

Supply-side Indicators for the UK Economy

February 2009



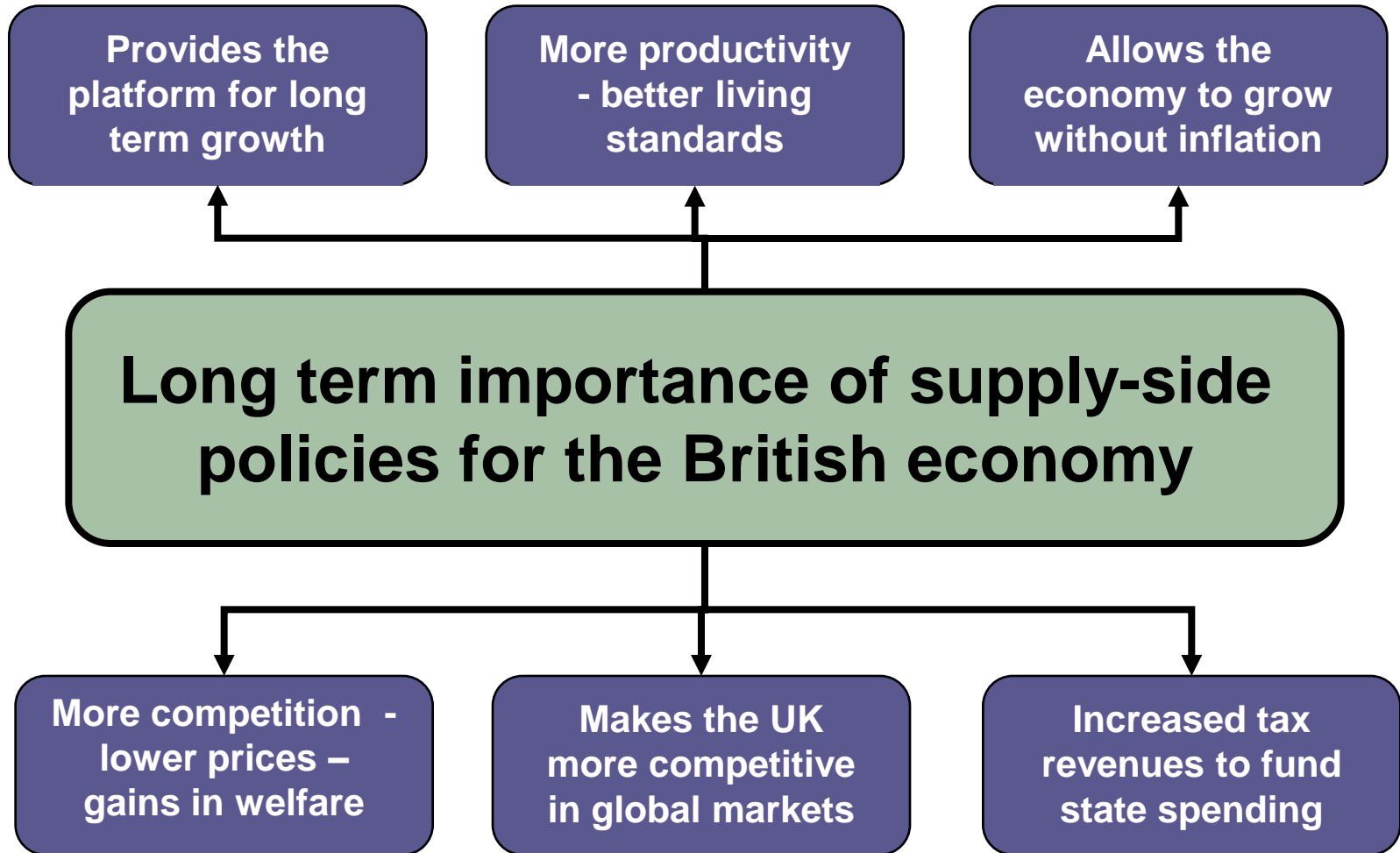
Key supply side concepts

- Aggregate supply
- Incentives for people and businesses
- Productivity
- The economy's productive potential
- Capital Investment
- Research and development
- Product and Process Innovation
- Skills / Human Capital
- Competitive markets / market deregulation
- Long run economic growth
- Non-inflationary growth

What are Supply-Side Policies?

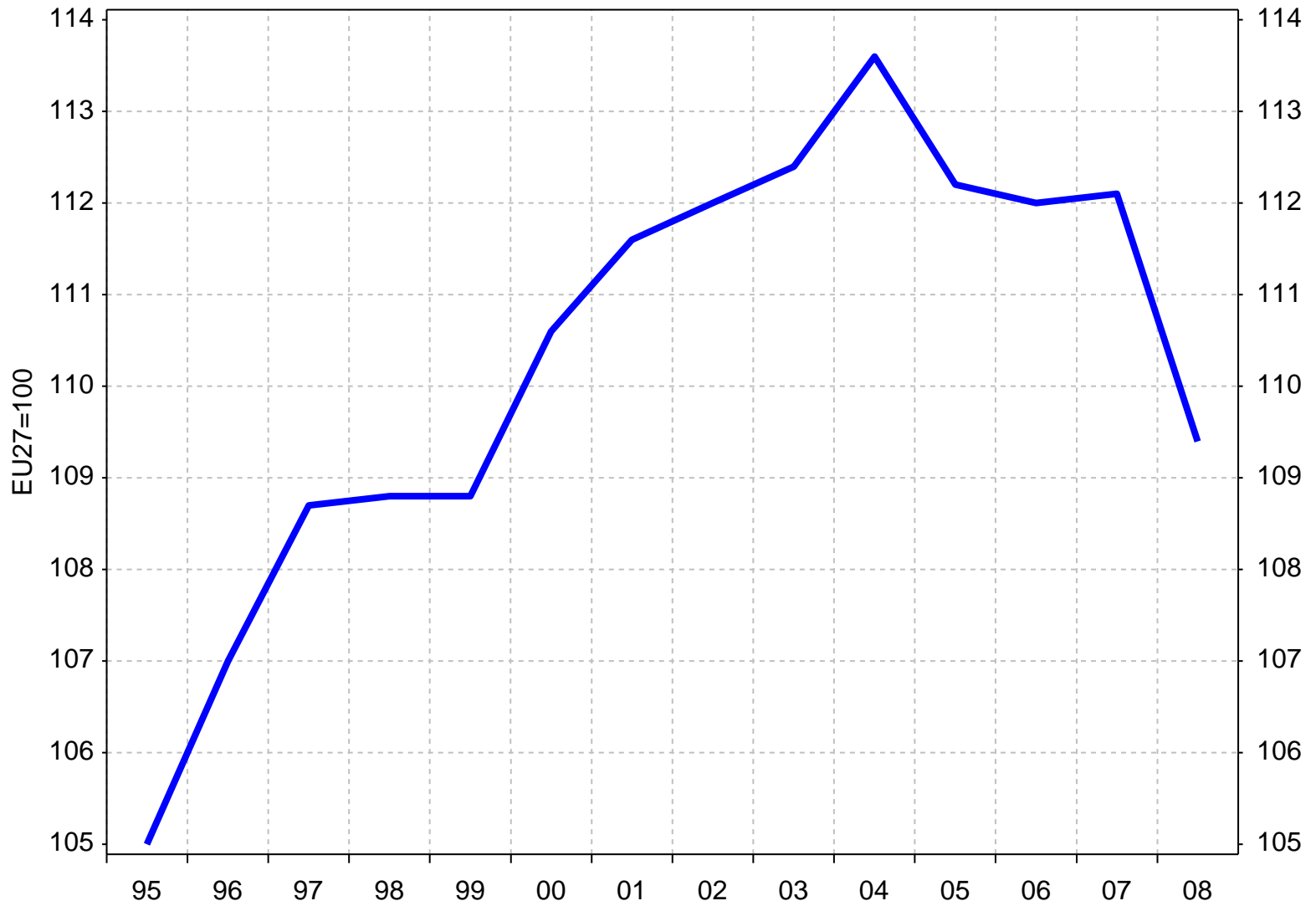
- Supply-side policies are designed to:
 - Improve incentives for people to get new jobs
 - Increase the productivity of labour and capital inputs
 - Increase the occupational and geographical mobility of labour to reduce unemployment
 - Increase the level of capital investment and research and development spending by firms
 - Stimulate inflows of overseas capital investment
 - Increase business efficiency by promoting more competition within and between markets
 - Stimulate a faster pace of invention and innovation throughout the economy
 - Provide a platform for sustained non-inflationary growth of an economy

