Number 6 February 2015

This quarterly TUC report provides an analysis of UK economic and labour market developments over recent months, and includes a spotlight feature on the composition of current economic growth.

Summary

- There is growing evidence that the recent revival in growth is flagging.
- Overall, the recovery has been weak, and historic imbalances have not been repaired.
- Household and corporate savings have been reduced over the past years, and deleveraging may have stalled. As a share of GDP, the current account deficit is at an all-time high.
- Public sector deficit reduction has slowed, as tax revenues falter.
- For the seventh quarter in a row employment has risen and unemployment has fallen. However, both of these quarterly falls were the lowest for around the last 12 months.
- Concerns remain around youth unemployment, underemployment and low wage growth.
- In the last couple of months we have finally witnessed some real wage growth. But this has mainly been driven by historic lows in inflation; while oil prices may lead to short term gains, the threat of deflation is real.

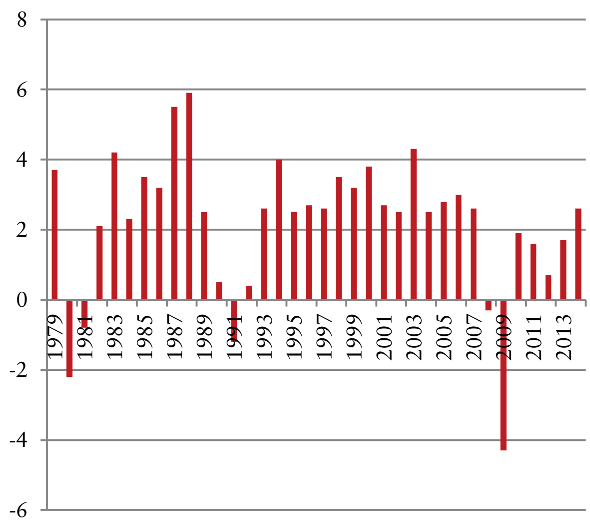
Economy

Economic growth

Recent GDP figures suggest momentum is flagging a little. In 2014 Q4 quarterly growth was 0.5 per cent, down on 0.7 per cent in the previous quarter and the lowest quarterly growth for a year.

The Treasury and others emphasised the four quarter growth rate of 2.7 per cent, the highest since before the crisis, and growth of 2.6 per cent for 2014 as a whole, also the highest since 2006 (when GDP was 3 per cent).

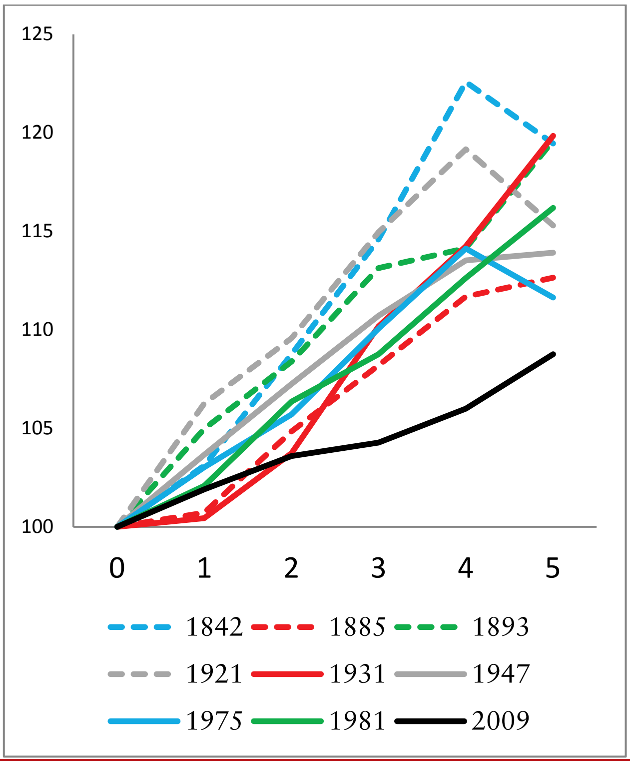
GDP growth: annual figures



However, this interpretation fails to draw attention to the poorer quarterly data. Moreover the OBR expected 2014 to come in at 3.0 per cent, so actual performance has shown a significant shortfall from expecataions in a short time.

But it is most important to look at the performance in a longer-term context. TUC analysis has revealed that this is the weakest recovery on record. The chart below shows recoveries since 1830 (when records began), with index numbers of the path of GDP from the bottom of each recession to five years later. The current 'recovery' is in black: it falls short of all historic recoveries by a very long margin.

Recoveries of recessions from the 1830s to today

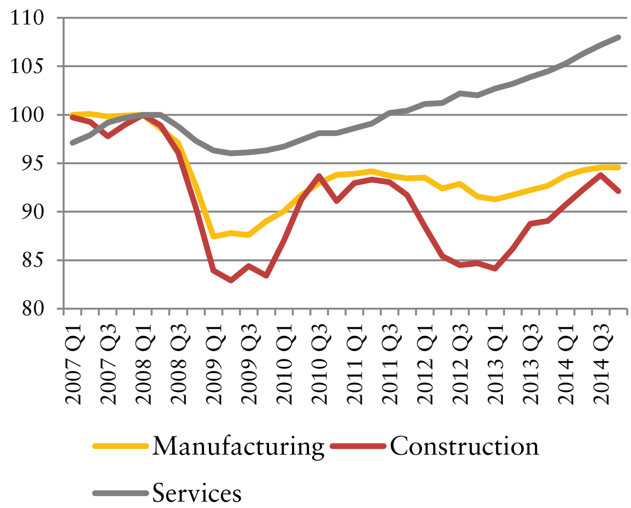


In the meantime on the global stage, attention has reverted to the euroarea, with ongoing concerns about deflation and renewed recession. In the wake of a larger-than-expected 'quantitative easing' stimulus announced by the ECB and Syriza taking office in Greece there is increasing debate as to the negative economic concequences of the eurozone's austerity programme. There is growing emphasis on fiscal policy; most notably in a recent speech Governor of the Bank of England Mark Carney argued 'It is difficult to avoid the conclusion that, if the euro zone were a country, fiscal policy would be substantially more supportive' (though he also argued conditions were different in the UK).

