

# Financial wellbeing and the UK economy

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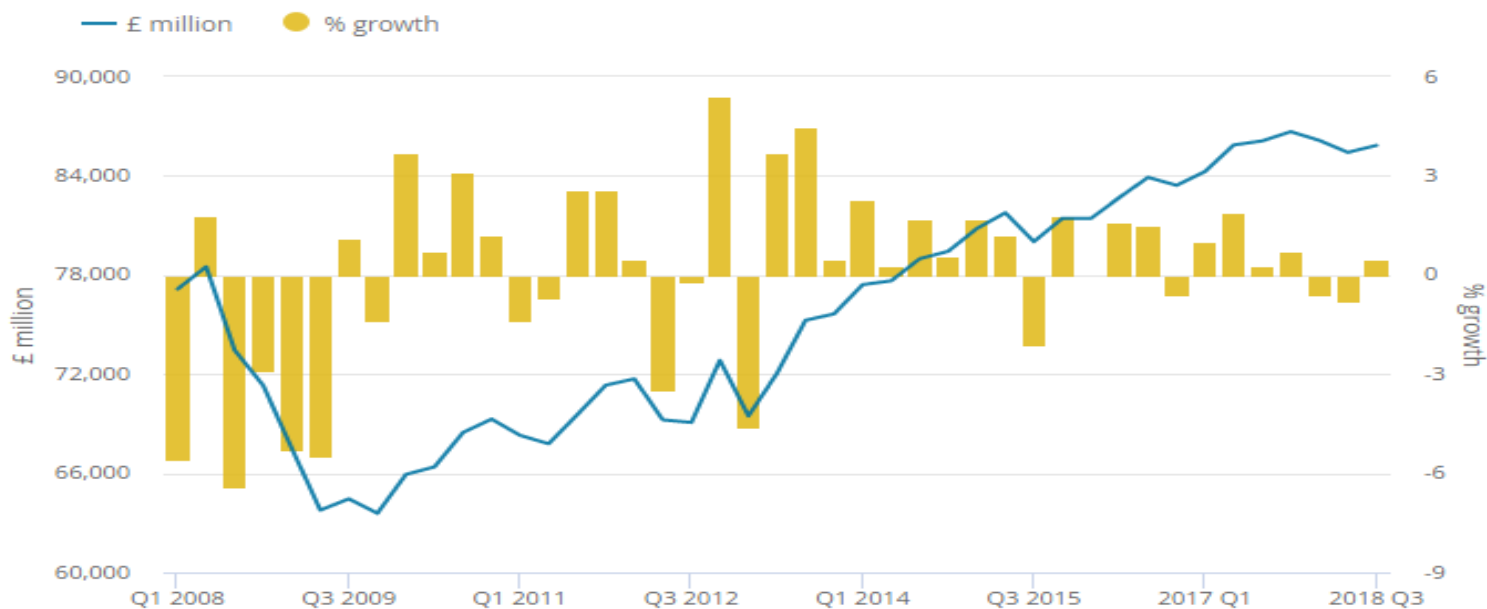
# Brexit: The big uncertainty

- A mistake to focus on the short term
- Disruption at the ports is only one element
- The bigger worry is long-term growth.  
Britain's role was as a base for foreign firms trading in the EU