Importance of supply-side policies



UK Labour Productivity per Person Employed

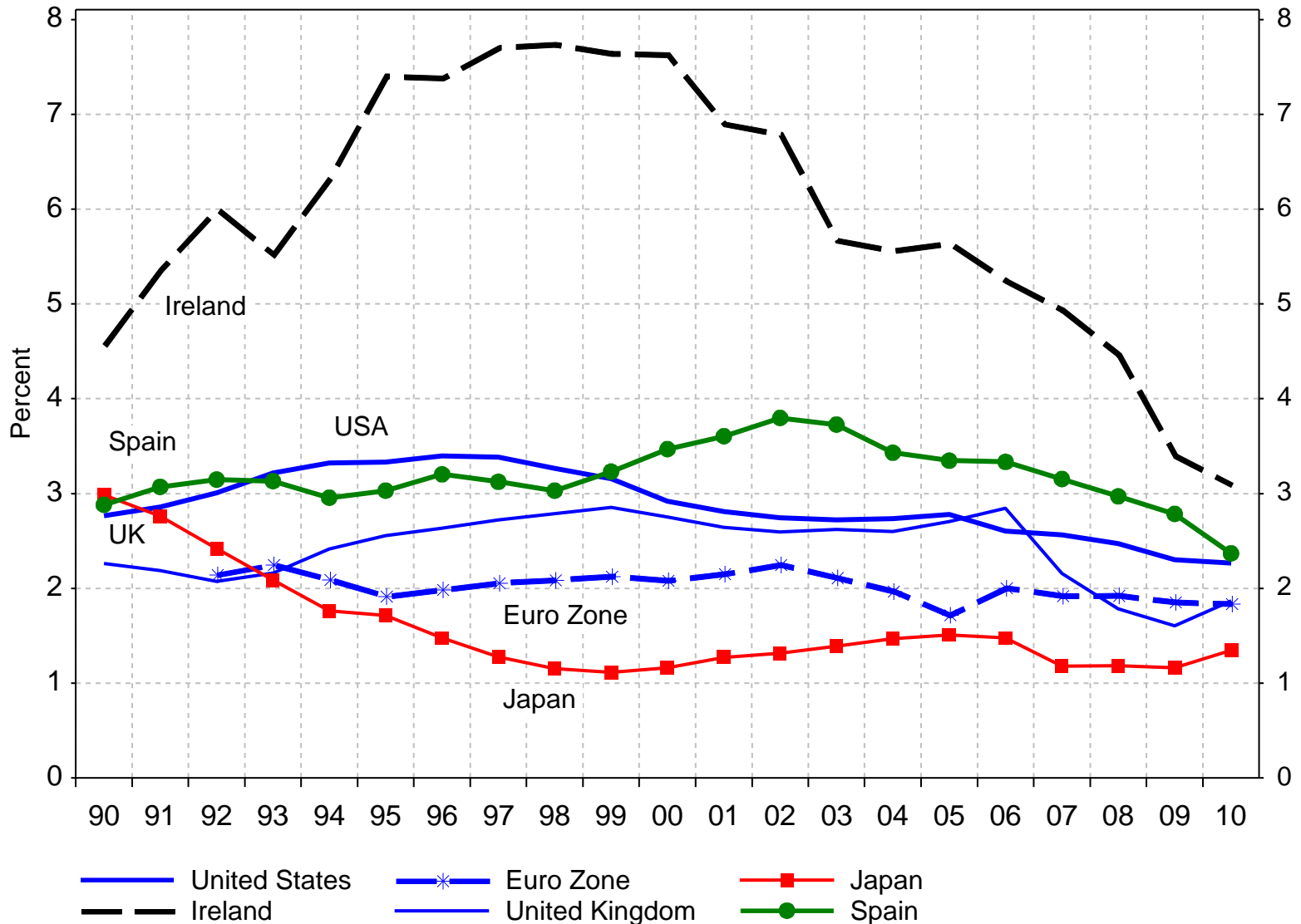
Labour productivity relative to the EU average



Source: Reuters EcoWin

Estimated Trend Growth Rates

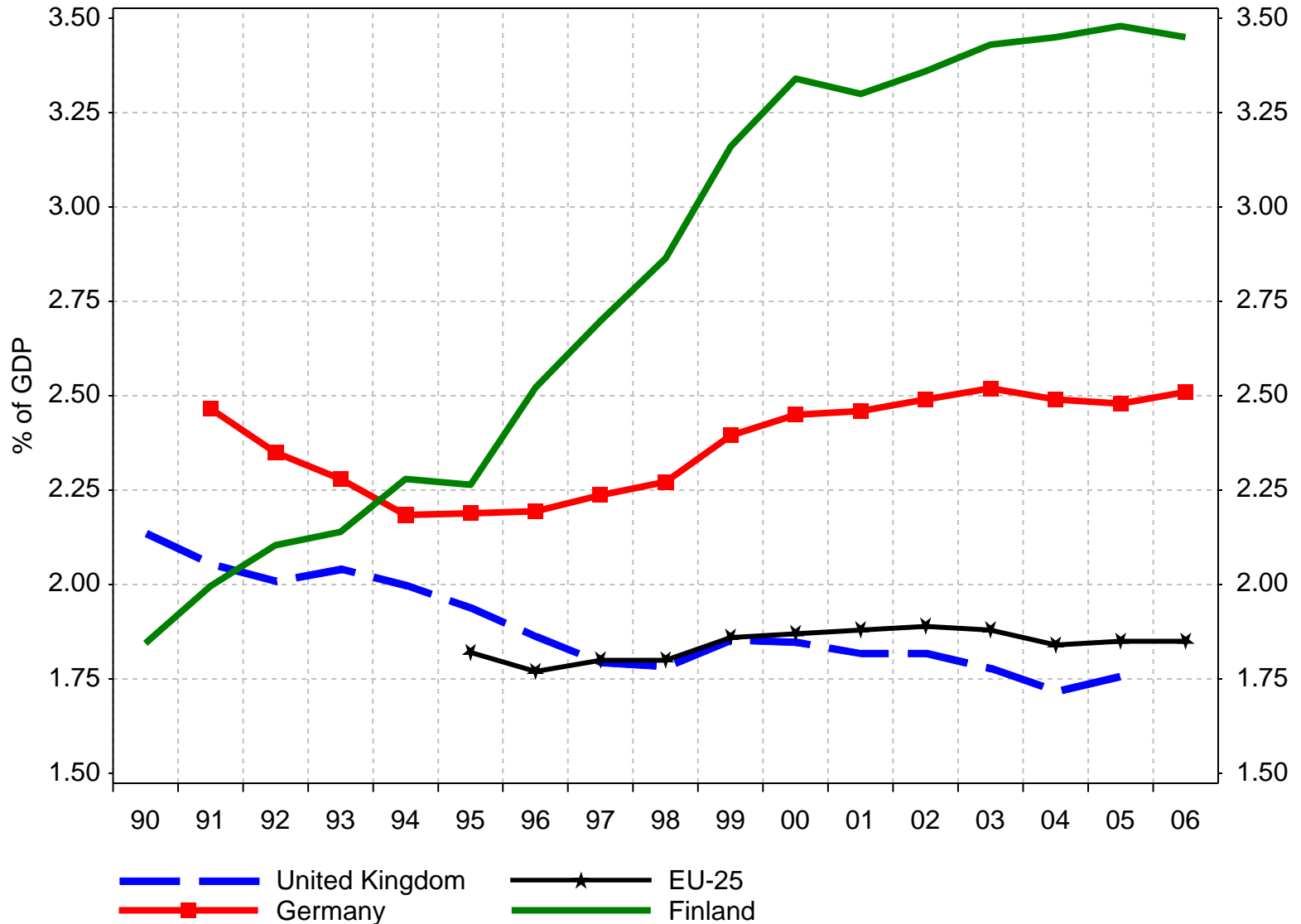
Annual % change in potential GDP, source: OECD World Economic Outlook



