

Coronavirus (COVID-19) Review: data and analysis, March to October 2020

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UK output and productivity

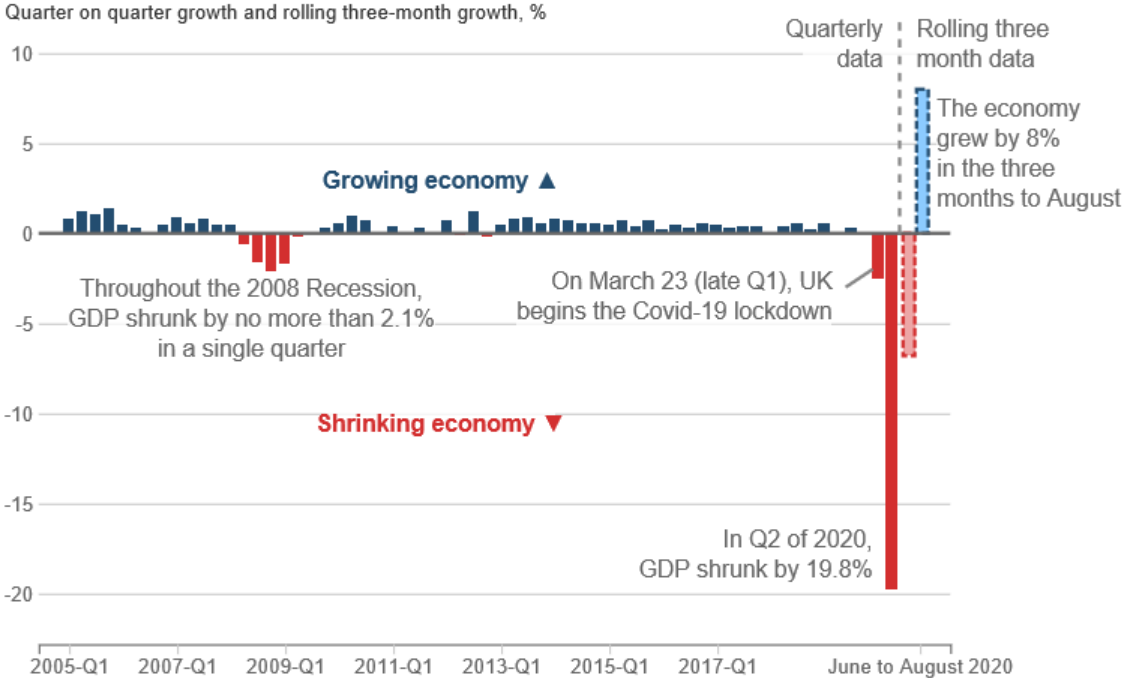
This section includes the main statistics on gross domestic product (GDP), and analysis of our measures of productivity, reflecting the impact of the pandemic

The largest quarterly contraction in the UK economy since records began in 1955 was seen in Quarter 2 2020

- UK gross domestic product (GDP) contracted by a record 19.8% in Quarter 2 (Apr to June) 2020, following a decline of 2.5% in the previous quarter, as a result of the COVID-19 pandemic and the restrictions subsequently applied in the UK.
- Widespread falls in output, as well as sharp reductions in spending by households and businesses, reflect the mandatory closures of non-essential businesses and voluntary social distancing to protect public health.
- Services output decreased by 19.2% in Quarter 2 2020 reflecting declines in the vast majority of industries, most notably accommodation and food services.
- Production output fell by 16.3% in Quarter 2 2020, marking the fifth consecutive quarterly decline. The fall was mainly the result of the record monthly decline in production output in April, which was driven by a fall in manufacturing output.
- Construction output fell by 35.7% in Quarter 2 2020 reflecting declines in both new work, and repair and maintenance; most notably, private new housing declined by 49.5% as housebuilding activity was affected by various social distancing measures.