# Losing appeal

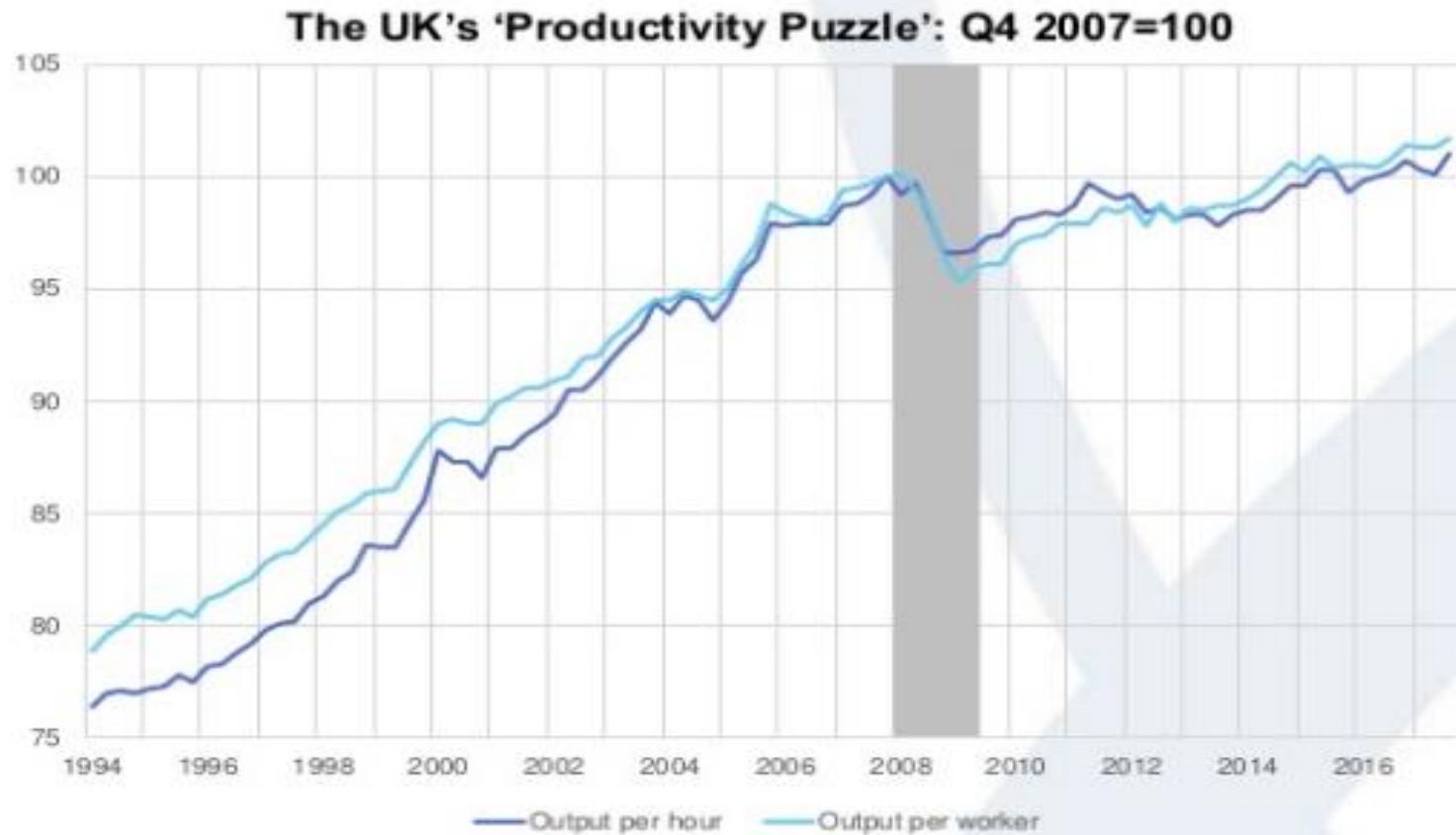
**Figure 4: Quarterly levels and quarter-on-quarter growth of gross fixed capital formation, chained volume measure, seasonally adjusted.**

**Quarter 1 (Jan to Mar) 2008 to Quarter 3 (July to Sept) 2018, 2016, UK**



**Source: Office for National Statistics**

# Long-term growth = more workers + more productivity



Source: [ONS Labour Productivity](#)

# Foreign firms boost productivity

## Foreign Direct Investment and Productivity

£, 000 per worker per year

	Median	
	No FDI	FDI
2012	25.3	<b>61.6</b>
2013	26.5	<b>53.4</b>
2014	27.1	<b>63.3</b>
2015	27.7	<b>59.3</b>

Source: [FDI and labour productivity, a micro-data perspective: 2012 to 2015](#)

# What about migration?

- UK government figures
- Average migrant from the EEA will contribute £78,000 to the public purse
- In 2017, the average EEA migrant contributed £2,370 more than the native-born
- Overall size of economy has grown, less certain effect on GDP per capita