Source: OECD World Economic Outlook

Gross Domestic Expenditure on R and D

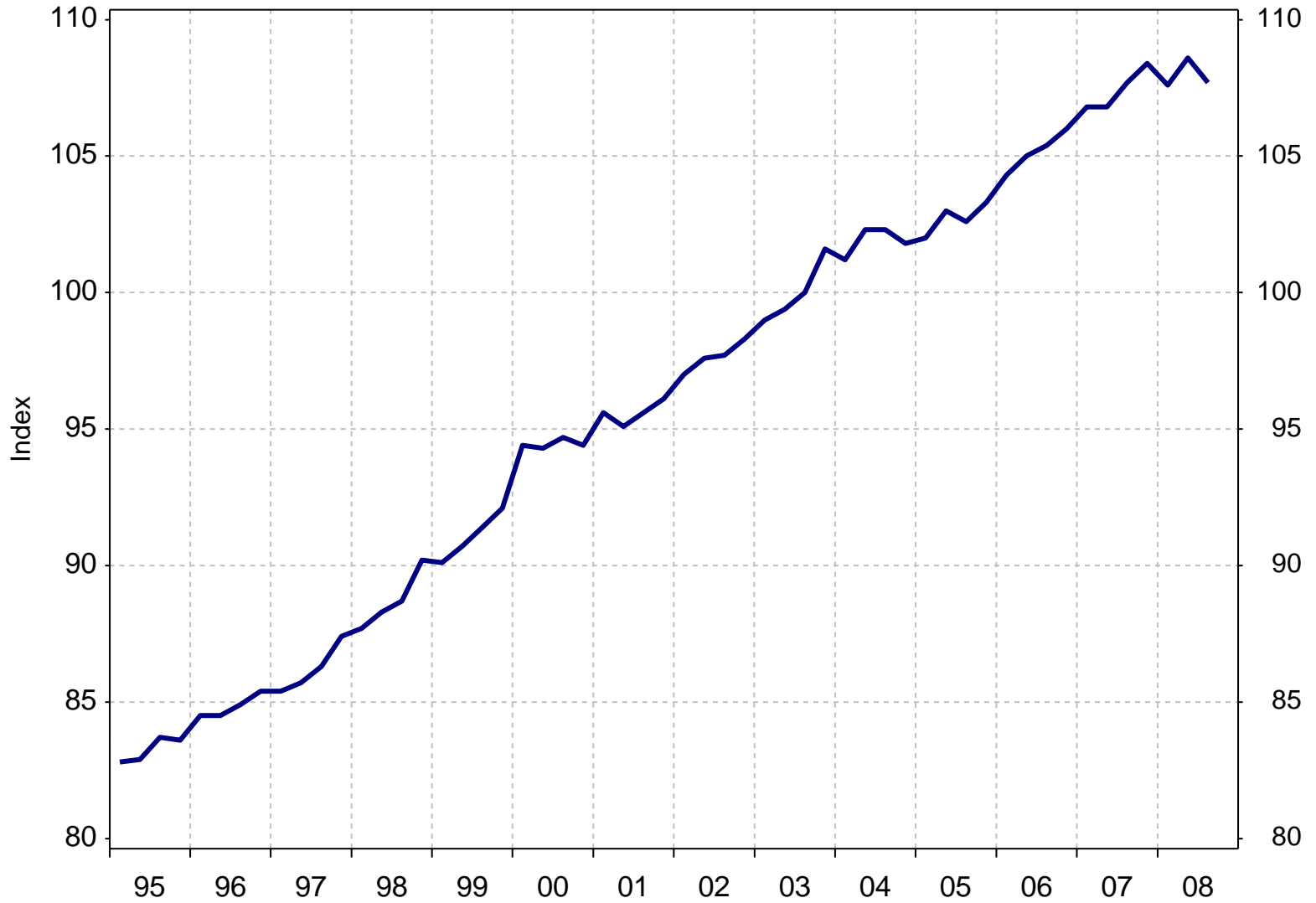
Percentage of GDP



Source: Reuters EcoWin

United Kingdom Labour Productivity

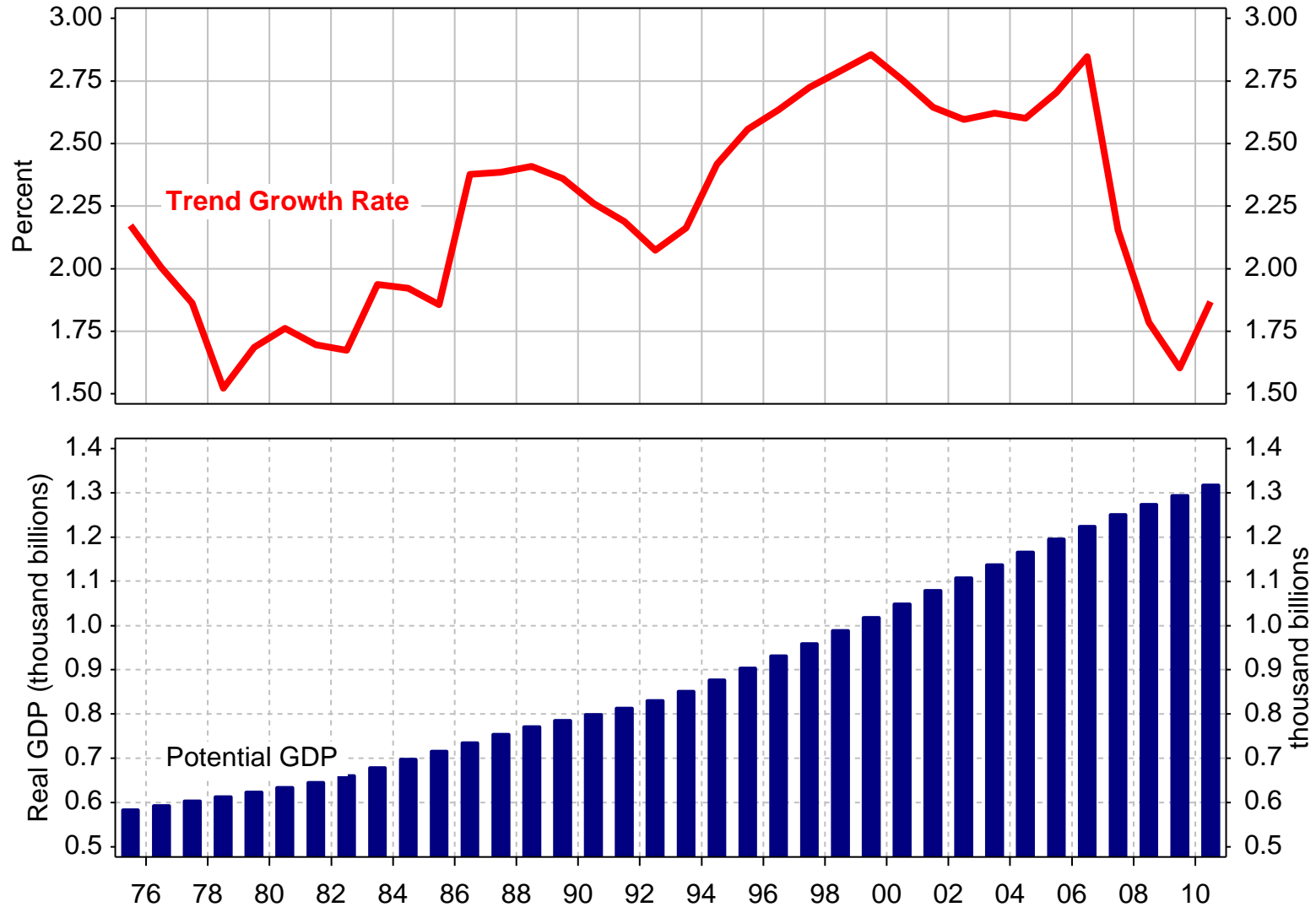
Index of output per hour worked, whole economy, seasonally adjusted