UK Gross Domestic Product contracted by a record 19.8% in Quarter 2 2020, following a decline of 2.5% in the previous quarter

UK GDP growth, Quarter 1 (Jan to Mar) 2005 until June to August 2020

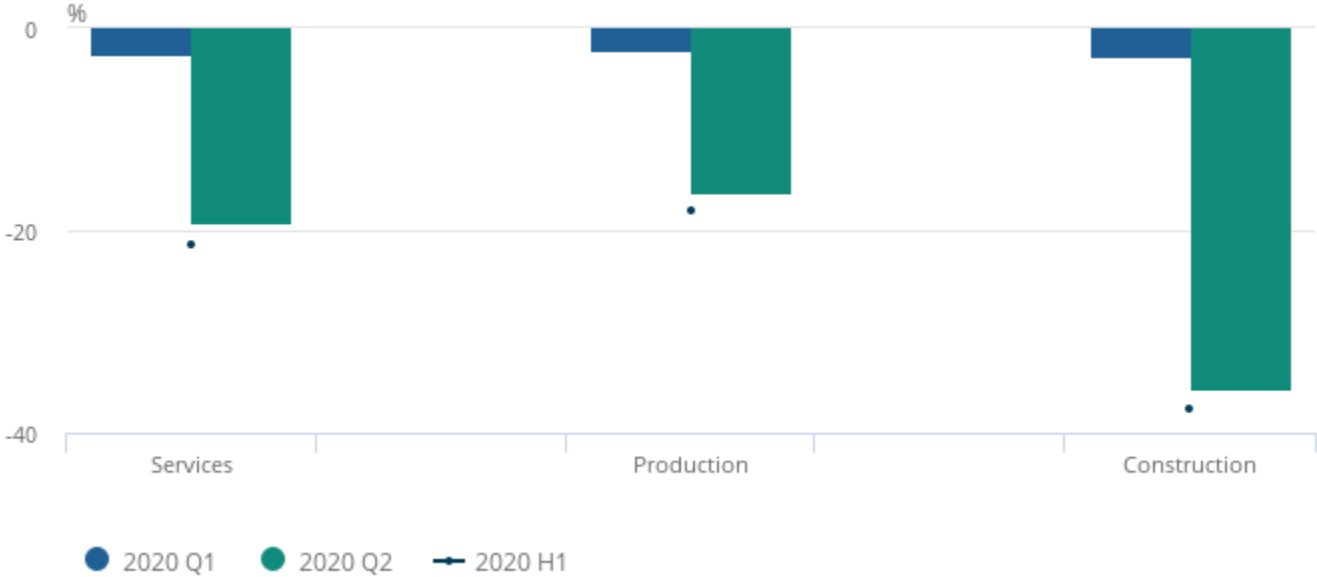


Source: [GDP monthly estimate, UK: August 2020](#)

Lead analyst: [Niamh McAuley](#)

The decline in GDP in the second quarter reflects widespread falls in output across the services, production and construction sectors

UK GDP component growth, Quarter 1 (Jan to Mar) 2020 and Quarter 2 (Apr to June) 2020, %



Source: [GDP quarterly national accounts, UK: April to June 2020](#)

Lead analyst: [Ryan May](#)

More timely estimates for August 2020 show that while it has continued steadily on the path towards recovery, the UK economy still has to make up nearly half of the GDP lost since the start of the pandemic

- Monthly GDP grew by 2.1% in August 2020 as lockdown measures continued to ease; This is the fourth consecutive monthly increase following a record fall of 19.5% in April 2020.
- GDP in August 2020 is now 21.7% higher than its April 2020 low; however, it remains 9.2% below the levels seen in February 2020, before the full impact of the coronavirus (COVID-19) pandemic.
- The accommodation and food services sub-sector contributed 1.25 percentage points to the 2.1% growth in GDP for August 2020, as the combined impact of easing lockdown restrictions, Eat Out to Help Out Scheme and “stay-cations” boosted consumer demand.
- Despite an increase of 2.4% in services, the level of services output is 9.6% lower than the level in February 2020 before the main impacts of the COVID-19 pandemic were seen.
- Production grew by 0.3% in August 2020, with manufacturing growing by 0.7%; despite this growth, production output is 6.0% lower than the level in February 2020, with manufacturing 8.5% lower.
- Construction grew by 3.0% in August 2020 but the level of output remains 10.8% lower than February 2020, before the full impact of the pandemic.

