Media briefing: TUC analysis of UK investment

Media briefing

Overview

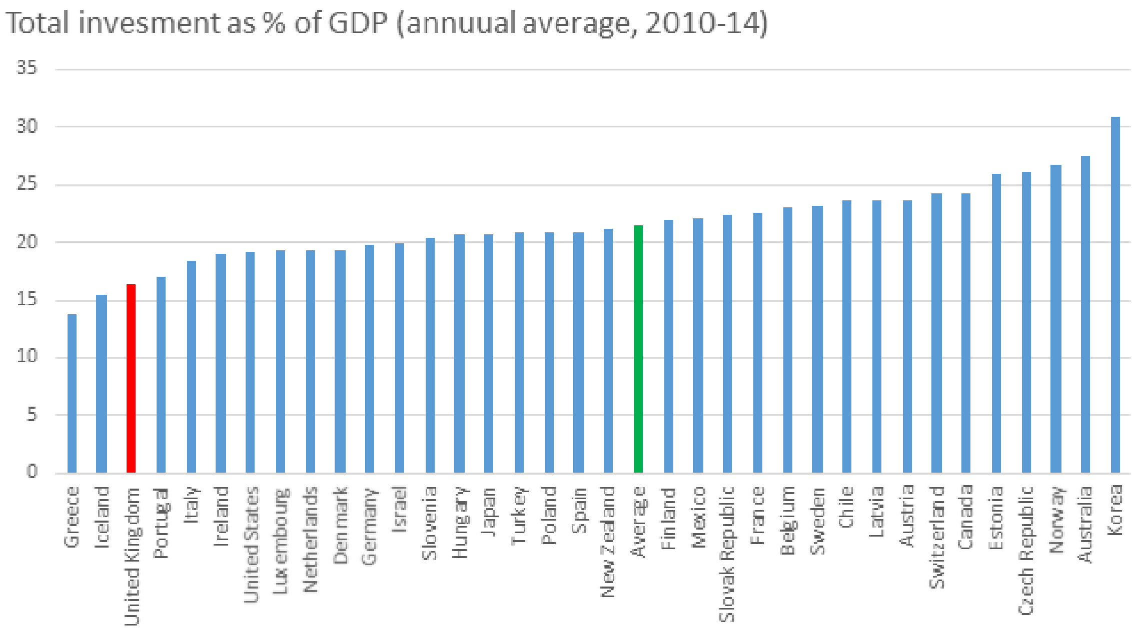
The TUC's analysis looks at capital investment (for example, spending on industrial plants, machinery, transport, buildings, housing) across OECD countries in the period 2010 to 2014 (the latest available data).

It finds that the UK performs very poorly, coming in 33rd place out of 35 OECD countries.

When public investment is looked at separately, the UK places 25th out of 29 OECD countries, which suggests that the government is doing little to help make up the total investment shortfall.

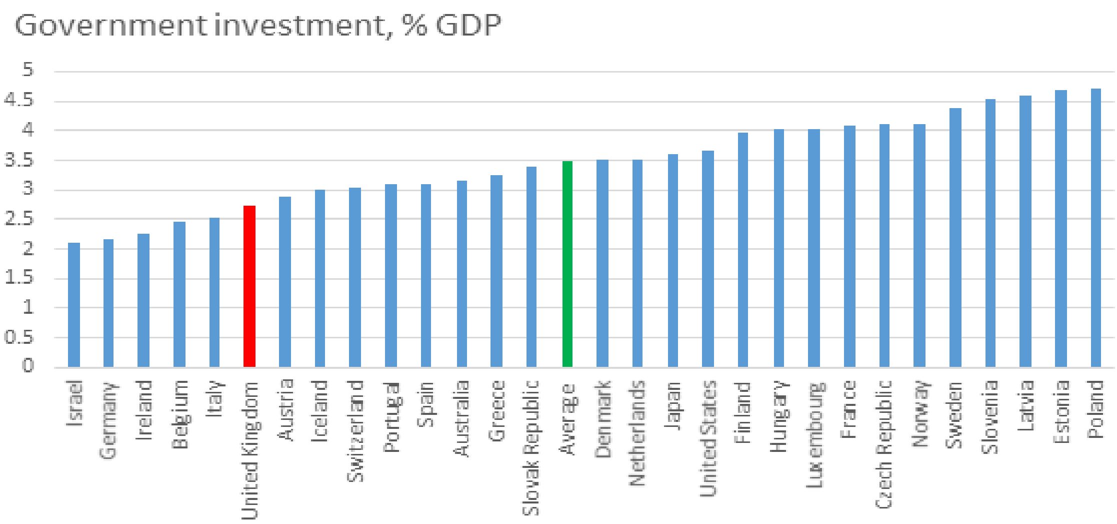
Total investment

Only two OECD countries have lower capital investment than the UK – Greece and Iceland. UK capital investment was 16.4% of GDP, which falls significantly short of the OECD average of 21.6%.