Source: Reuters EcoWin

UK - Potential GDP and Trend Growth

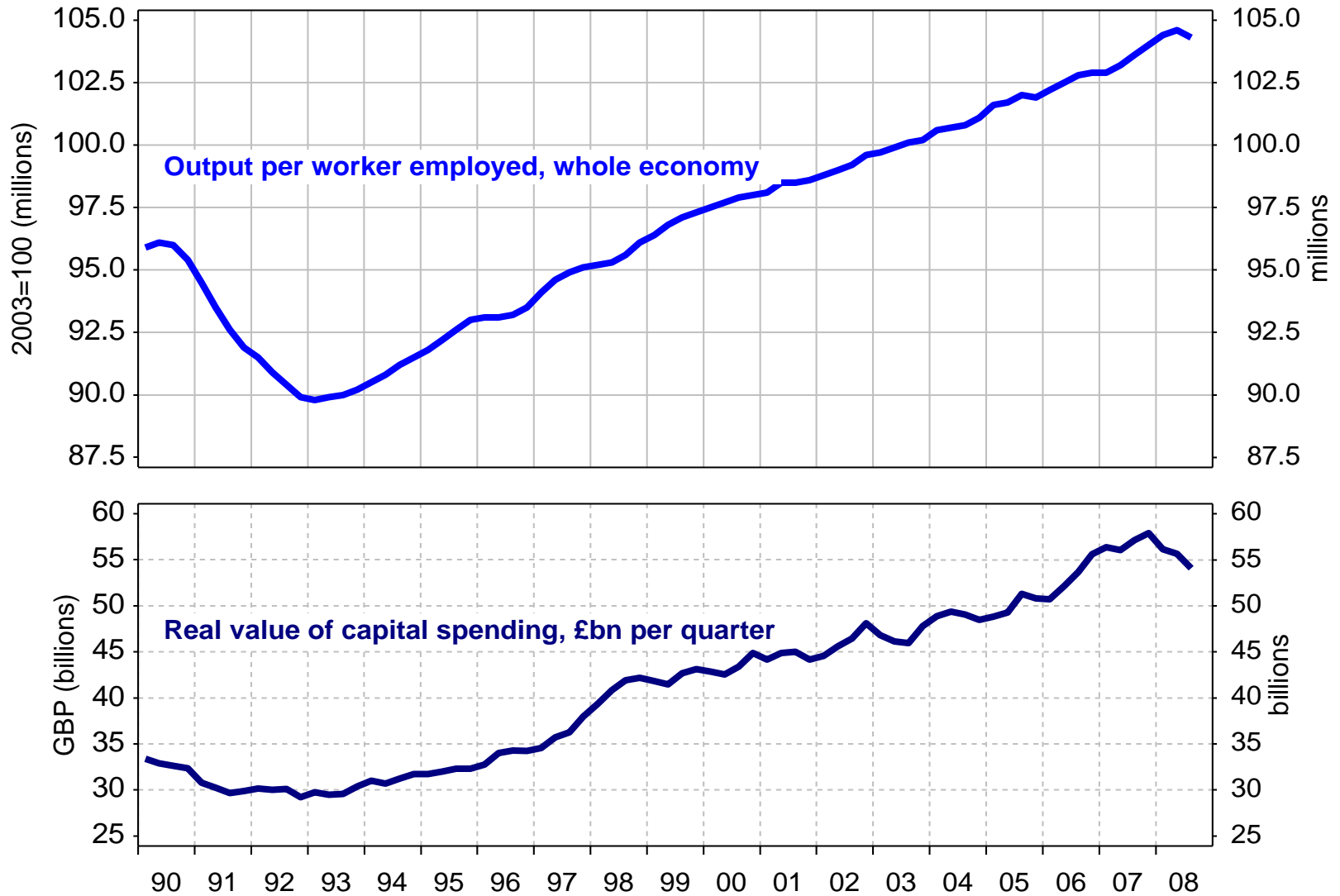
Source: OECD World Economic Outlook



Source: OECD World Economic Outlook

Investment and Productivity in the UK Economy

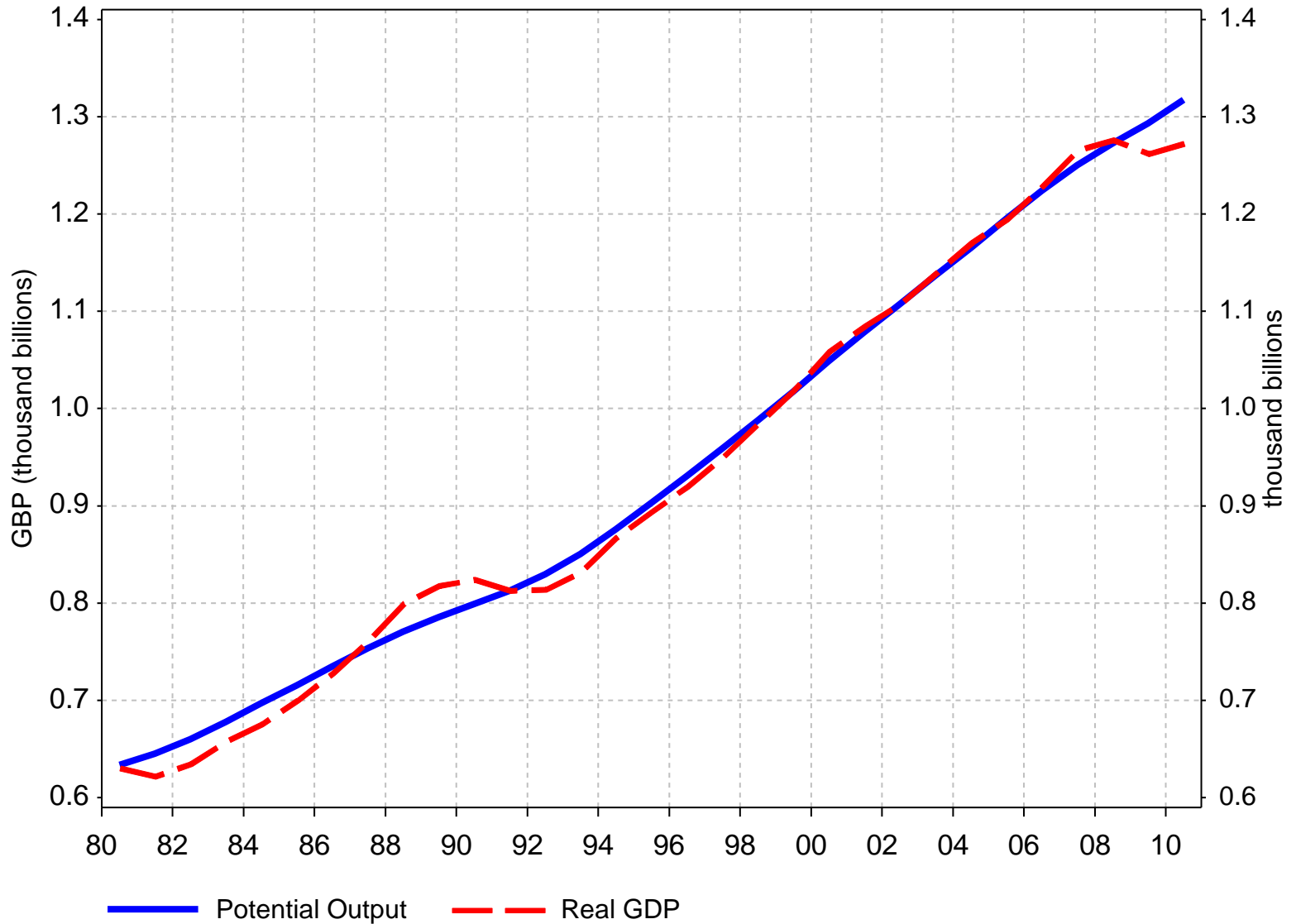
Quarterly value of capital spending at constant 2003 prices, index of labour productivity



Source: Reuters EcoWin

Actual and Potential GDP for the UK

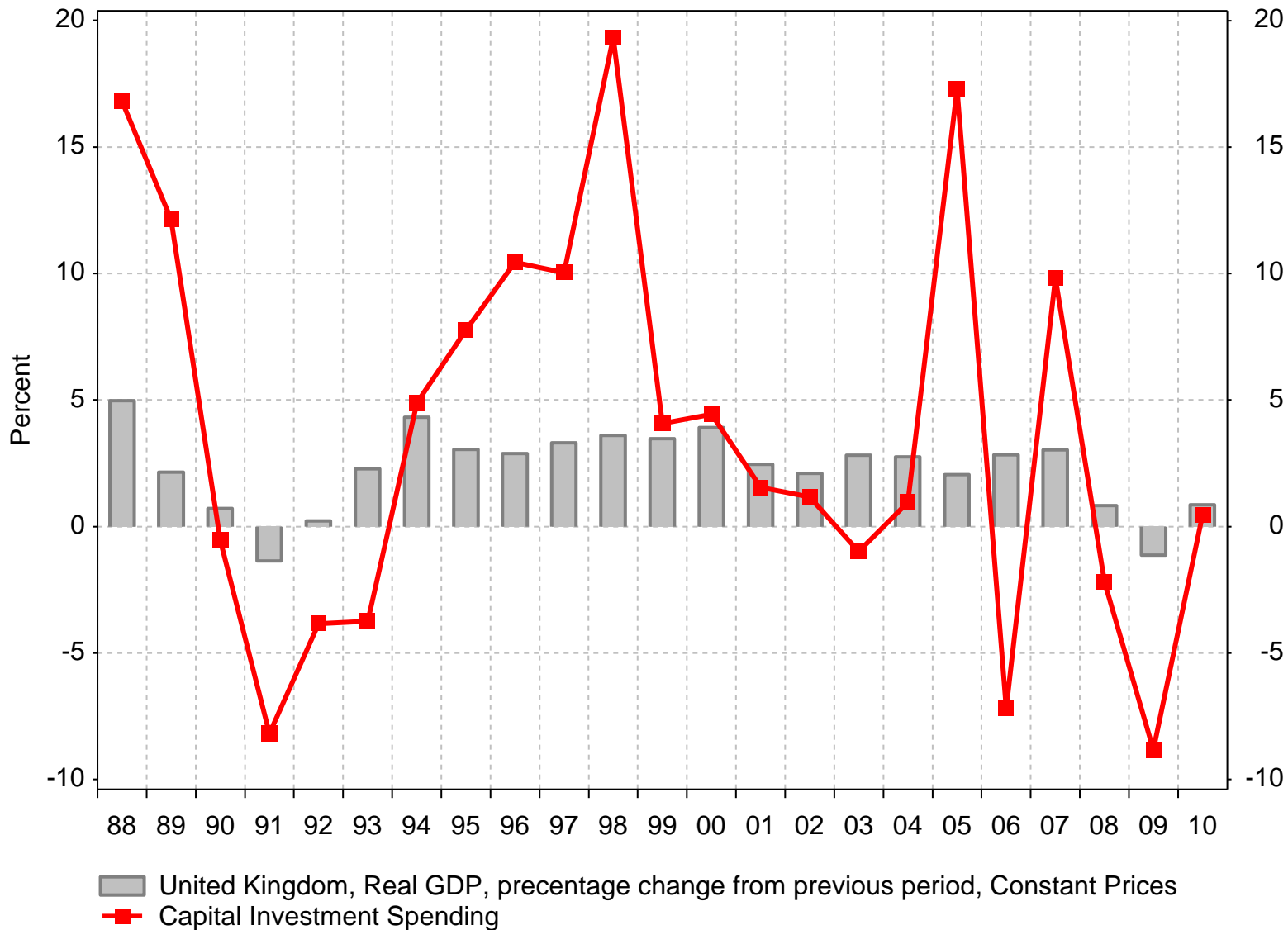
£ thousand billion at constant 2003 prices. Source: OECD