Output

Quarterly growth in the latest quarter was driven solely by service sector output growth of 0.8 per cent. Production fell by -0.1%; within this manufacturing rose by only 0.1%, the weakest pace since the first quarter of 2013 (when -0.3%); construction output was down by -1.8%, the biggest decline for more than two years (since 2012 Q3, when it was -1.1%). Much has been made of the economy finally restoring its pre-crisis peak, but this follows only the strength of the service sector. Manufacturing and construction have remained well below previous peaks, and on present form seem likely to remain so.

Industry output, index numbers, 2008Q1=100



Even within the service sector, the ONS have observed that only a handful of categories account for the vast majority of growth. Over 2014 as a whole, only four of 14 categories, distribution, real estate, professional activities (notably architecture and engineering) and support services (employment agencies, security and office support), accounted for 80 per cent of growth. These are suggestive of wider trends: the housing boom, certain large-scale commercial developments, outsourcing and the skew of growth to the consumer. A spotlight feature looks more closely at the industries driving economic growth.

Demand

The latest figures on demand extend only to the third quarter, but were showing emerging imbalances across the different types of demand. As above, household consumption is increasingly important and trade continues to be weak. The third quarter figures showed signs of weaker fixed capital investment. (While inventories add to growth, some of this may reflect adjustments needed to balance the accounts).

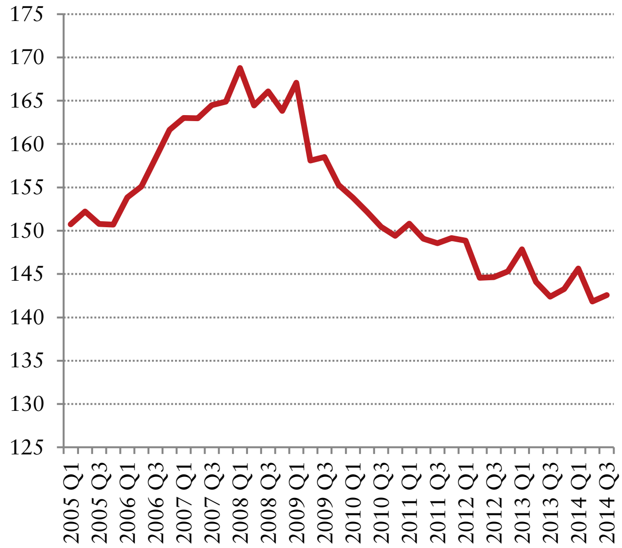
Household sector

In the third quarter, household consumption grew by 0.9 per cent compared with the previous quarter and 2.5 per cent compared with a year ago. The latter was the strongest figure since before the crisis, though some way below the headier four per cent figures over the 1997-2004 period.

Nonetheless, spending is still outstripping income growth, given the unprecedented weakness in earnings and hence in income figures. The saving ratio rose to 11 per cent in 2010, but in 2013 was down to 6.4 per cent. While the ratio is up to 7 per cent in the latest quarter, quarterly figures are volatile. However, even averaging across the first three quarters of 2014 the ratio is 6.6 per cent, indicating a small increase. The cash balance (or net lending/borrowing) for the sector as a whole was negative in 2013 for the first time on an annual basis since 2008 (indicating that the household sector has again becomc a net borrower), and is so far negative for 2014 on average, though again up a little in the latest quarters. In this way the relationship between consumption and income appears to be returning (but still some way from) to the unsustainable position in faced in the run up to the crisis.

Bank of England figures also show an acceleration in the use of personal credit towards the end of 2014. From the perspective of debt, in cash terms household liabilities (mortgages, credit, pay-day lending etc) continue to rise. While debt as a share of income fell quite abruptly over 2009 and 2010 as households deleveraged, this process is now stalling, with rising levels of personal debt is at least partly responsible for the expansion in the household sector. Moreover while down from recent peaks, UK debt as a share of income is among the highest in the world.

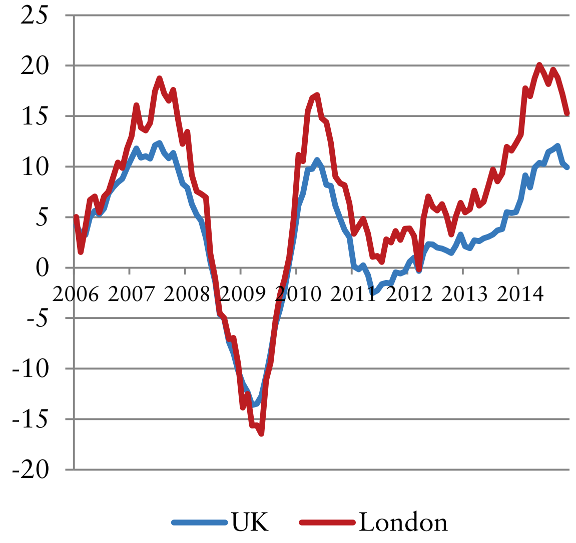
Household debt as a share of disposable income, per cent



Set against this though are signs of weakening in the housing market. Bank of England figures show mortgage approvals down significantly, from 75,000 a month in January 2014 to around 60,000 over September to December. On a longer view, these still are very low figures: the average for the decade before the crisis was over 100,000 a month, and 85,000 a month in the five years before that.

House price inflation has slowed for two successive months, and in November was 10.0 per cent down from 12.1 per cent in September. Even London prices slowed, though annual growth remains severely elevated at 15.3 per cent; excluding London and the South East UK house price inflation is 7.1 per cent. Wales and Scotland with house price inflation of 3.1 and 4.4 per cent respectively have lower inflation than all of the English regions; however, in Northern Ireland house price inflation is 11.4 per cent. The chart shows the scale of the recent experience of house price inflation as no less vigorous than the two previous episodes.

