

## { ECONOMIC RECOVERY }

## JEREMY WARNER

Don't get excited about green shoots; we haven't escaped the clutches of the downturn yet

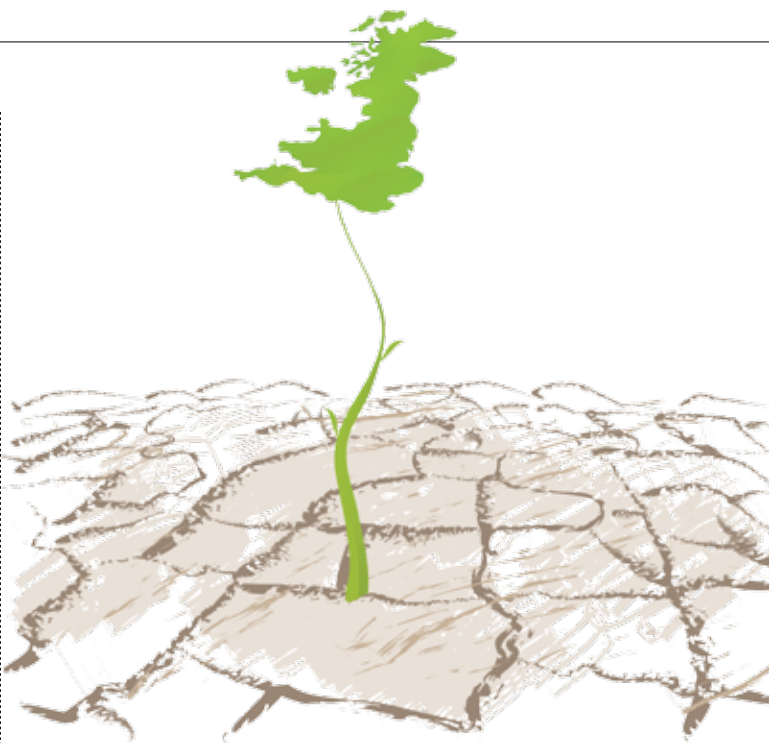
➤ If you are looking for signs of green shoots in the UK economy, don't search for them in the GDP data. Third quarter output was encouraging, but its strong showing was substantially down to the Olympic effect and is unlikely to be repeated any time soon.

There is also good reason to doubt the validity of the numbers. If the London Games were as positive for output as the Office for National Statistics suggests, then it makes them pretty much unique in the history of the modern Olympics. Virtually all previous Games have exerted a strongly negative effect on output in the quarter they took place.

In any case, the recent run of UK GDP data is so fickle and apparently at odds with the survey evidence as to make many economists seriously doubt its reliability. As Jim O'Neill, chairman of Goldman Sachs Asset Management, has remarked, even the Chinese GDP numbers, widely thought subject to manipulation, look robust against the UK data.

So ignore official estimates of GDP. It is not until two years after the event that you get anywhere approaching a reliable picture of what was happening.

Look instead at the employment figures, which are so remarkable as to be barely believable either. Yet the labour market data don't lie in quite the same way. We can be pretty confident that if they show decent jobs growth, this is indeed what is happening,



Given the depth and duration of the downturn, this is a really quite astonishing state of affairs. The economy is still nearly 4% smaller than its pre-crisis peak, but employment is at record levels

Output has severely lagged what the Office for Budget Responsibility was forecasting, but employment has substantially outperformed.

Given the depth and duration of the downturn, this is a really quite astonishing state of affairs. The economy is still nearly 4% smaller than its pre-crisis peak, but employment is at record levels. Nor is this explained by people giving up on work for lack of employment opportunities (you are not deemed unemployed unless

actively looking for work). In fact, labour participation is close to record levels, too, and is the second highest in the G7 after Canada.

Growth in part-time working doesn't fully explain the jobs 'miracle' either. The number of hours worked is also at record levels. Unfortunately, the resilience of the jobs market is not entirely benign. Rising employment in combination with lower output adds up to quite steep declines in productivity, which is again

not what you would expect to see coming out of a recession, when productivity normally picks up sharply.

Quite a lot of the growth in the jobs market is also down to self-employment. This is not just redundant bankers setting themselves up as 'consultants' and then spending their days taking the children to and from school.

➤ The big growth in self-employment is actually in activities such as plumbing, decorating and odd-jobs men. Some would say this is no substitute for 'real' jobs. Even so, some work is better than no work, and the situation in Britain is unarguably better than in the US and much of the rest of Europe, where large parts of the population look set to become permanently excluded from the workplace.

There is a sense in which the pain of the economic adjustment has been felt not, as usually happens in a downturn, through much higher levels of unemployment, but in squeezed disposable incomes and lower living standards. Not quite green shoots perhaps, but definite signs of life. ♥



**Jeremy Warner** is assistant editor of *The Daily Telegraph* and one of Britain's leading business and economics commentators