Source: Reuters EcoWin

Economic Growth and Capital Investment

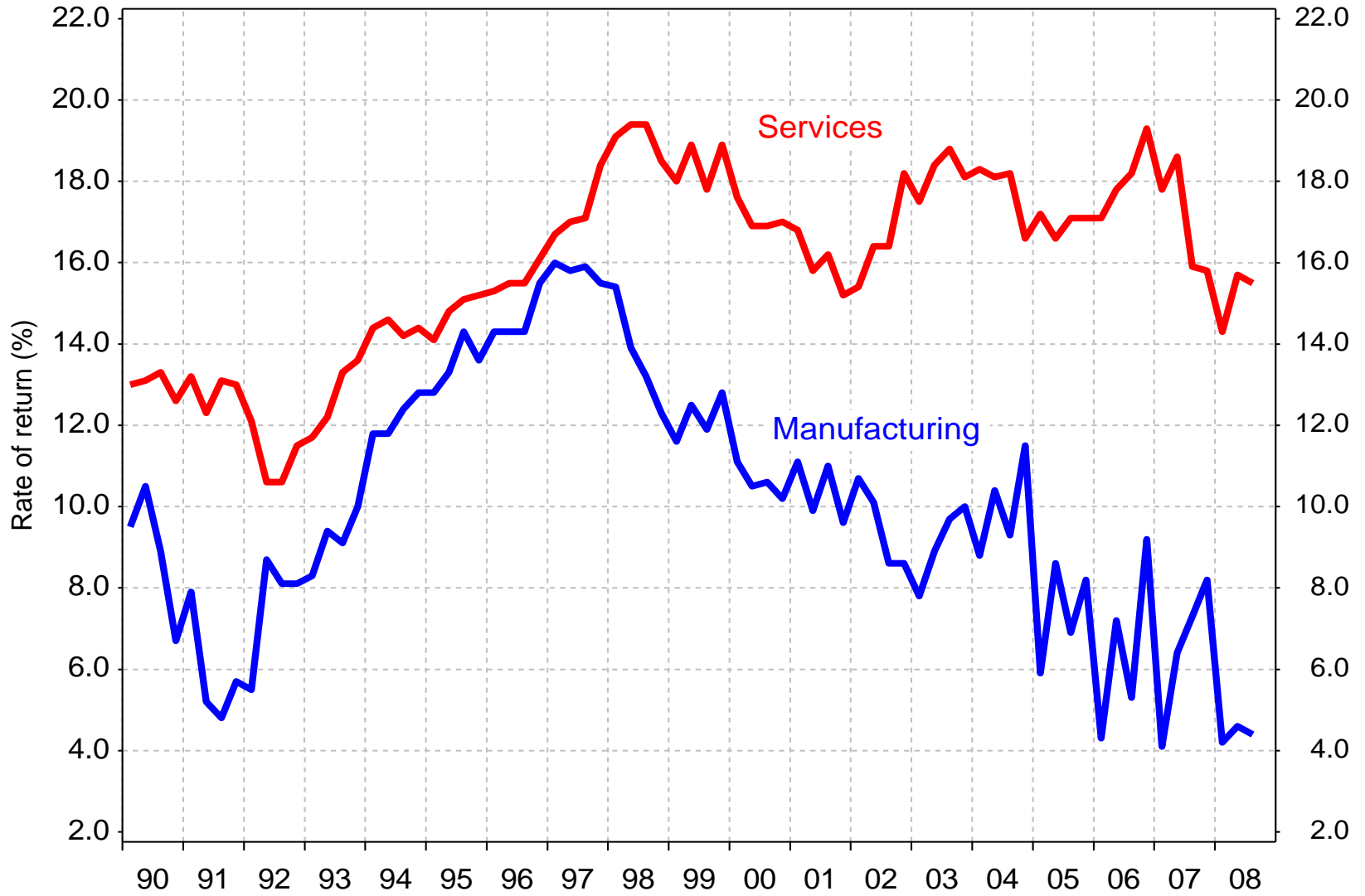
Annual % change in real GDP and real investment, 2009-10 forecast from OECD



Source: Reuters EcoWin

Net Profit for Manufacturing and Service Businesses

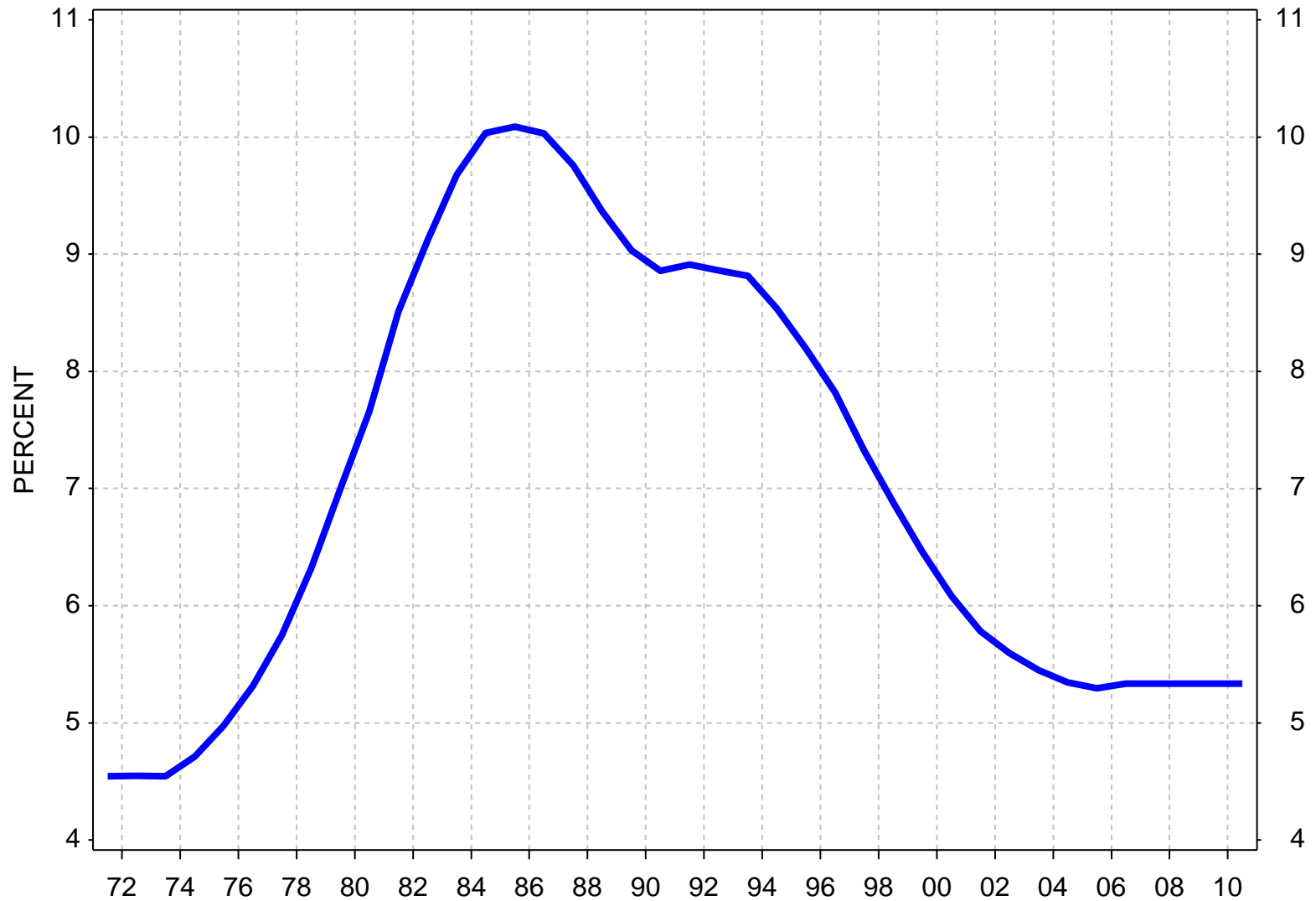
Net percentage rate of return on capital employed, seasonally adjusted



Source: CBI Manufacturing Survey

UK NAIRU

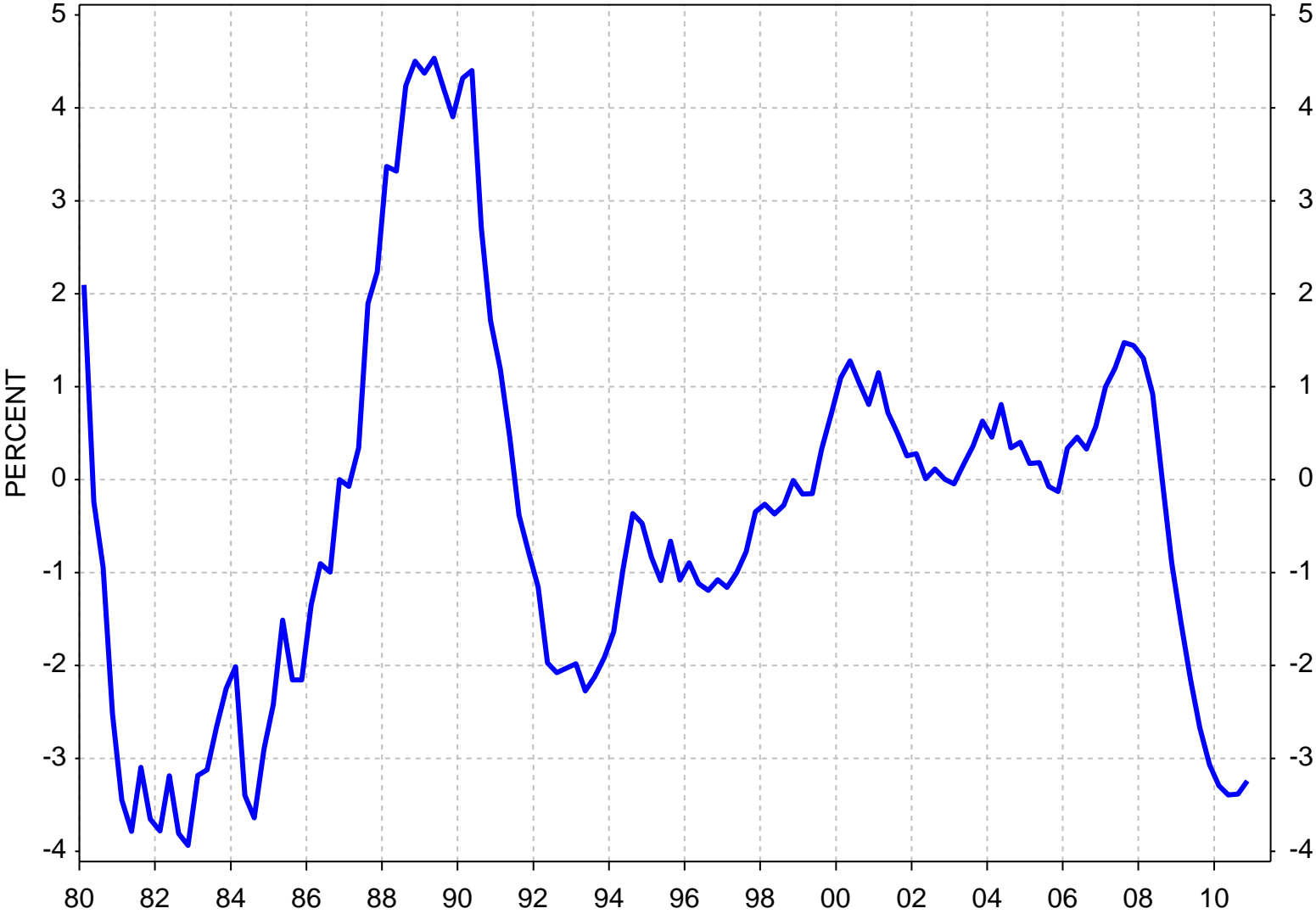
Unemployment rate with non-accelerating inflation rate