House price inflation, annual percentage growth

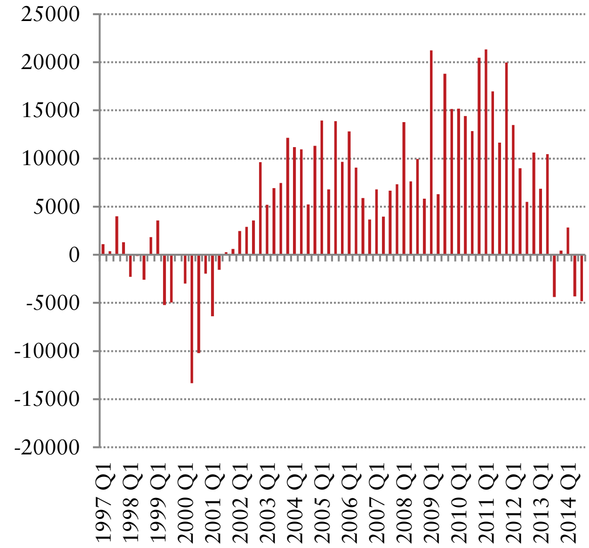


Investment and corporate income

The ONS has recently presented a greatly revised picture, so that investment has been steadily recovering for several years. The latest figures however show a weakening in the third quarter, though the scale of past revisions suggests we should approach any changes in these figures with caution. At face value, business investment fell by -1.4 per cent into the latest quarter; this takes the annual rate down to roughly five per cent from ten per cent. Perhaps echoing the slowdown in the housing market, investment in houses fell for the first quarter in two years. In the third quarter total investment was supported only by expansion in government investment.

As discussed before, along with the revisions to investment spending, the ONS have revised away the annual corporate surplus (so that expenditures now outstrip revenues). Into 2014, while profits were up, higher capital investment and reduced net revenues from dividends and foreign direct investment have meant a further deterioration to the corporate financial position. Net borrowing has now been negative for the latest two quarters, really the first time these figures have gone negative since the corporate dot.com expansion in 2000.

Corporate net lending (+)/ net borrowing (-), £ million



The figures here do not mean that no increases in wages can be afforded. First, the figures are aggregates, and will abstract from some firms being in positive and others in negative positions. Moreover the very prolonged duration of the surplus (13 years) means that companies have built up very significant cash reserves (over £500 billion). But also from a *macro*economic view, the figures are a constraint only insofar as any increased wages do not lead to higher demand. With higher demand, firms' revenues would increase to meet higher wage payments.

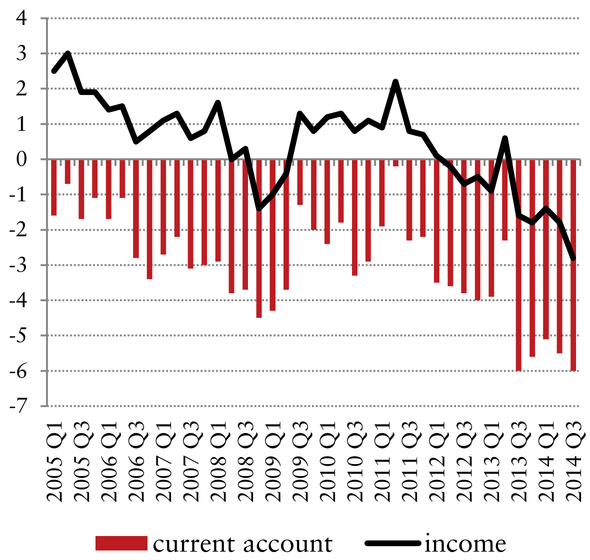
The move into deficit in the corporate sector has inevitably been accompanied by higher borrowing; this has taken the form of corporate bonds and equity rather than bank borrowing, with issuance on a scale not seen since before the financial crisis. Bank of England statistics show equity issuance of nearly £25bn in 2014, double average issuance of around £12bn per year ahead of the crisis; debt issuance is up even more to £55bn in 2014, from around £20bn before the crisis. Corporate sector indebtedness remains high as a share of income.

Trade and the current account

Trade has been week over 2014; while exports and imports both grew slightly into the third quarter, the annual rate of growth of exports shows a fall of -0.9 per cent and imports a fall of -1.4 per cent. Goods figures for the fourth quarter, however, show gains, partly driven by erratic items. Excluding oil and erratic, which gives a better guide to underlying trends, quarterly growth in exports to EU countries was 1.5 per cent and non-EU countries was 3.2 per cent.

There is growing emphasis on the current account deficit, which in the third quarter of 2014 was £27bn, down from £24.3bn in the previous quarter, and suggestive of a deficit approaching £100bn in 2014 as a whole. As a share of GDP, the deficit was six per cent, along with the same figure in 2013 Q3, the highest share on record. While the deficit on goods has deteriorated a little and the surplus on services (dominated by the financial sector) has shown a small increase, the main reason for the increased deficit is a move into negative territory for investment income (which reflects UK earnings on its investments in other countries' financial instruments such as equites and bonds, as well as earnings on foreign direct investment, set against other countries' investments in the UK). In the past an investment surplus used to cover for the weaker trade position, as earnings on UK investments abroad used to outstrip overseas earnings on their investments in the UK. But this position has now reversed, in particular on direct investment and debt securities. The scale of this overall imbalance might be regarded as symptomatic of years of weakness in goods production set against a reliance on financial engineering that has not delivered for the economy as a whole.

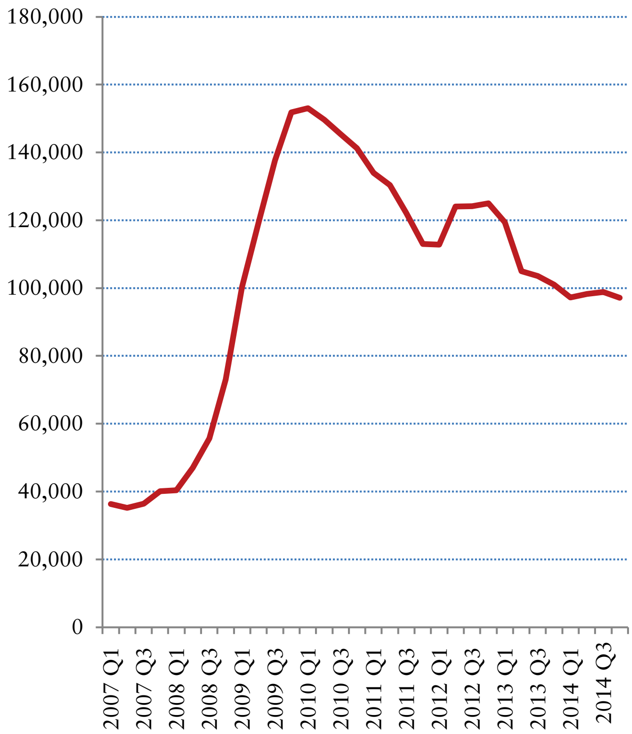
Current account deficit, per cent of GDP



