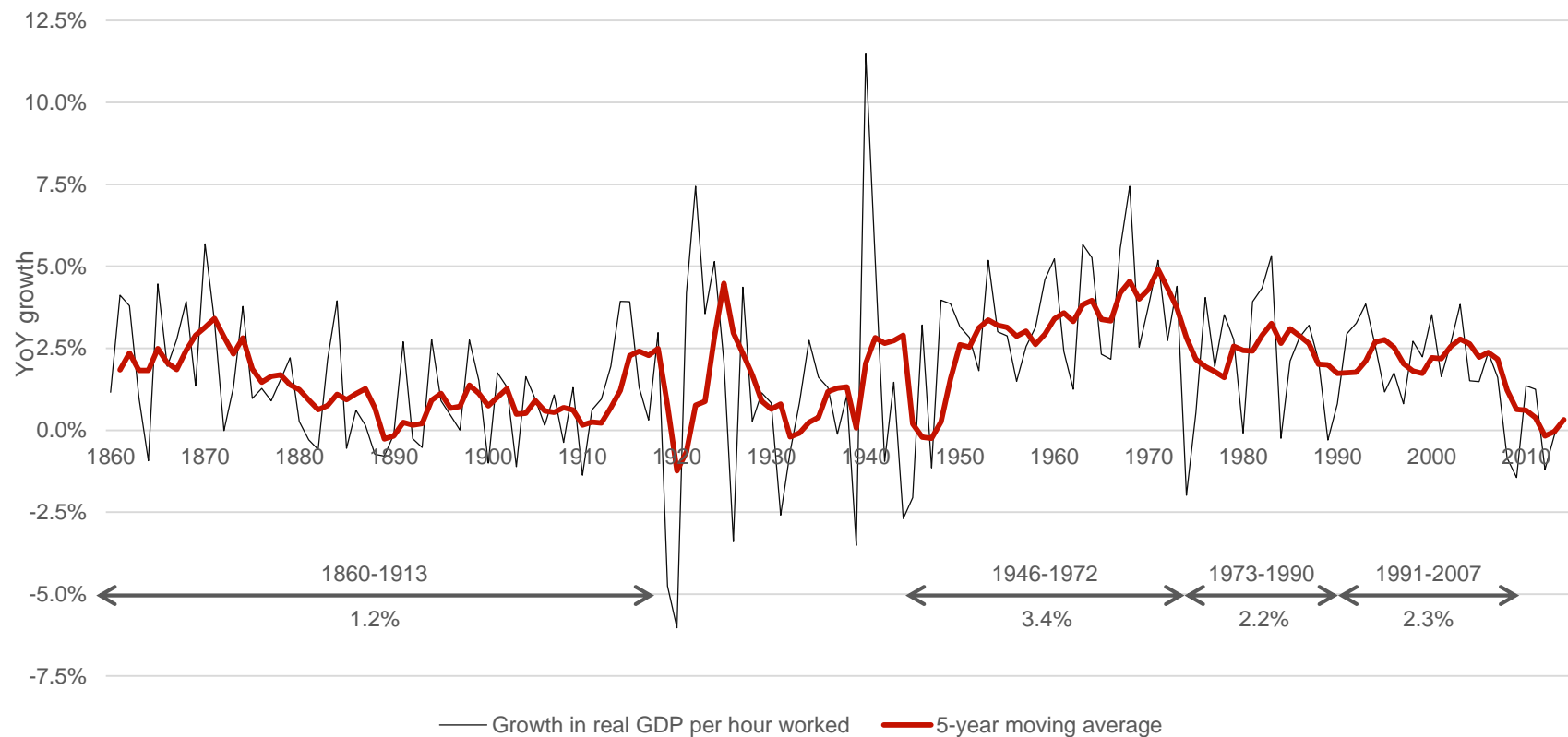


# National context matters: recent trends in labour market participation



Source: OECD Dataset

# Hit to productivity level or growth rate?