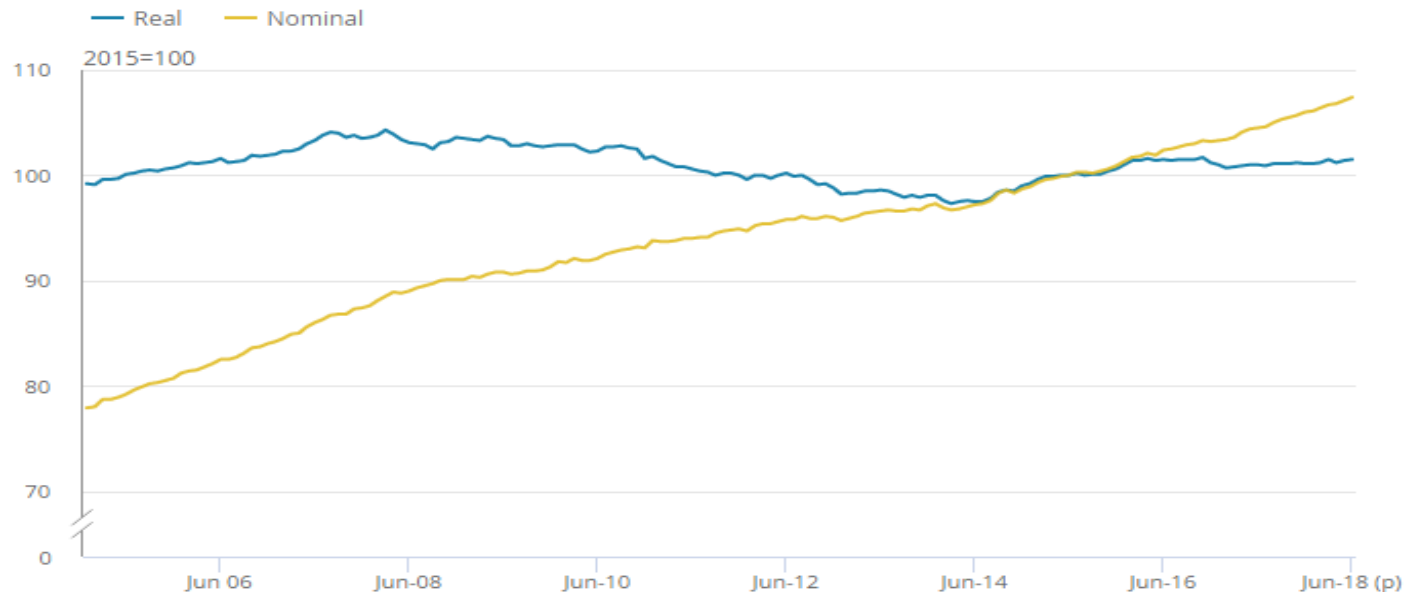
# Effect on wages?

- Estimates suggest some effect on the lowest quintile of workers
- Since 2004, effect of immigration may have reduces wages by around 1% in total (Nickell, Salaheen)