Source: Reuters EcoWin

UK Economy - Output Gap

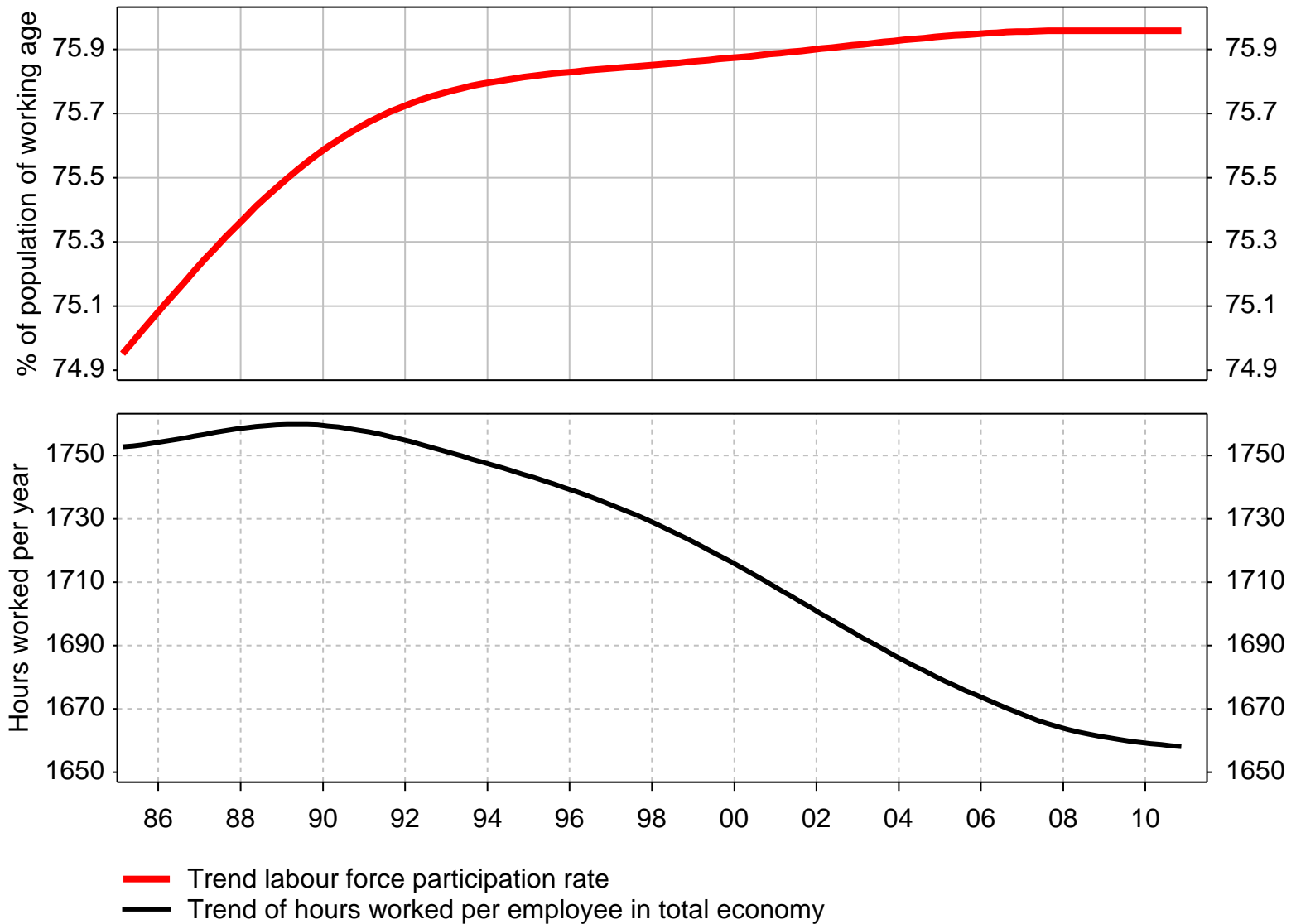
Difference between actual and potential GDP, % of potential GDP



Source: Reuters EcoWin

Labour Market Participation and Hours

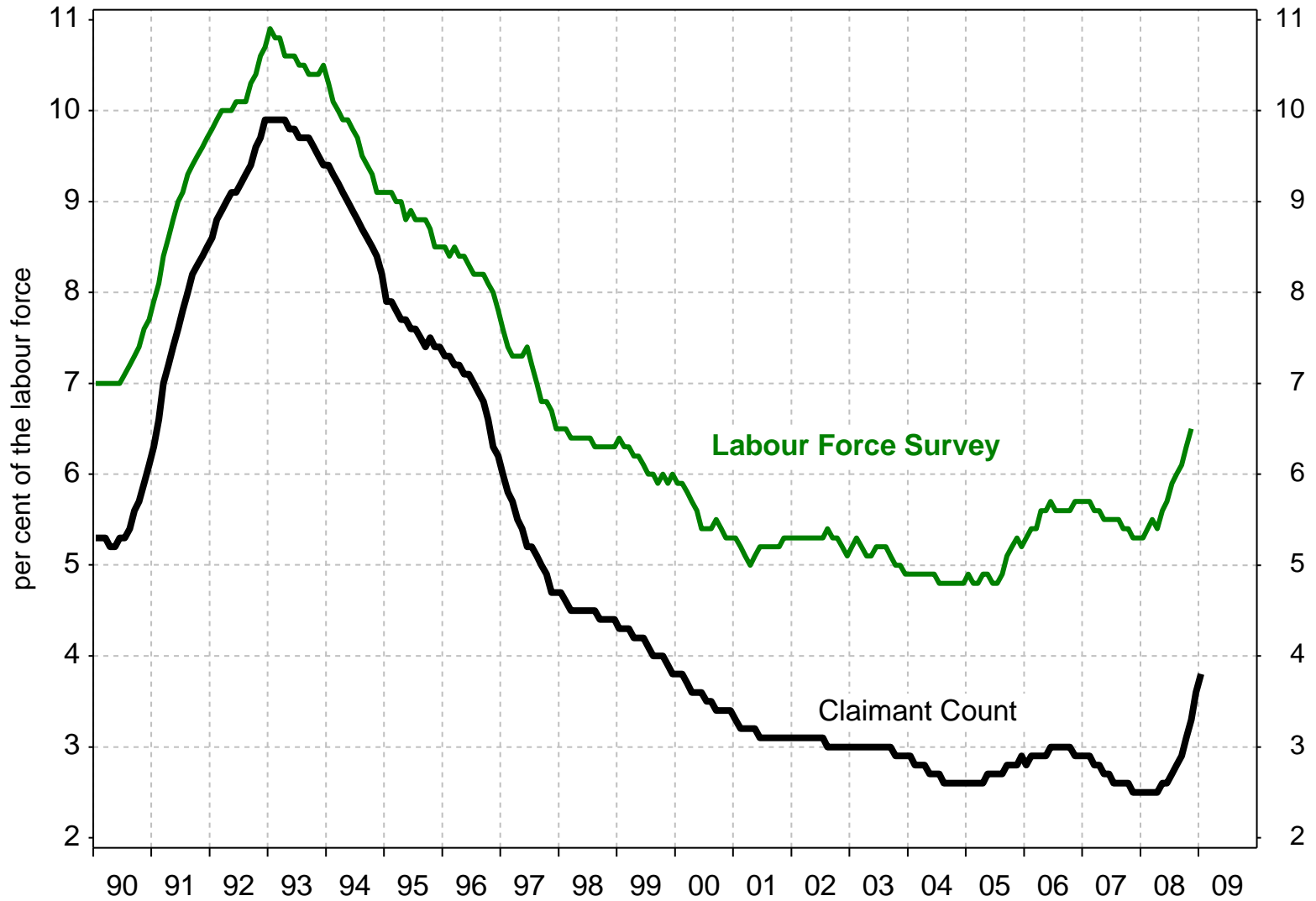
Participation rate (top pane), Average hours worked per year (bottom pane)