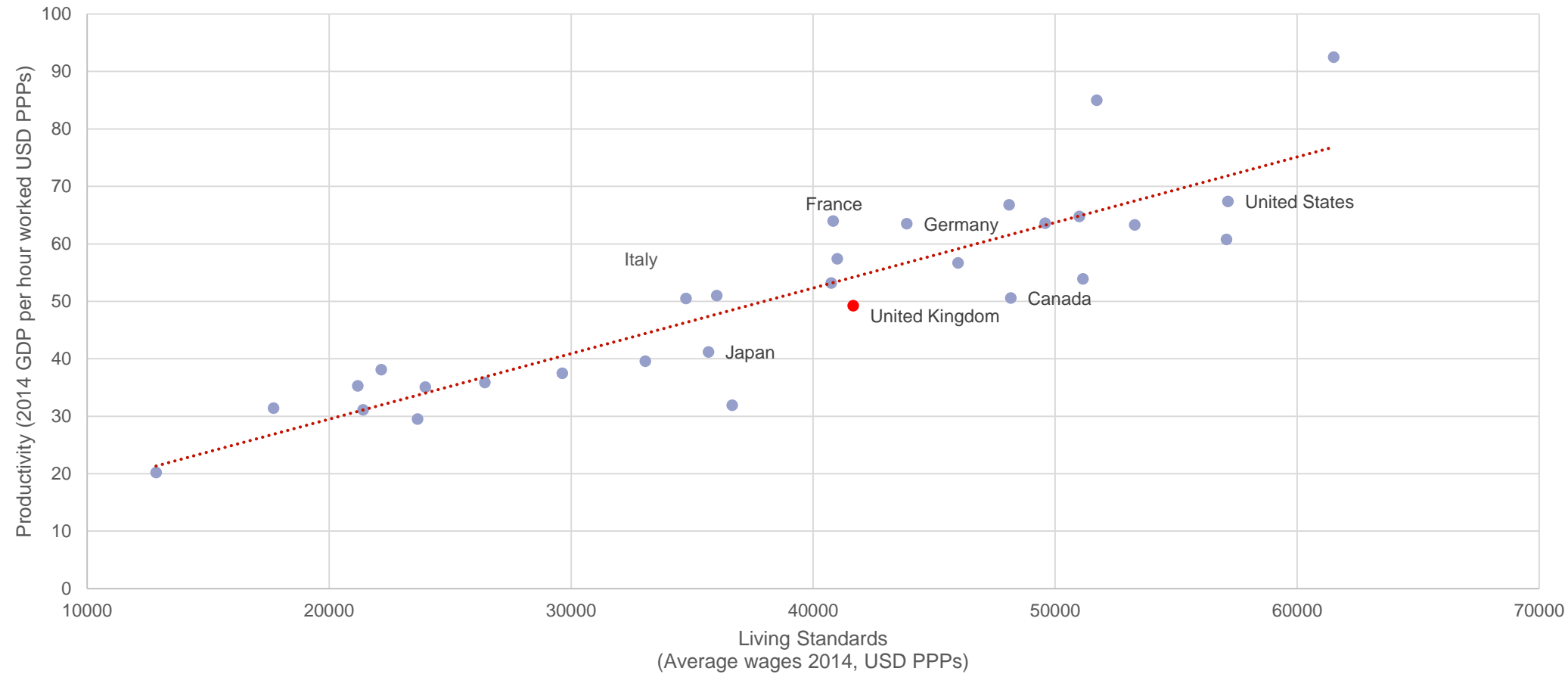


Average growth in real GDP per hour worked	
Great Recession (2008-2009)	-1.2%
Recovery (2010-Now)	0.3%
Post-WWII period (1946-Now)	2.5%