# Real wages in the doldrums

**Figure 2: Average weekly earnings regular pay: real and nominal, whole economy, seasonally adjusted, 2015=100**

**January 2005 to June 2018, Great Britain**



**Source: Monthly Wages and Salaries Survey, Office for National Statistics**

**Notes:**



# Not just a UK problem

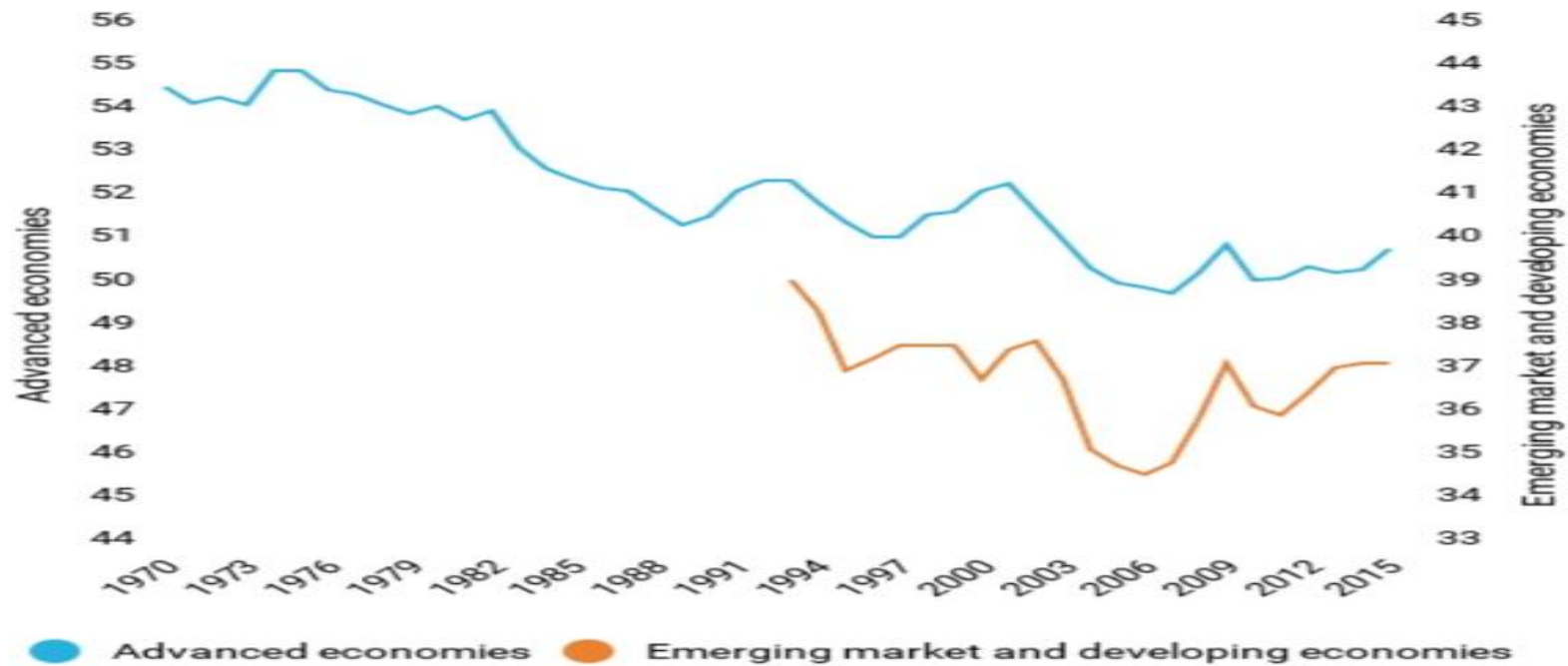
- In the 10 years to 2007, real wage growth in the OECD averaged 27%
- In the 10 years since, it has averaged 8.4%
- Problem has deep roots

# Capital beats labour

## Labor is losing out

The share of national income paid to workers has been declining in many countries.

(evolution of the labor share of income, percent)