Gross Domestic Product grew by 2.1% in August 2020, the fourth consecutive monthly increase, but it remains 9.2% below the February 2020 level

Monthly index, January 2007 to August 2020



Source: [GDP monthly estimate, UK: August 2020](#)

Lead analyst: [Niamh McAuley](#)

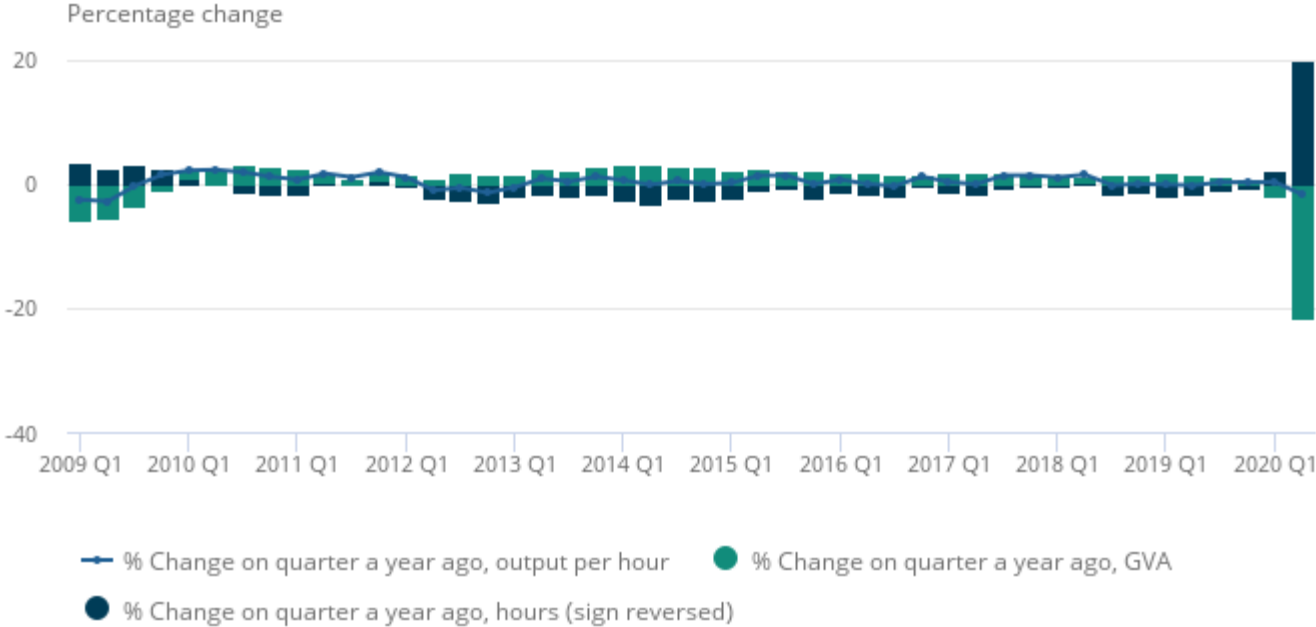
Gross Value Added fell faster than hours worked, driving productivity down in Quarter 2 2020

- Output per hour fell by 1.8% in Quarter 2 (Apr to June) 2020 compared with the same quarter the previous year, the largest fall since Quarter 2 2009; this was driven by gross value added (GVA) falling faster than hours worked, compared with the previous year, GVA fell by 21.5% and hours worked fell by 20%.
- In Quarter 2 2020, output per worker, decreased by 21.1% compared with the same quarter in the previous year.
- Historically, output per hour and output per worker have been much closer aligned, but the Coronavirus Job Retention Scheme (CJRS) has resulted in a large disparity between the two measures; the CJRS allows companies to furlough workers, keeping them employed and allowing them to work zero hours; the total number of workers fell by 0.4% on the previous year, which is a much smaller movement than would be expected in response to a 21.5% fall in GVA.