Source: Bank of England

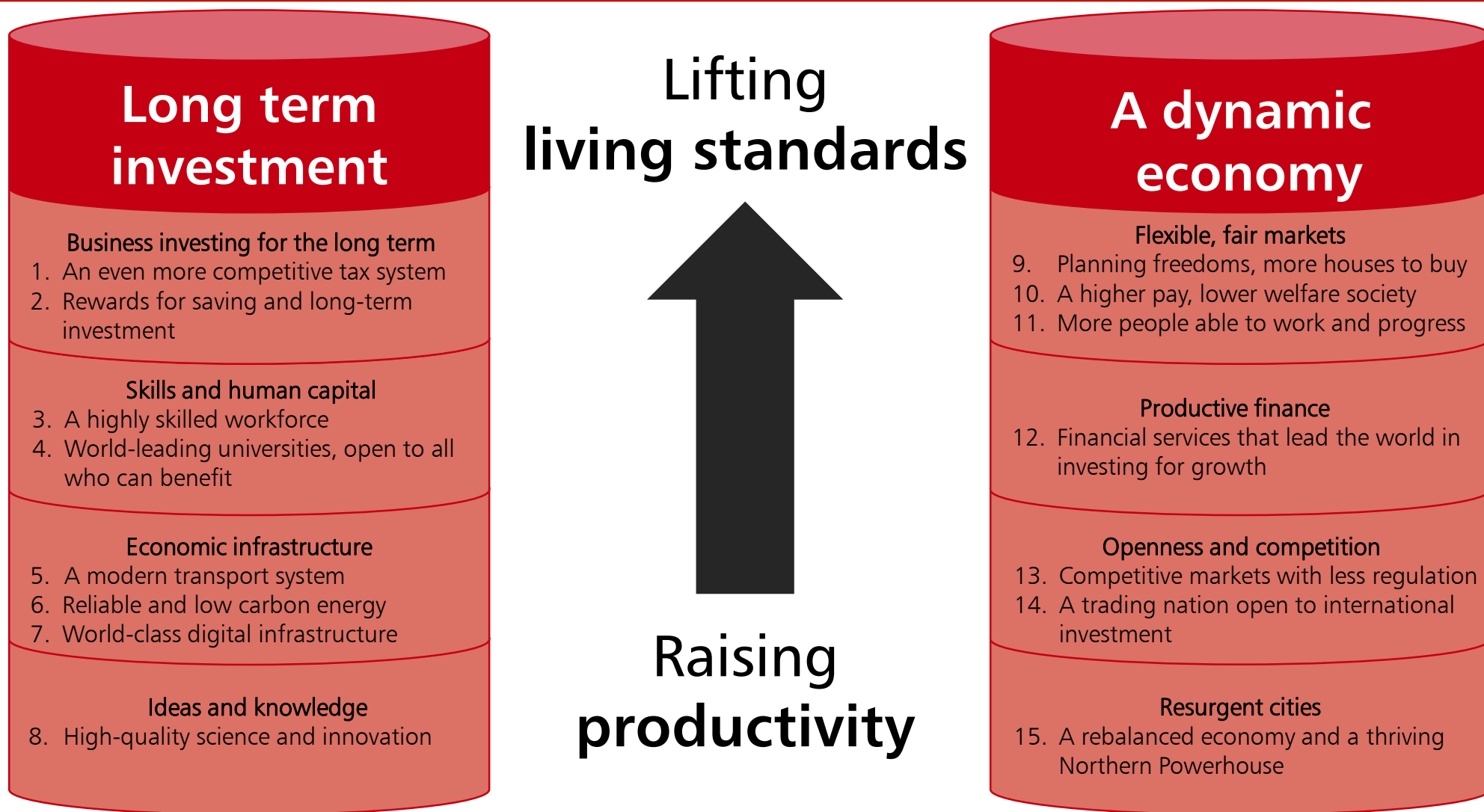
# Tight relationship between productivity and living standards

Productivity and Living Standards



Source: OECD Dataset

# A framework for raising productivity



# UK policy measures spurred by the Productivity Plan

## **Business investing for the long term**

- Cutting the UK's Corporation Tax to 18%, the lowest in the G20

## **Skills and human capital**

- Funding new apprenticeships through a levy on large employers

## **Economic infrastructure**

- Creating a Roads Fund and reforming Network Rail to deliver faster, more reliable and more efficient railways

## **Ideas and knowledge**

- Putting higher education funding on a more sustainable footing

## **Flexible, fair markets**

- Bring in a new Living Wage
- Introduce a reformed planning system to ensure more land is made available for house building