The public finances

Cash balances for the different sectors of the economy (households, firms, government, and the rest of the world) must add to zero (think of a simplified system with only firms and households: if firms' spending outstrips their income then households' incomes must outstrip their spending; one sector's spending is another sector's revenue). Over 2014 deteriorated financial positions on the current account, and household and corporate sectors, are set against an improved negative position for the government. However gains to the public sector position have stalled. In the financial year to December 2014, public sector net borrowing was £86.3 billion, no different to £86.5 last year. While the OBR are expecting an improvement for the financial year as a whole, this depends critically on the scale of self-assessment revenues in February. The chart below shows public sector net borrowing, measured as the average of the latest four quarters, to remove seasonal fluctuations (eg arising from the timing of tax payments). Borrowing is stuck at an annualised £100 billion. According to the June 2010 budget forecast it should have fallen to £37 billion in 2014-15, so outturn is around three times as much as planned.

Public sector net borrowing, moving average £ billion



The stalling of borrowing is mainly because of weakness in tax revenues, as the labour market expansion continues to fail to deliver on aggregate wages and salaries, and hence revenues for the government.

Inflation

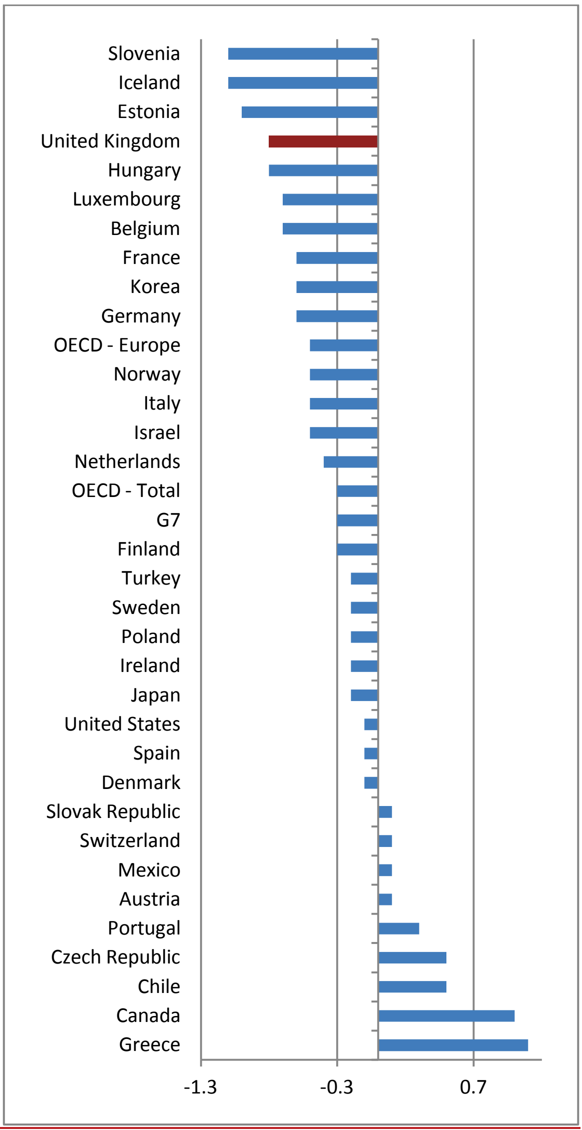
On a global view, there are now fears that the low demand associated with weak earnings is putting downward pressure on prices.

UK inflation has also been falling very quickly. In November 2014 the Bank recognised the likelihood of CPI inflation falling below one per cent, so that the Governor would have to write an 'open letter' to the Chancellor, explaining why inflation had fallen below target and what will be done to restore it back to target. CPI inflation came in at 0.5 per cent in December, way below most forecasters' expectation and the joint lowest CPI figure on records that extend back to 1996 (May 2000 also 0.5). The Governor has now has said he expects inflation to fall into negative territory, i.e. deflation.

While normally economists would recognise deflation as a worry on a par with excessive inflation, the Treasury and most of the media are presenting these figures as basically good news. Certainly falling fuel prices mean more to spend elsewhere, but these figures are not just driven by external factors such as the price of oil. Low prices are as much a symptom of years of suppressed earnings and spending. So while there may be short-term relief, the danger is of falling prices leading to a round of reduced wage increases in April (as the latest MPC minutes recognise). Moreover there is no relief on payments of debt, which can become an increasing burden on already squeezed households.

Core inflation, which excludes energy, food, alcohol and tobacco, has been on a downwards trend (refuting the Treasury claim that it was 'relatively stable'). The December figure was 1.3 per cent, up slightly from 1.2 per cent in November, but having fallen steadily from 2 per cent earlier in the year. This is one of the steepest declines for any of the major economies, even including EU countries where most concede deflation is a real threat.

Core inflation, change in annual rate, November 2014 – April 2014



Productivity

As has been widely discussed, employment gains have outstripped output growth so that arithmetically productivity growth remains subdued. The most recent figures however show some gains, with growth of 0.6 per cent in output per hour in the latest quarter, the highest for three years. It is however easy to exaggerate the importance of productivity figures as a causal factor behind the wider deterioration in economic conditions, but primarily they are a *consequence* of the way the labour market has adjusted to low demand growth through severe cuts in earnings[1]. While some make wage rises contingent on productivity rises, our forthcoming analysis shows that in large part improved productivity will be dependent upon revival in demand.

Labour market

For the seventh quarter in a row employment has risen and unemployment has fallen. While unemployment fell by 58,000 and employment increased by 37,000, both of these quarterly falls were the lowest for around the last 12 months. Concerns also remain around youth unemployment, underemployment and low wage growth.