Source: Reuters EcoWin

Unemployment in the UK Economy

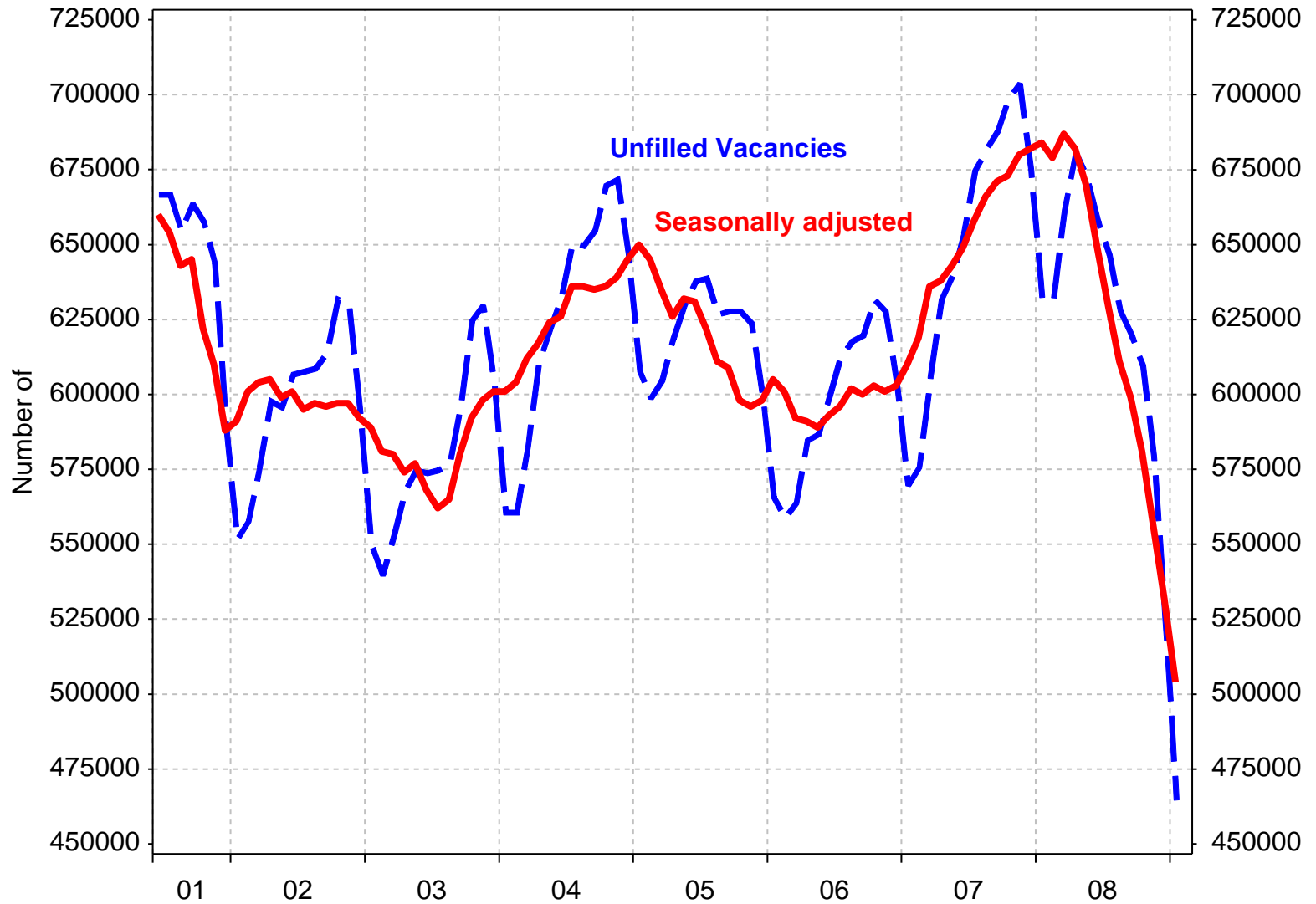
people aged 16-59 (women) / 64 (men), seasonally adjusted



Source: Reuters EcoWin

Unfilled Vacancies in the UK Labour Market

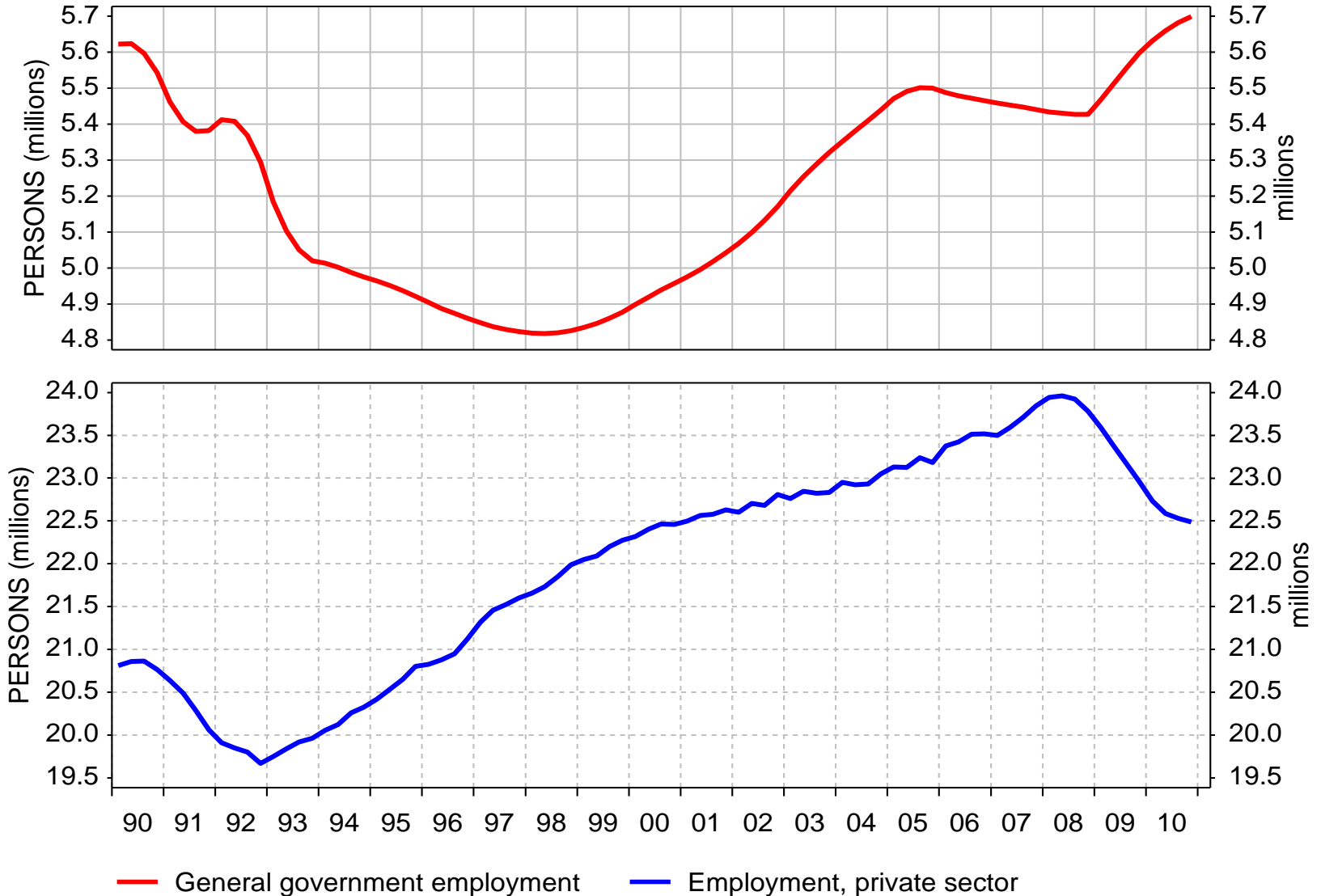
Three month average, non and seasonally adjusted