Note: Output is calculated as gross value added GVA. It is divided by the number of hours worked or the number of workers to give output per hour or output per worker measures, respectively.

Output per hour fell by 1.8% in Quarter 2 2020, the largest fall since Quarter 2 2009

Seasonally adjusted, UK, Quarter 1 (Jan to Mar) 2009 to Quarter 2 (Apr to June) 2020



Source: [Labour productivity headline measures, UK: April to June 2020](#)

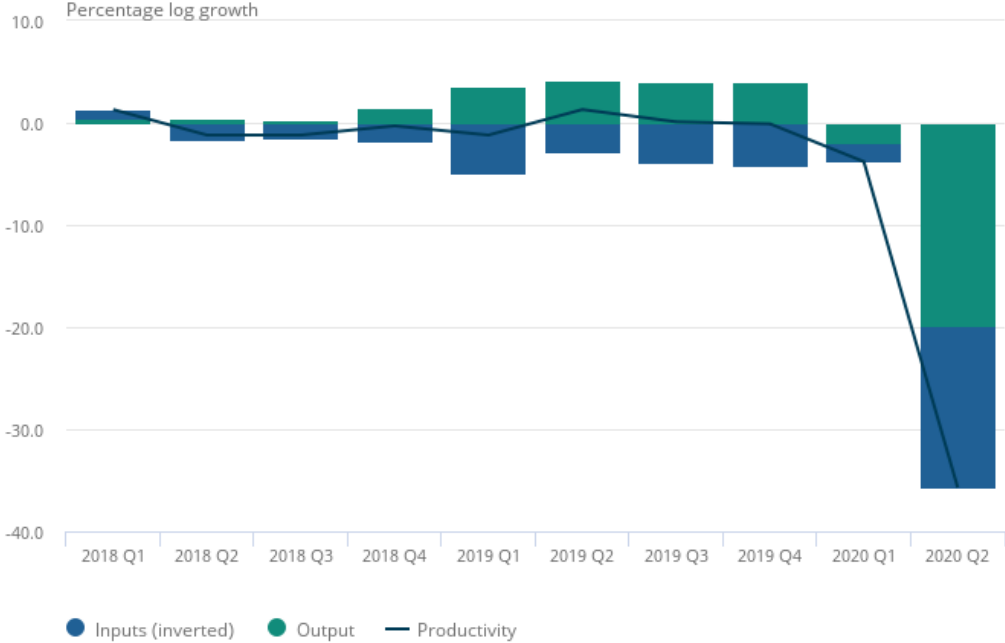
Lead analyst: [Stuart Newman](#)

Public service productivity has fallen considerably in Quarter 2 2020 compared with the same quarter a year ago

- Public service productivity decreased by 35.7% in Quarter 2 (Apr to June) 2020 compared with the same quarter a year ago.
- This fall was driven by an increase in inputs of 15.8% and a fall in output of 19.9%.
- Healthcare and social protection were the main drivers of the overall inputs growth, while the larger contributions to the output fall were observed in healthcare and education.
- The increase in inputs likely reflects government procurement of personal protective equipment (PPE) and construction of Nightingale hospitals as well as the additional social care responsibilities taken on by local government in response to the COVID-19 pandemic.
- The fall in healthcare output reflected the impact of the pandemic on healthcare, with reductions in GP appointment services and attendance at A&E, alongside the scaling back of non-emergency surgery, the cancellation and postponement of outpatient activity and dental and ophthalmic services, and the increase in critical care activity.
- The adjustment in education output takes into consideration the widespread school closures from March onwards and the shift to "remote learning". This resulted in a decrease in the education output measures.

Public sector productivity decreased by 35.7% in Quarter 2 2020 compared with the same quarter a year ago

Public service productivity, inputs and output, quarter-on-same-quarter a year ago growth rates, UK, Quarter 1 (Jan to Mar) 2018 to Quarter 2 (Apr to June) 2020



Source: [Productivity economic commentary: April to June 2020](#)

Lead analyst: [Stuart Newman and Sara Zella](#)