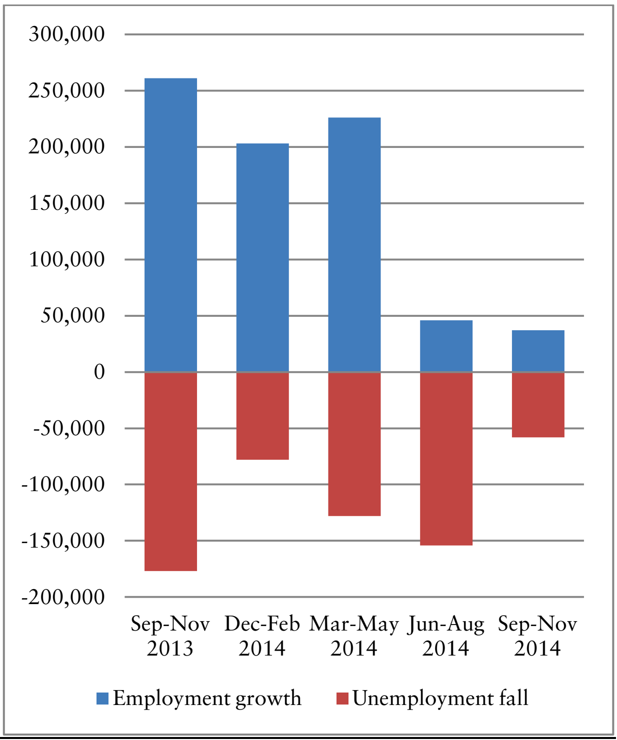
The latest figures mainly compare September to November 2014 to the June to August 2014 quarter. There were 30.8m people in work, and the employment rate was at the pre-recession level of 73 per cent. The number of unemployed people stood at 1.9 million, around 300,000 more than pre-recession levels. At 5.8 percent the rate is still 0.6 percentage points higher than the pre-recession level of 5.2 percent.

There was little change in men and women's employment rates in this quarter. The employment rate for men was 77.8 percent compared to 68.2 percent for women. The employment rate for men continues to be lower than the pre-recession position of 79.1 percent; however the employment rate for women is the highest since comparable records began in 1971.

As mentioned in the introduction there has been a slowing in the pace of job creation, The graph below shows the change in each quarter over the year for both employment and unemployment.

1 'Productivity' no puzzle about it' – forthcoming TUC publication

Employment and unemployment growth over the year in each quarter



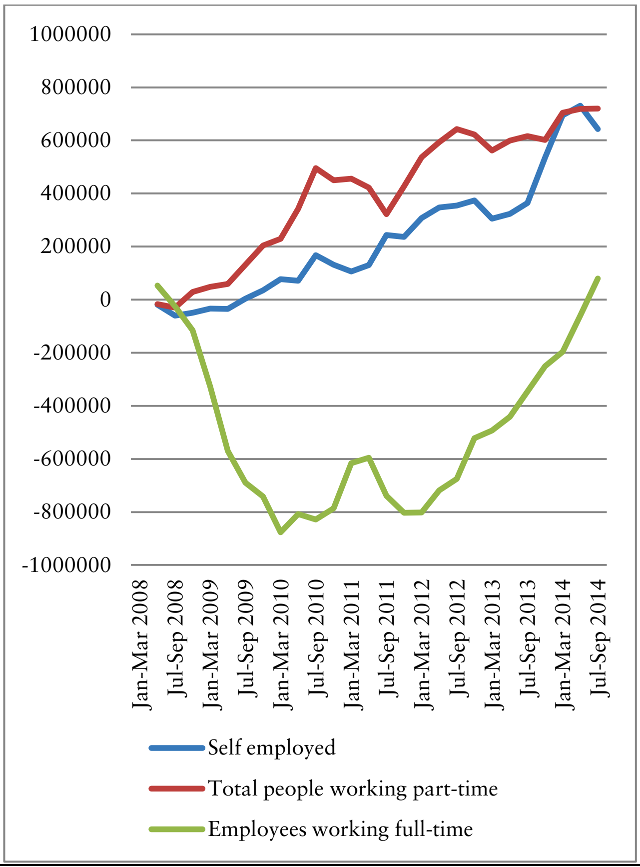
This slower pace of job creation could be explained by spare capacity in the labour market being used up, or more likely will reflect the slower growth rate towards the end of 2014, as evidenced by the 0.5 percent rise in GDP in the 4th quarter of 2014 compared to the previous 0.7 percent.

Composition of employment

In the early stages of the recovery employment growth was aided by the growth in part- time work and the phenomenal growth in self-employment. The latest figures however, as with the trend over the last couple of months, show the rise has been in full-time work. In the last quarter, the number of employees working full-time rose by 90,000, and self-employment fell by 3,000.

Despite this recent reversal it is still true that the share of employment taken by full time employee jobs (many people's first choice) remains below pre- recession levels. The share of UK jobs accounted for by full-time employees fell from 64.4 per cent in January -March 2008 to 62.5 per cent in September to November 2014; recovering the equivalent share today would require an additional 597,000 full- time employee jobs.

Change in full time employees, part –time workers and self employment 2008-2014



Our regular update on the current composition of the workforce compared to pre-recession levels is provided below.

Composition of Workforce 2008-2014

	Jan-Mar 2008	Sep-Nov 2014	change 2008-2014	Percentage change
Employees	25,582	26,066	484	1.9%
Self employed	3,878	4,520	642	16.6%
Total people working FT	22,134	22,524	390	1.8%
Total people working PT	7,549	8,277	727	9.6%
Employees working FT	19,123	19,239	116	0.6%
Employees working PT	6,459	6,827	368	5.7%
Self-employed people working FT	2,946	3,220	274	9.3%
Self-employed people working PT	932	1,300	368	39.5%
Involuntary temporary	363	578	215	59.2%
Involuntary PT work	705	1,319	614	87.1%

It is also important to note that despite recent falls involuntary temporary work and part -time work remain high, and well above pre- recession levels.

Underemployment

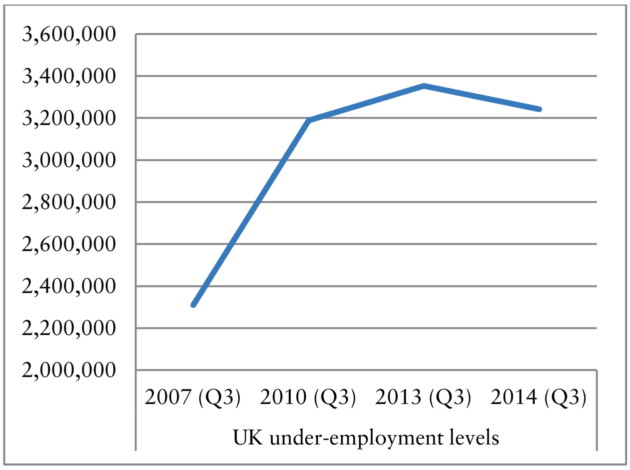
A full assessment of the state of the UK's jobs market requires wider measures of labour market weakness to be taken into account than simply the headline employment/unemployment rate.