## **Productive finance**

- A joint New Bank Unit to promote competition in banking

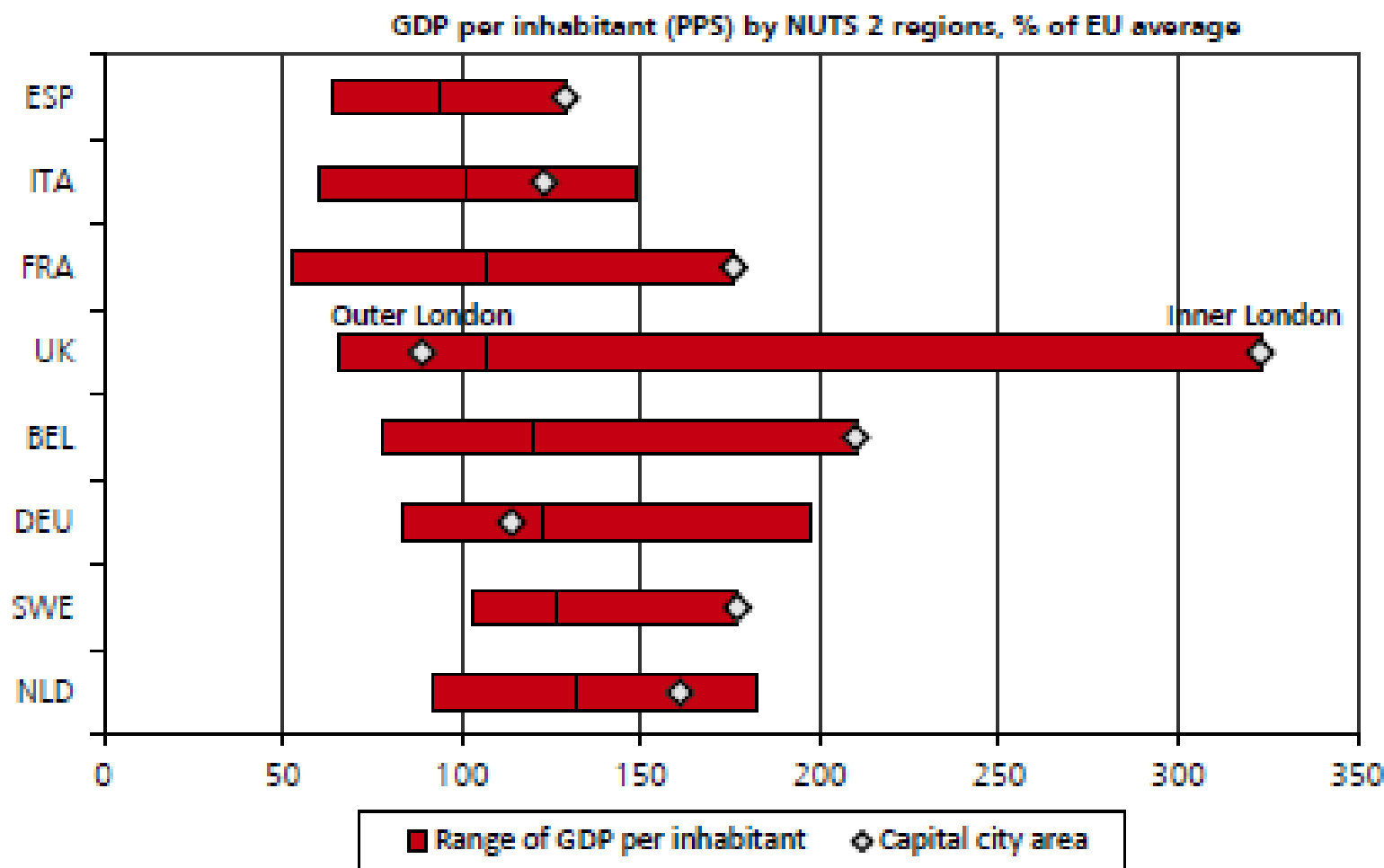
## **Openness and competition**

- Remodel the Government's delivery of support to trade and investment

## **Resurgent cities**

- Building a Northern Powerhouse and ensuring the productive potential of all parts of the UK is realised