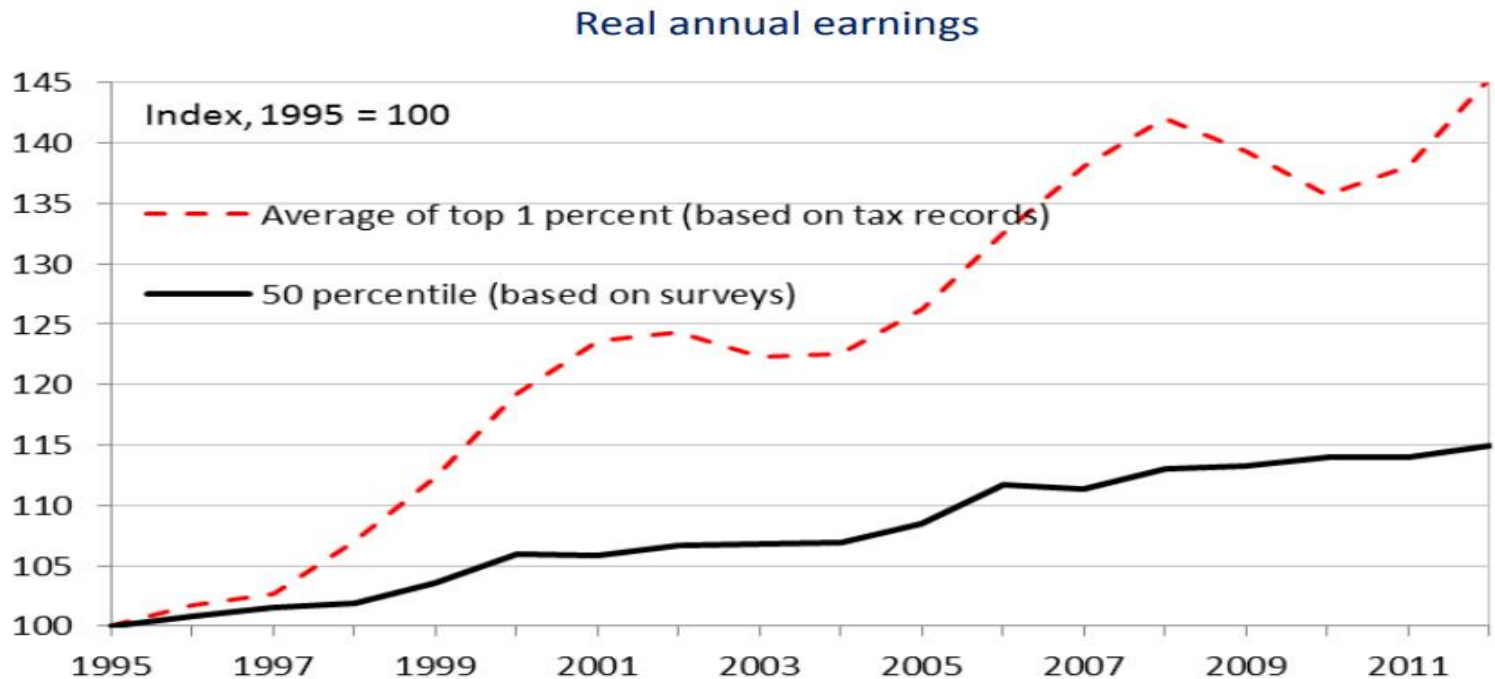


Source: IMF, *World Economic Outlook*, April 2017.