Any recent gains in the labour market must be set against large-scale under-employment. Recent TUC analysis on under-employment showed there were 2.3 million people under-employed in late 2007 and that under-employment increased rapidly following the recession to reach 3.2 million in late 2010. Between 2010 and late 2013 under-employment had increased even further to nearly 3.4 million.

Our analysis took a comprehensive look at the true scale of under-employment by looking at how many workers across the economy want more hours in their existing jobs as well considering the regularly published ONS measure of the number of workers in part-time jobs who want to work full-time.

Since late 2013, under-employment has been slowly falling and by late 2014 it had reduced by 110,000 people to just over 3.2 million.

Under-employment levels 2007-2014

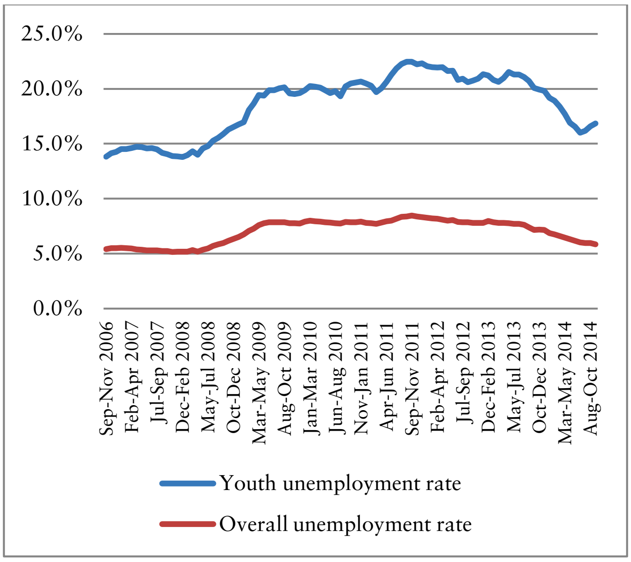


But improvements are very slow. Our analysis has found that that if under-employment continues to fall at the same rate, it will not return to the pre-crisis level of 2.3 million people until early 2023.

Youth unemployment

16 to 24 year olds have not fully shared in wider labour market improvements. Youth unemployment continues to be high and increased in the last quarter by more than 30,000 to reach 764,000. This is around 100,000 higher than pre-recession levels(although youth unemployment was rising before the recession). The challenge of reducing youth unemployment remains crucial to securing a labour market recovery for all. Research has shown the scaring impacts that long periods of unemployment can have on young people's lives, and around a third of unemployed 18-24 year olds have been unemployed for over a year.

A comparison of youth and adult overall unemployment rates



The graph above illustrates the much higher rates of youth unemployment compared to unemployment overall. A particular concern is that the gap between the two rates is larger than was the case before the recession.

The number of young people out of work and not in full-time education also increased in the last quarter by 102,000 to reach 1. 194m.

Young people are further disadvantaged as they are more likely to be underemployed: a third of 16-24 year olds working part time are doing so as they cannot find a full time job. When comparing this group to other age groups the underemployment rate for 16-24 is much higher at 8.7%.

Underemployment rate (involuntary part- time work)

Age	16-24	25-34	35-49	50-64
Underemployment rate	8.7%	4.1%	3.6%	4.1%

Source – Labour Force Survey (July – Sept Q3 data)

Previous TUC analysis has also shown that more than two-thirds of agency workers aged under 30 are looking for permanent jobs. Our research found that 81 per cent of temporary agency workers aged 20–24, and 64 per cent of those aged 25–29, say they are in temporary work because they cannot find a permanent job. Similarly, 50 per cent of zero-hours contract workers aged 20–24 and 58 per cent of those aged 25–29 say they are only doing temporary work because they cannot find a permanent job.[2]

To add to the misery of young people, recent analysis by the Institute of Fiscal Analysis (IFS) singled out younger workers as among the hardest hit by the fall in living standards post 2008. During the 2009-11 period, when wage declines were most pronounced, median weekly earnings for 22- to 29-year-olds fell by 10.6%, compared with just under 7% for older age groups. [3]

Regional employment and unemployment

The latest regional data shows an uneven picture in falls and rises in employment. The employment rate fell in the North West, Yorkshire and Humber, East Midlands, East of England, London and Northern Ireland, and rose in the North East, West Midlands, South East, South West and Scotland. Unemployment fell in all regions and nations of the UK with the exception of Wales and Scotland.

September- November 2014 regional/ national data

	Aged 16-64	change on quarter		Aged 16+	change on quarter
	Rate (%)			Rate (%)	
North East	69.7	**0.7**		8.5	**-0.7**
North West	70.4	-0.2		6.5	**-0.1**
Yorkshire/ Humber	72	-0.1		6.8	**-0.2**
East Midlands	73.7	-0.2		5.5	0
West Midlands	70.7	**1**		6.3	**-1.2**
East of England	76.6	-0.2		4.9	0

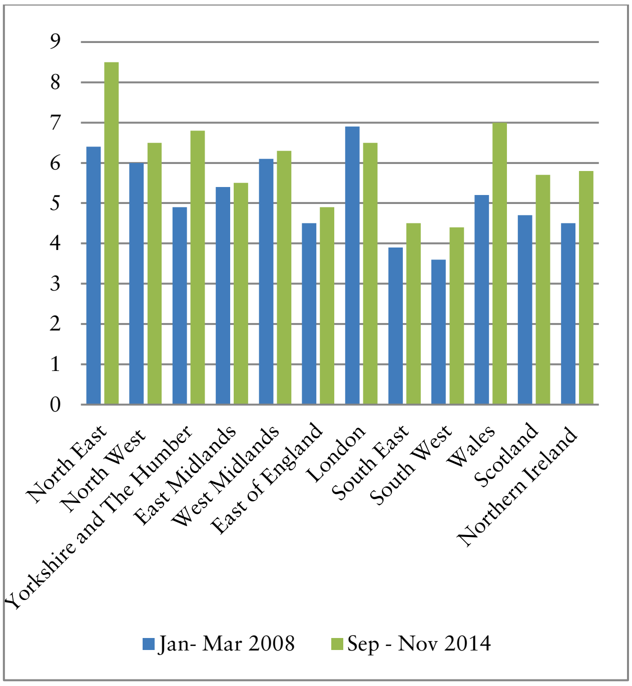
2 http://www.tuc.org.uk/economic-issues/labour-market-and-economic-reports/labour-market/economic-analysis/more-two-thirds