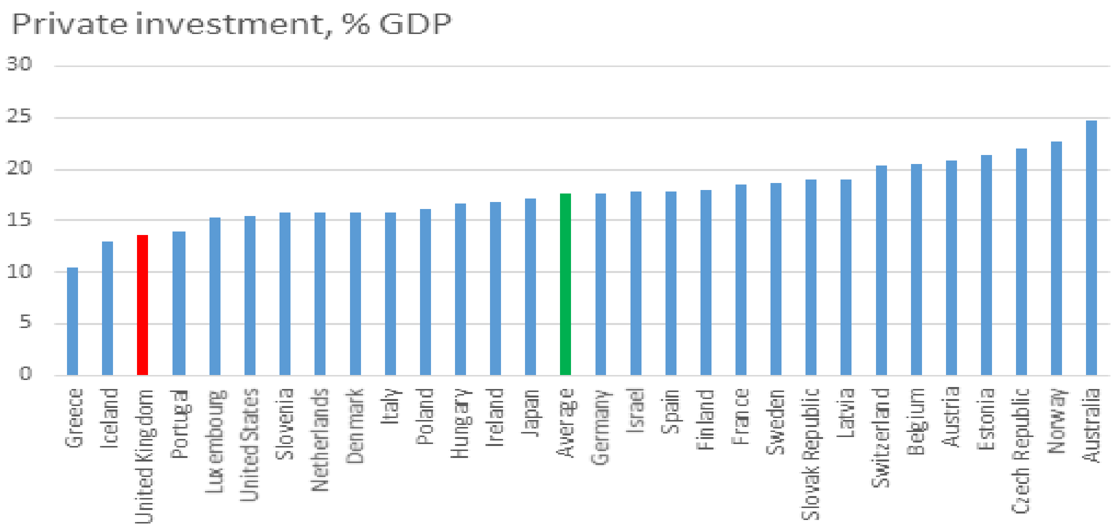
Public investment

Looking at government investment separately, the UK places 25th out of 29 OECD countries. UK public investment at 2.7 % of GDP is also behind the OECD average of 3.5%.



Private investment

Looking at private sector investment separately, the UK places 27th out of 29 OECD countries. UK private investment at 13.7 % of GDP is significantly behind the OECD average of 17.6%.



Conclusions

The figures show how the UK government has fallen short in its support for overall investment in the economy. By contrast, the two countries with lower private investment than the UK both have higher government investment. And those countries with lower government investment than the UK all have higher private investment, lessening the impact of low public investment.

There is no evidence in this data that government spending 'crowds out' private investment. A number of countries have both high private and public investment (e.g. Norway, Czech Republic and Estonia), while other countries have both low private and public investment (UK, Italy, Iceland).

The OECD has put the economic case for greater public investment, saying in their February 2016 interim *Economic Outlook*: "Investment spending has a high-multiplier, while quality infrastructure projects would help to support future growth, making up for the shortfall in investment following the cuts imposed across advanced countries in recent years."

In the wake of the Brexit vote, the TUC believes it is even more urgent that the UK investment gap is closed. Our action plan calls for the government to immediately give the go-ahead for a third runway at Heathrow, bring forward major new infrastructure projects like high-speed rail, and announce a big expansion in housebuilding.

Note on method: The analysis is based on OECD figures for capital investment as a share of GDP, available on their Annual National Accounts database (http://stats.oecd.org/). Investment and GDP are taken from *Table 1: Gross domestic product*. Government figures are from *Table 12: government deficit / surplus, revenue, expenditure and main aggregates*. 'Investment' corresponds to 'gross fixed capital formation' (System of National Accounts code 'P5'). The ratios are derived from cash estimates in national currencies; private investment is derived as the difference between aggregate and government investment; data are averaged over 2010-2014, with figures for government investment only available to 2014. The private and government ratios are derived from a slightly smaller sample of OECD countries, because government figures are not available for all countries (i.e. Canada, Chile, Korea, Mexico. New Zealand, Turkey).

Media enquiries: Phone: 020 7467 1248 Email: media@tuc.org.uk