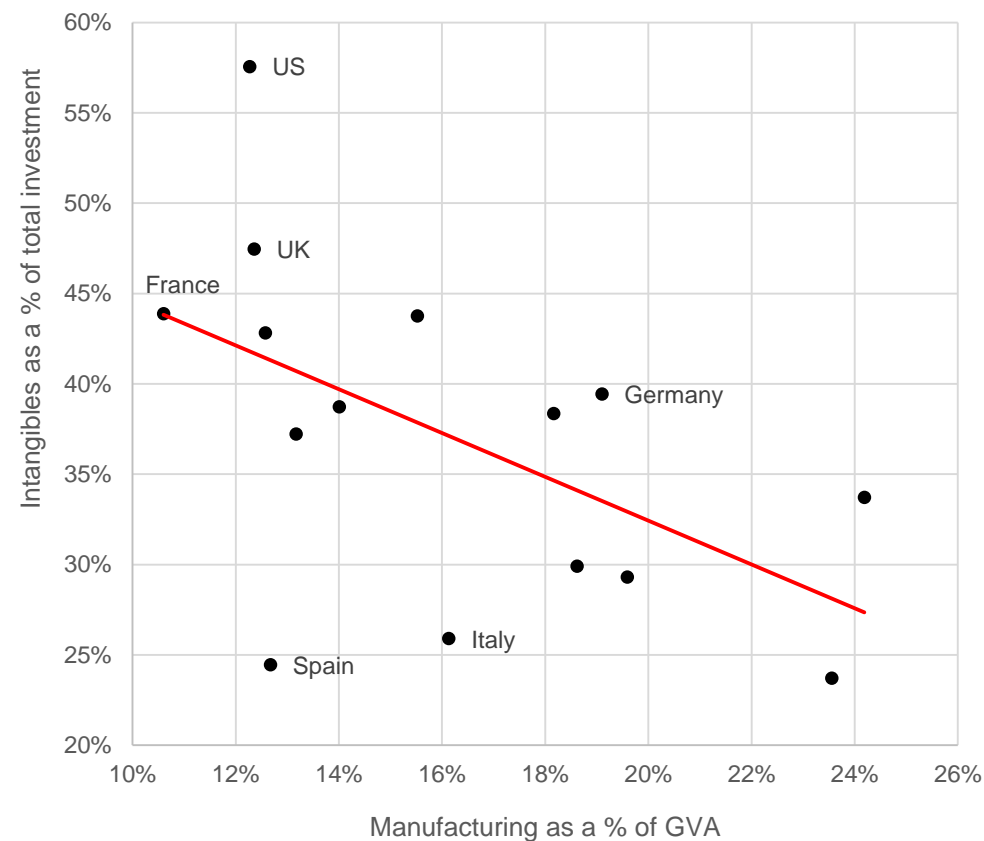
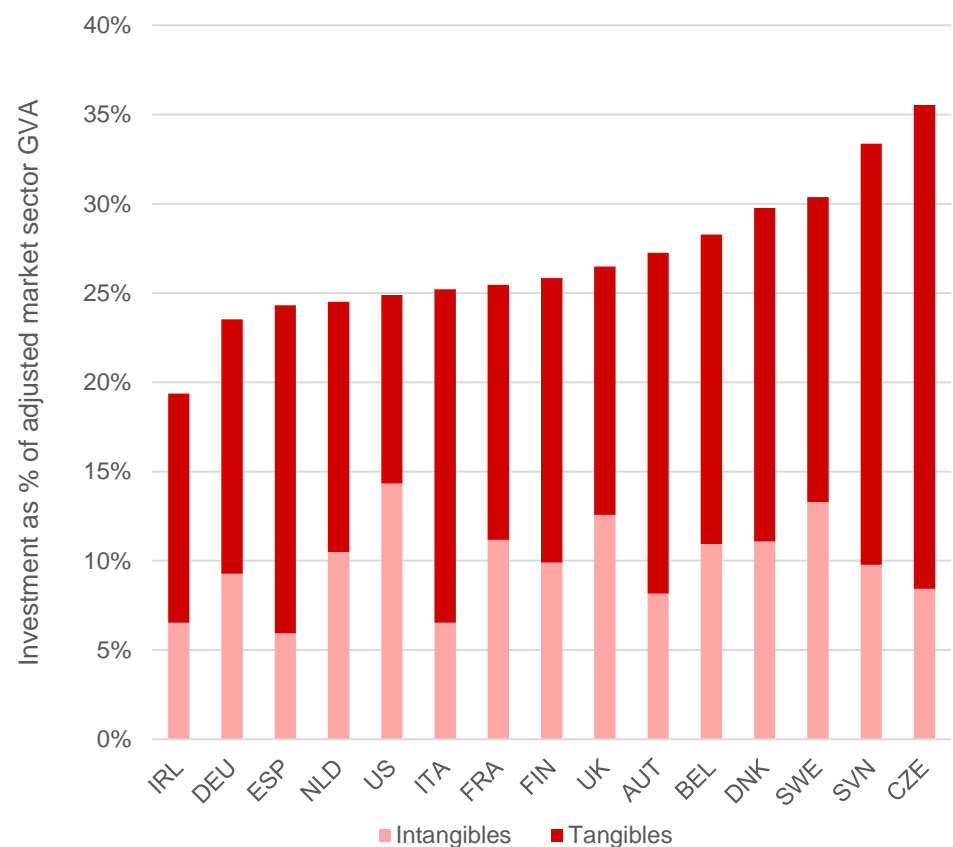
# Importance of balanced regional growth



Source: Eurostat



# Measuring the modern economy



Source: HM Treasury calculations, OECD

# Conclusions

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**Thank you**