3 http://www.ifs.org.uk/publications/7543

London	71.6	-0.6		6.5	0
South East	76.6	**0.1**		4.5	**-0.2**
South West	76.3	**0.1**		4.4	**-0.3**
England	73.3	0		5.8	**-0.2**
Wales	68.7	0		7	0.6
Scotland	74.1	**0.2**		5.7	0.2
Northern Ireland	67.8	-0.5		5.8	**-0.3**
UK	73	0		5.8	**-0.2**

Comparing current unemployment rates to pre – recession levels, in all areas except London the unemployment rate has not yet returned to its pre- recession level. London has also had the highest employment rate growth, an increase of 1.7 percentage points from 69.9 to 71.6%.

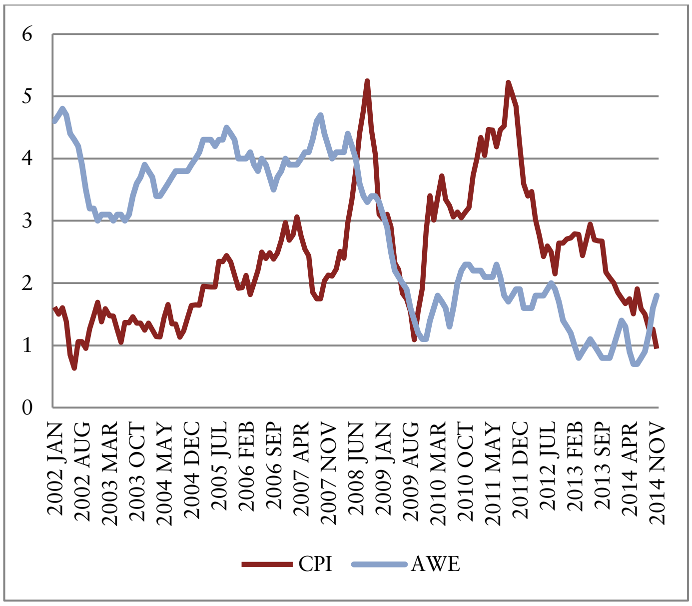
Regional/national unemployment rates 2008-2014



Pay

In the last couple of months we have finally witnessed some real wage growth. The annual increase in average weekly earnings AWE (regular pay) based on the three month average rose to 1.8 per cent, higher than both the Retail Price Index (1.6 per cent) and the Consumer Price Index (0.5 per cent). However nominal earnings increases are still low, and far poorer than before the crisis when wage growth was close to 4 percent (as seen in the graph below).

Consumer price and earnings inflation, 12-month rate



TUC analysis shows at this rate of progress it will still be at least another parliament before wages are even back to where they were before the crisis. The Office of Budget Responsibility in their December 2014 report also said 'meaningful wage growth is expected to resume in 2015, although the measure of real earnings in our forecast does not return to its pre-crisis level within the next five years'[4]

Recent analysis by the International Labour Organisation (ILO) showed that British workers suffered the biggest drop in real wages of all the major G20 countries in the three years to 2013.[5] We still have a lot of lost ground to make up.

While AWE in regular pay is now 2.2 percent in the private sector and 1.8 percent across the

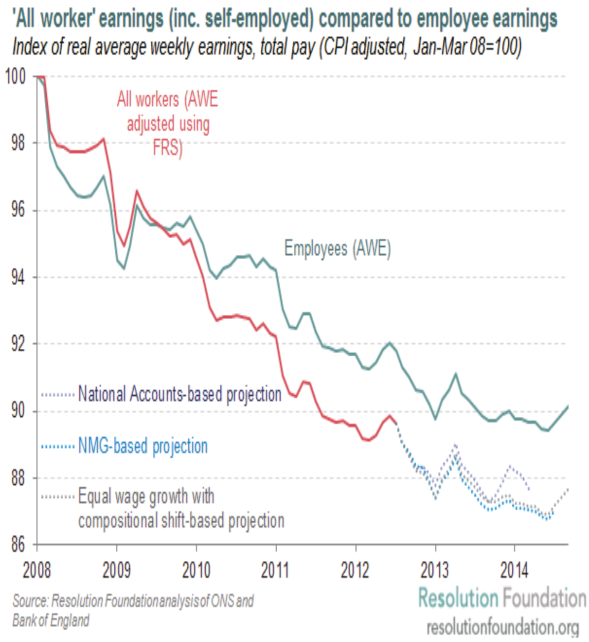
4 http://budgetresponsibility.org.uk/economic-fiscal-outlook-december-2014/
5 http://www.theguardian.com/business/2014/dec/04/british-workers-suffered-biggest-real-wage-fall-major-g20-countries

entire economy, there are significant variations as to who is benefiting from any real pay increase. Sectors such as finance and business services have gained the most in last few months with AWE regular pay at 2.8 percent over the year, while wholesaling, retailing, hotels & restaurants (already low paying industries) have only had a 1.4 percent rise in nominal pay. Many areas of the public sector still have pay caps imposed on them; the AWE regular pay figure for the public sector (excluding financial services) is 1.2 percent.

If we use RPI inflation (Retail Prices Index) which is far more commonly used than the CPI in pay bargaining; real pay is not rising as fast. While CPI inflation (which excludes housing costs) has fallen to 0.5 per cent, RPI inflation still remains much higher at 1.6 percent. Although mortgage rates may be low, house prices are rising and in many areas rents are rising too. In this context it is questionable whether a measure which excludes the cost of housing can really be considered an accurate means to assess living standards.

