

Keeping our fingers crossed about an improvement in productivity isn't working. Last week provided a stark reminder that the UK's problem in this area remains critical. In fact, it seems to be getting worse.

Failing. If you were looking for just one measure to capture economic success then you could do a lot worse than productivity. In the long run virtually nothing else comes close to capturing how living standards change. Unfortunately this is the UK's biggest failing through the recovery. Output per hour fell yet again in Q2, as lots of new jobs (yay) struggled to produce much increase in output (boo). 10 years on from the start of the financial crisis and output per hour is 20% below its pre-crisis trend. The resulting damage to living standards is its legacy.

Dissonance. "We're doing fine but we're not so sure about you," was the message from UK services firms in September's Purchasing Managers' Index (PMI). While activity expanded the pace of growth is modest and slowing. Businesses say their own confidence is resilient as they push on with sales plans and product launches. But they are anxious about political uncertainty and optimism about the year ahead fell. However, manufacturers reported a further strong increase in output, much of it exports. The Monetary Policy Committee will have noted the persistence of inflation in both sectors.

Defying. The Northern Ireland private sector isn't being held back at present by political uncertainty, according to the latest Ulster Bank PMI. Activity and new orders both rose sharply, and overall, local firms are doing better than their counterparts elsewhere in the UK. However, whilst Sterling weakness is helping companies to secure new export orders, it is also pushing up input costs. The rate of cost inflation quickened to a four-month high in September, with strong price rises across all sectors. This, coupled with the aforementioned uncertainty, sounds a note of caution as we head towards the year-end.

Partition. The UK added a net 1.6 million jobs between 2008 and 2016. The private sector added 2 million, dwarfing the 0.3 million loss of public sector jobs. Yet this isn't the case across all regions. The total number of jobs fell in the north east, as well as in Scotland. Contrast London, where employment is up by 15%. Differences across industries are notable. There are far fewer jobs in manufacturing, construction, finance and retail but many more in IT, transport, the professions, health and property. Skills and education are the great British fault lines.

All rise. If success were measured by the sheer weight of businesses in an economy the UK would be doing pretty well. 2016 saw the number of businesses in the UK grow by almost 5%. Transport, education and business services saw the strongest growth in the number of firms whereas the recreation, leisure and wholesale sectors saw the smallest. London is home to the most businesses, with 19% of all UK firms based there. But it wasn't the region with the fastest growth. The East of England saw a rise of 6.8%, ahead of the West Midlands and the North West, who edged London into fourth spot. Wales, Northern Ireland and Scotland rounded out the other end of the table. The entrepreneurial spirit is alive and kicking.

Vorsprung. When thinking of British citizens living abroad France and Spain immediately spring to mind. But Germany has a large number, too, with 107k living there. That's fewer, but not substantially so, than the estimated 148k living in France. And what about the other way round? An estimated 140k German citizens live in the UK, equal to the population of Norwich, of whom 80k are estimated to be working. And as is often the case with migrants from Western Europe they are over-represented in professional occupations with 32% in this category compared to 20% for all Brits in employment.

Wow. Troubling political developments did little to dampen Eurozone business activity in September. The PMI index reached 56.7, matching multi-year highs and marking a period of

expansion uninterrupted since summer 2013. The region's manufacturers in particular are enjoying something of a *belle époque*. Among country rankings, Germany occupied top spot, Ireland second, while France's revival marched on, managing third. With the region's August unemployment rate unchanged at 9.1%, there's still plenty of room for more progress.

Hurricanes Harvey & Irma....had a big impact on the latest US jobs report with 33k jobs lost during September. A softer figure than the Q2 average of plus 187k was expected but this was particularly weak. 1.5m absences from work due to bad weather were recorded over the month (the 10-year average is 44k). Some hope was taken from an acceleration in wage growth from 2.6%/y/y to 2.9%. But parsing the figures revealed this to be largely driven by overtime pay for utility workers - itself a consequence of the storms. More volatility in the job figures is expected with October set to see a strong rebound.

Great all along. The strength of the US PMIs give confidence that September's weak jobs report was a blip. In both services and manufacturing the headline PMI gauges increased sharply to around 60, suggesting strong growth. Looking ahead, this pace of expansion should be sustained with a marked increase in new orders. These figures, combined with continued employment growth and a significant rise in reported inflation should comfort the Fed that its rate rises have not unduly weakened the economy and that further, modest increases will be sustainable.

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