# Technology leads to inequality

## Source: OECD

**The wage stagnation is not evenly distributed across workers**

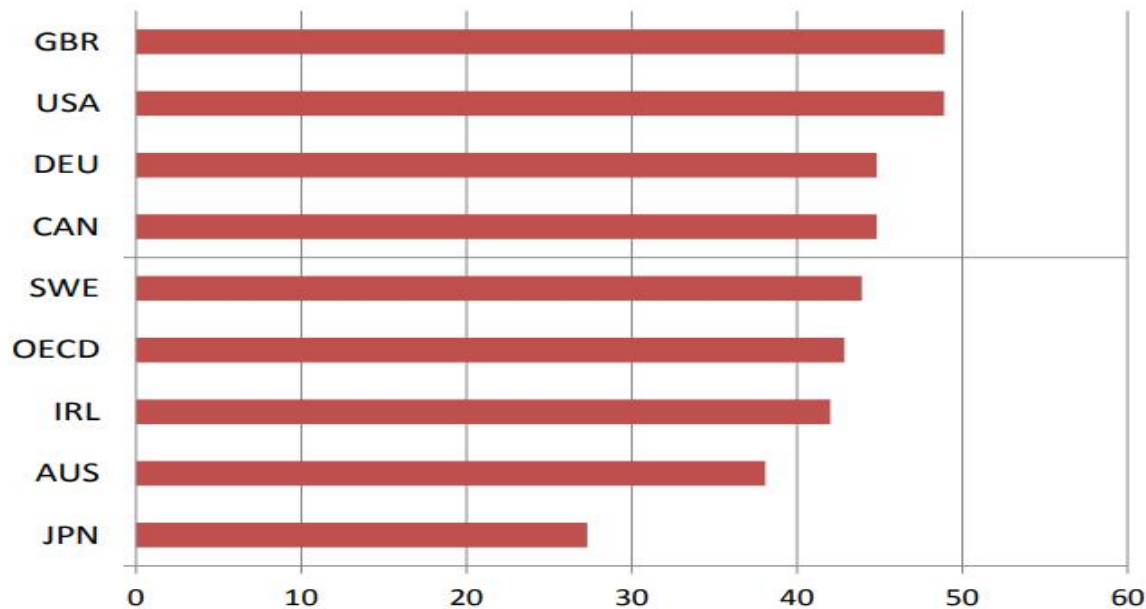


# UK workforce lacks skills

## Source: OECD

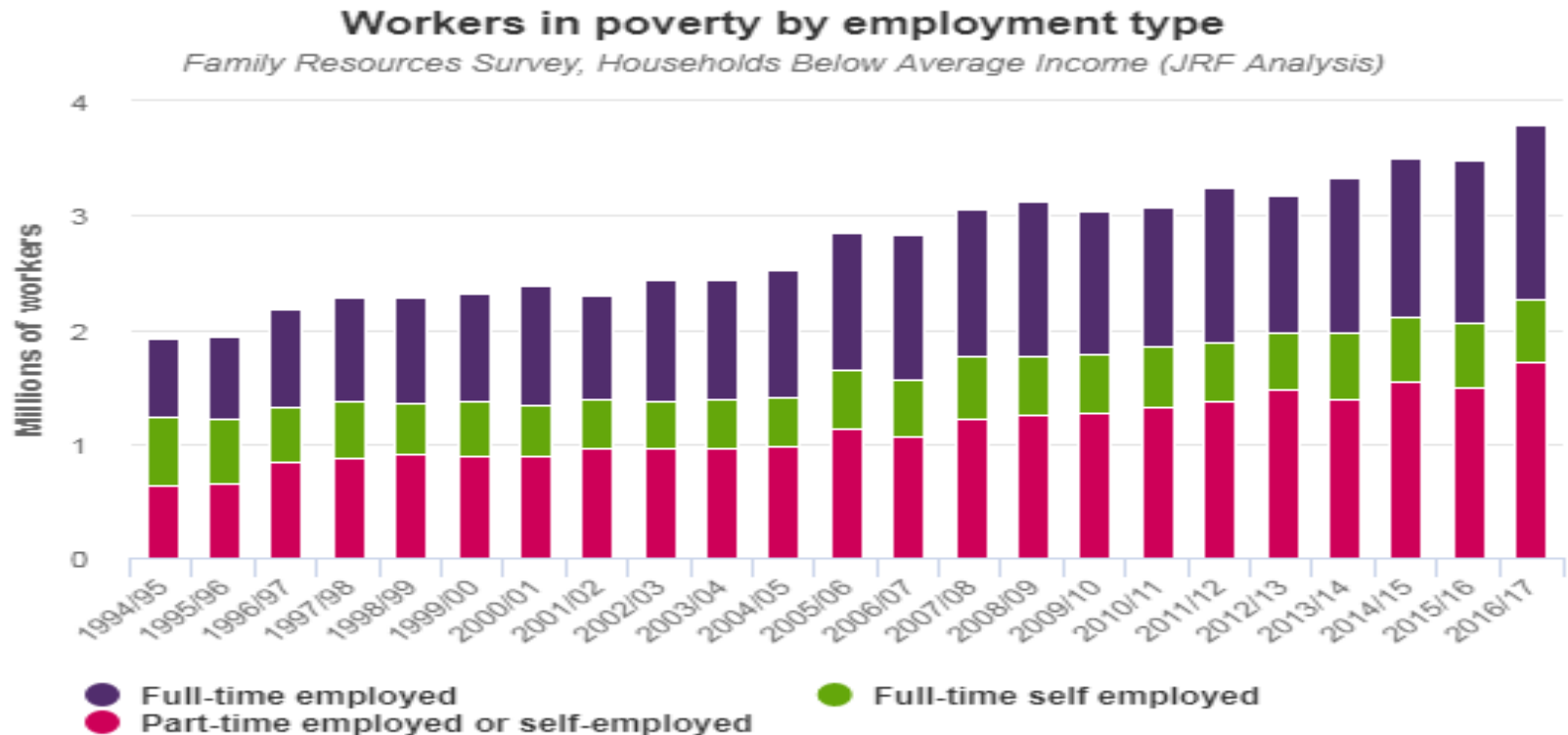
**Almost 40% of adults lack basic problem-solving digital skills**

Percentage of adults who lack basic skills to solve problems in technology rich environments