The official data on AWE also understate the fall in earnings since the crisis because they exclude the self-employed - this group has suffered a big fall in income. Analysis from the Resolution Foundation show that the average wage drop would be 20 to 30 percent deeper than official data if the self-employed were included.

Self-employed earnings [6]



Overall the prospects for living standards are therefore looking poor. That is why the 2015 TUC-IDS pay bargaining forum will focus on "Making up lost ground on pay' (more info on TUC website).

6 http://www.resolutionfoundation.org/media/blog/how-the-exclusion-of-the-self-employed-might-obscure-the-2015-earnings-recovery/

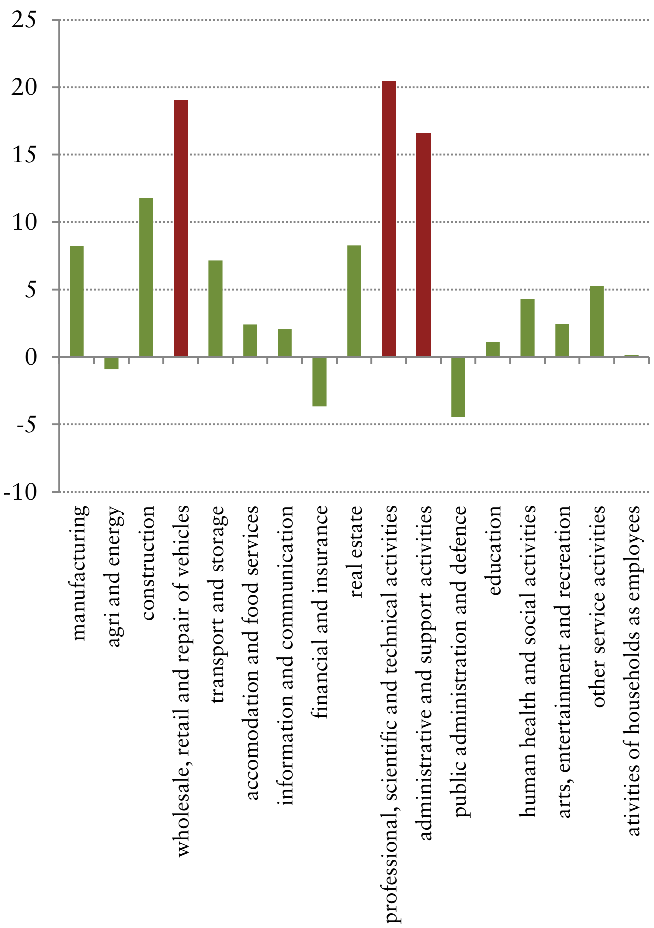
Spotlight feature – the composition of economic growth

Output data are now available for 2014 as a whole; these can be analysed to show which industries have been the most important to growth over the past year.

Overall, gross value added (GVA) grew by 3.0 per cent in 2014, twice the pace of 2013. GVA measures the contribution to the economy of each individual producer / industry in the United Kingdom (and differs from GDP as it excludcs the impacts of taxes and subsidies)

The chart (and table) shows the *contributions* to GVA growth by published industry group (though some categories have been combined on the chart for clarity).

Contributions to economic growth by industry, per cent



Of the 20 main published industry groups (for clarity, three are omitted – all are included on the table below), three industries taken together accounted for half of all GVA growth:

- 'wholesale, retail and repair of vehicles' (19 per cent)
- 'professional, scientific and technical activities' (20 per cent); within this category, 50 per cent of the growth was accounted for by 'Architectural and engineering activities; Technical testing and analysis' and 20 per cent by 'Activities of head offices; Management consultancy activities'; legal activities, accounting and tax consultancy accounted for 11 per cent.
- 'administrative and support activities' (17 per cent); within this category 40 per cent of growth was down to 'Employment activities' and 27 per cent 'Office administrative, office support and other business support activities'

While the categories above are a little oblique, these areas of expanding activity resonate with more general impressions of the factors driving the economy at the moment

- The wholesale and retailing industries expand as a result of the expansion of household spending. Another area influenced by household behaviour must be the significant contribution of 8 per cent from 'real estate', which reflects activities associated with the revival in the housing market, and the growth in house prices. The construction contribution of 12 per cent was also heavily skewed to house building (around two thirds).

- Professional scientific and technical activities have been a dominant force in economic growth for decades; the skew to architecture and engineering in 2014 may reflect major development projects underway in the UK, such as Battersea power station and major railway stations.

- The surge in administrative and support activities seem likely to reflect on one hand the increased importance to aggregate employment of agency workers, and on the other hand the outsourcing of administrative, public sector activities.

- Strikingly the financial sector remains a drag on overall growth. While manufacturing expanded relatively vigorously compared to recent years, it accounted for only 8 per cent of all growth – the same as 'real estate' – indicative of the ongoing relative decline of these industries.

Crudely characterised, even while manufacturing saw some gains, UK economic growth seems dependent on a consumer and housing expansion, booming times for employment agencies, the private sector expansion resulting from outsourcing, and some of the usual business services. This is far from ideal, suggesting the UK is reverting to its pre-crisis growth model and is increasingly reliant upon a small number of sectors (which are susceptaiable to unsustainable booms) for growth, along with gaining from deteriorating conditions of employment. An economy which can only grow as private debt rises, house prices rocket and employees' conditions are eroded is neither sustainable or strong.

Growth and contributions to growth, 2014

	Growth 2014	Percentage share of growth, 2014
Agriculture	2.1	0.4
Mining and quarrying	0.2	0.1
Manufacturing	2.5	8.2
Electricity, gas, steam and air con	-5.0	-1.7
Water supply, sewerage and waste management	0.7	0.3
Construction	6.0	11.8
Wholesale, retail and repair of vehicles	4.9	19.0
Transport and storage	5.1	7.1
Accomodation and food services	2.5	2.4
Information and communication	1.0	2.1
Financial and insurance	-1.4	-3.7
Real estate	2.2	8.3
Professional, scientific and technical activities	7.7	20.4
Administrative and support activities	9.9	16.6
Public administration and defence	-2.6	-4.4
Education	0.5	1.1
Human health and social activities	1.7	4.3
Arts, entertainment and recreation	4.7	2.5
Other service activities	8.0	5.3
Activities of households as employees	0.9	0.1