Source: Reuters EcoWin

Public and Private Sector Employment

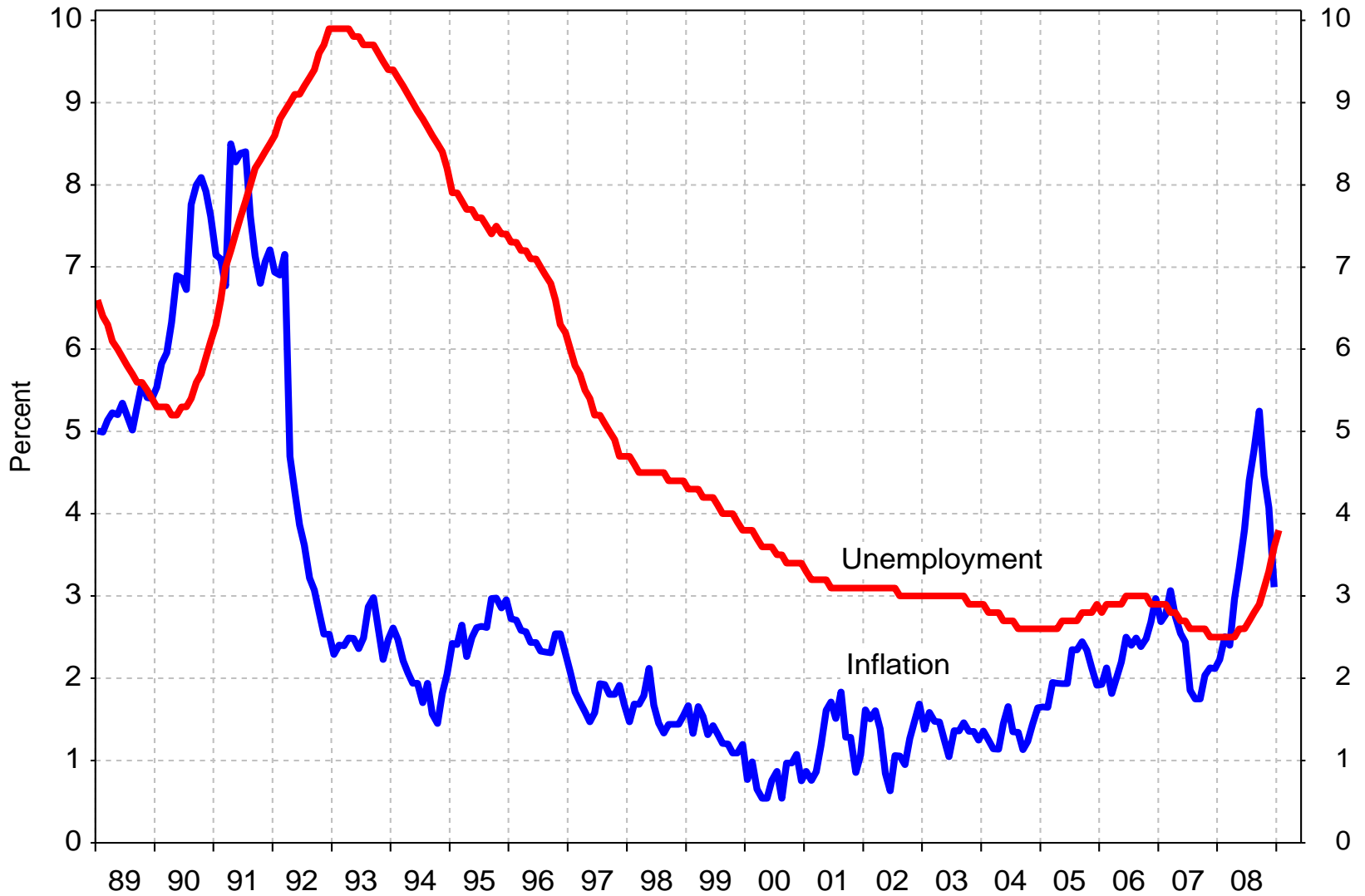
Millions, quarterly data, seasonally adjusted



Source: Reuters EcoWin

UK Unemployment and Consumer Price Inflation

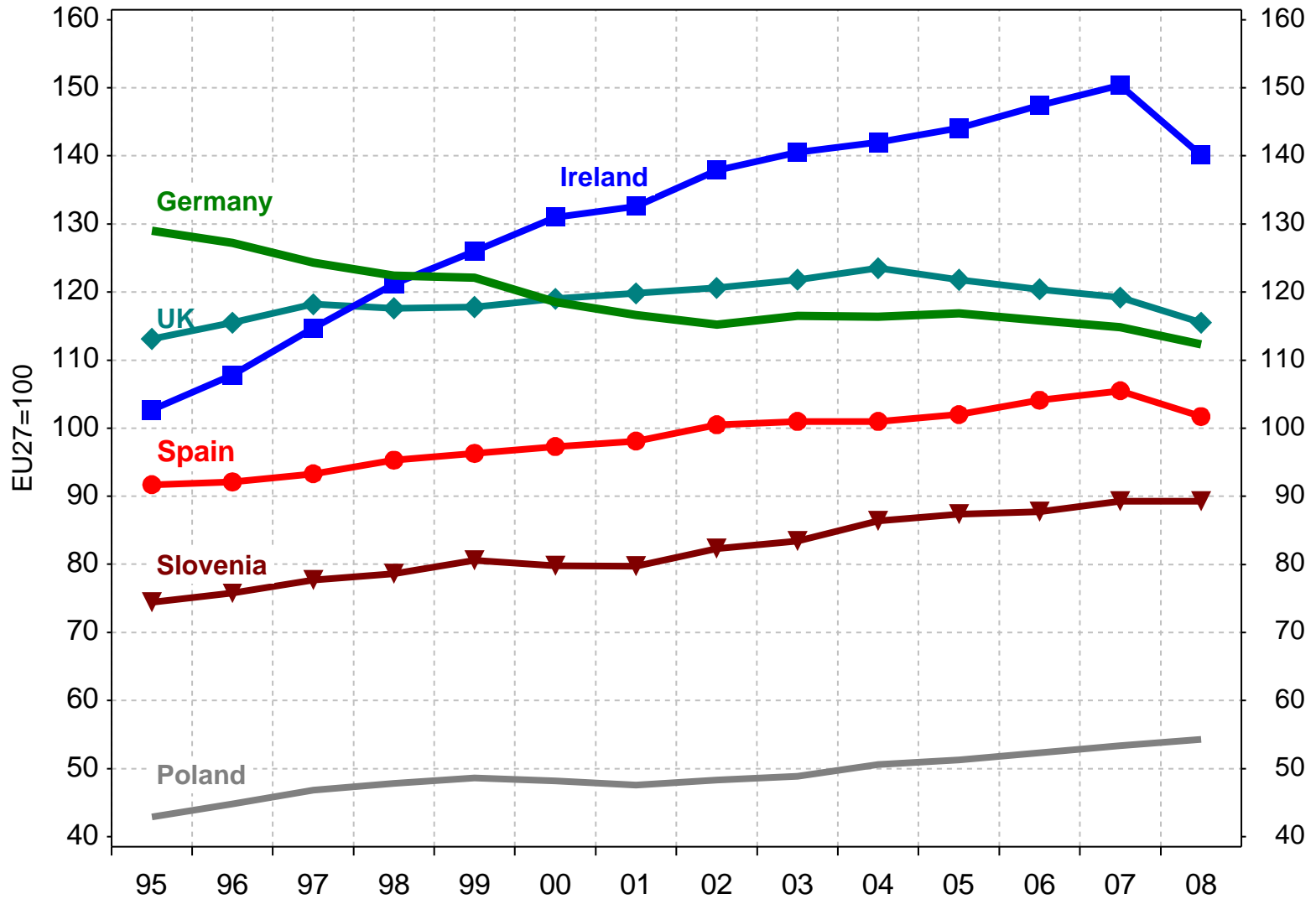
Annual percentage change in consumer prices, unemployment rate (%)



Source: Reuters EcoWin

Income Per Head for selected EU Countries

Index GDP per head, EU average = 100

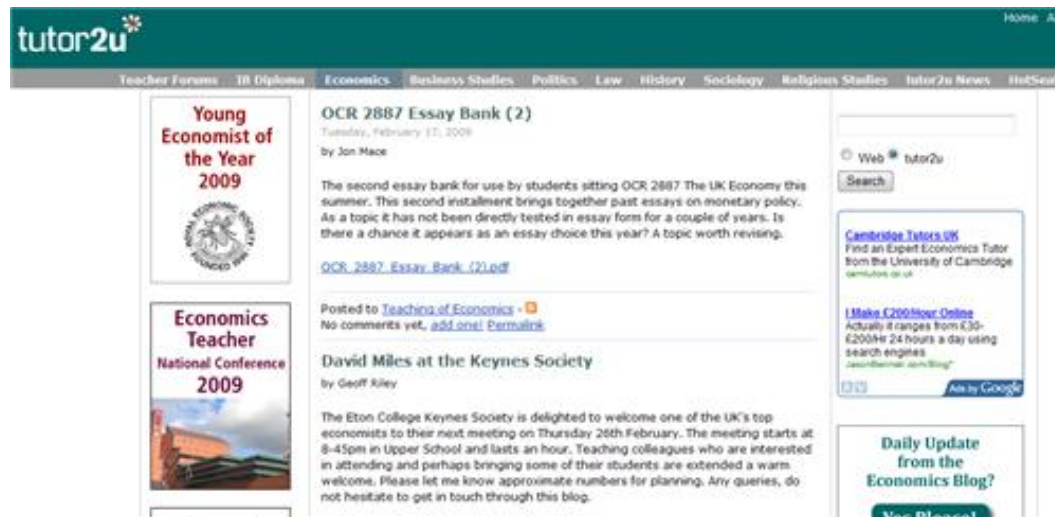


Source: EuroStat

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Young Economist of the Year 2009



OCR 2887 Essay Bank (2)

Tuesday, February 17, 2009
By Jon Mace

The second essay bank for use by students sitting OCR 2887 The UK Economy this summer. This second instalment brings together past essays on monetary policy. As a topic it has not been directly tested in essay form for a couple of years. Is there a chance it appears as an essay choice this year? A topic worth revising.

[OCR_2887_Essay_Bank_\(2\).pdf](#)

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David Miles at the Keynes Society

by Geoff Riley

The Eton College Keynes Society is delighted to welcome one of the UK's top economists to their next meeting on Thursday 26th February. The meeting starts at 8-45pm in Upper School and lasts an hour. Teaching colleagues who are interested in attending and perhaps bringing some of their students are extended a warm welcome. Please let me know approximate numbers for planning. Any queries, do not hesitate to get in touch through this blog.

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