

BCC: Productivity decline sign that wage growth can't be taken for granted

Commenting on the labour market figures for May 2018, published today by the ONS, Suren Thiru, Head of Economics at the British Chambers of Commerce (BCC), said:

“With unemployment declining and employment levels continuing to rise, the latest data confirms that the labour market remains a bright spot for the UK economy. However, while the latest figures are likely to reinforce the MPC’s hawkish rhetoric, labour market data tends to lag behind the wider economy, so any broader weakening in economic conditions wouldn’t be expected to appear in the figures for some time.

“While regular earnings growth continues to marginally outpace inflation, the decline in UK productivity in the first quarter is a clear warning sign that positive real wage growth should not be taken for granted. While businesses are reporting some upward pressure on pay, sluggish productivity and high upfront business costs are restricting the extent to which wages are able to rise.

“More needs to be done to support firms looking to recruit and grow their business, including tackling the high input costs faced by businesses and addressing the chronic labour shortages that continue to undermine the UK growth prospects.”

Commenting on the labour productivity statistics, Suren added:

“The fall in the first quarter is disappointing and shows that the recent pick-up in productivity was relatively short lived. The decline in the quarter was driven by weaker than expected GDP growth outturn in Q1 and the recent pick-up in hours worked.

“The persistent weakness in UK productivity reflects the longstanding structural problems in our economy from a chronic skills shortage, to our creaking infrastructure and the escalating cost of doing business in the UK. Delivering solutions to these key business concerns would help boost investment and drive the productivity gains we need to boost the UK’s long-term growth potential.”

Ends

Notes to editors:

The British Chambers of Commerce (BCC) sits at the heart of a powerful network of 53 Accredited Chambers of Commerce across the UK, representing thousands of businesses of all sizes and within all sectors. Our Global Business Network connects exporters with nearly 40 markets around the world. For more information, visit: www.britishchambers.org.uk

The BCC has launched a campaign aimed at eradicating not-spots for mobile voice coverage. Add your not-spot [here](#).

Media contacts:

Allan Williams – Head of Press and Communications

020 7654 5812 / 07920583381

Orla Hennessy – Press and Communications Officer

020 7654 5813 / 07825746812