# In-work poverty is rising

Source: Joseph Rowntree Foundation

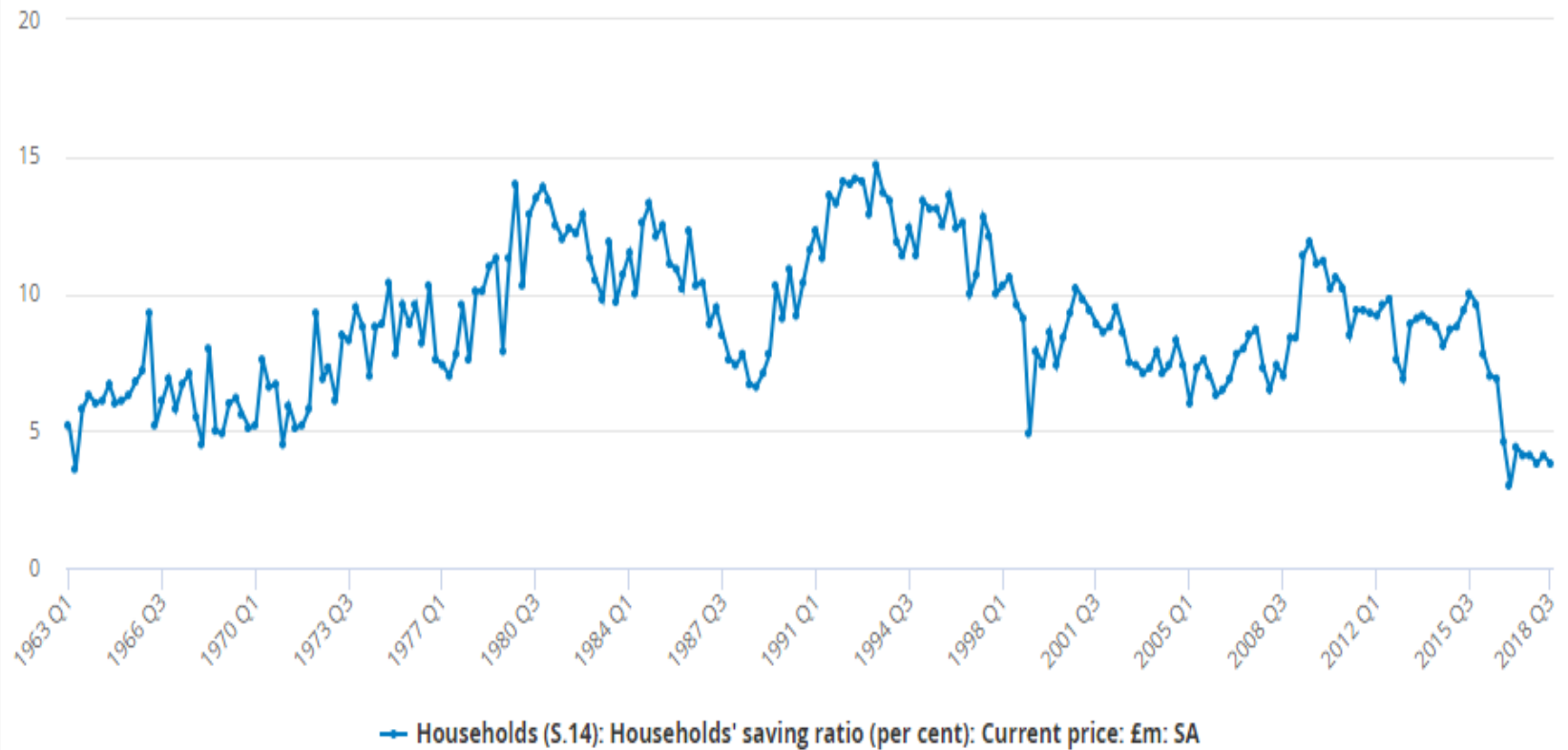


# Disengaged workers

- Only 11% of UK employees felt engaged with their workers. 21% are actively DISengaged
- Only France and Italy, among European nations, have more disengaged workers
- Source: Gallup

# Hard to save

Households (S.14): Households' saving ratio (per cent): Current price: £m: SA

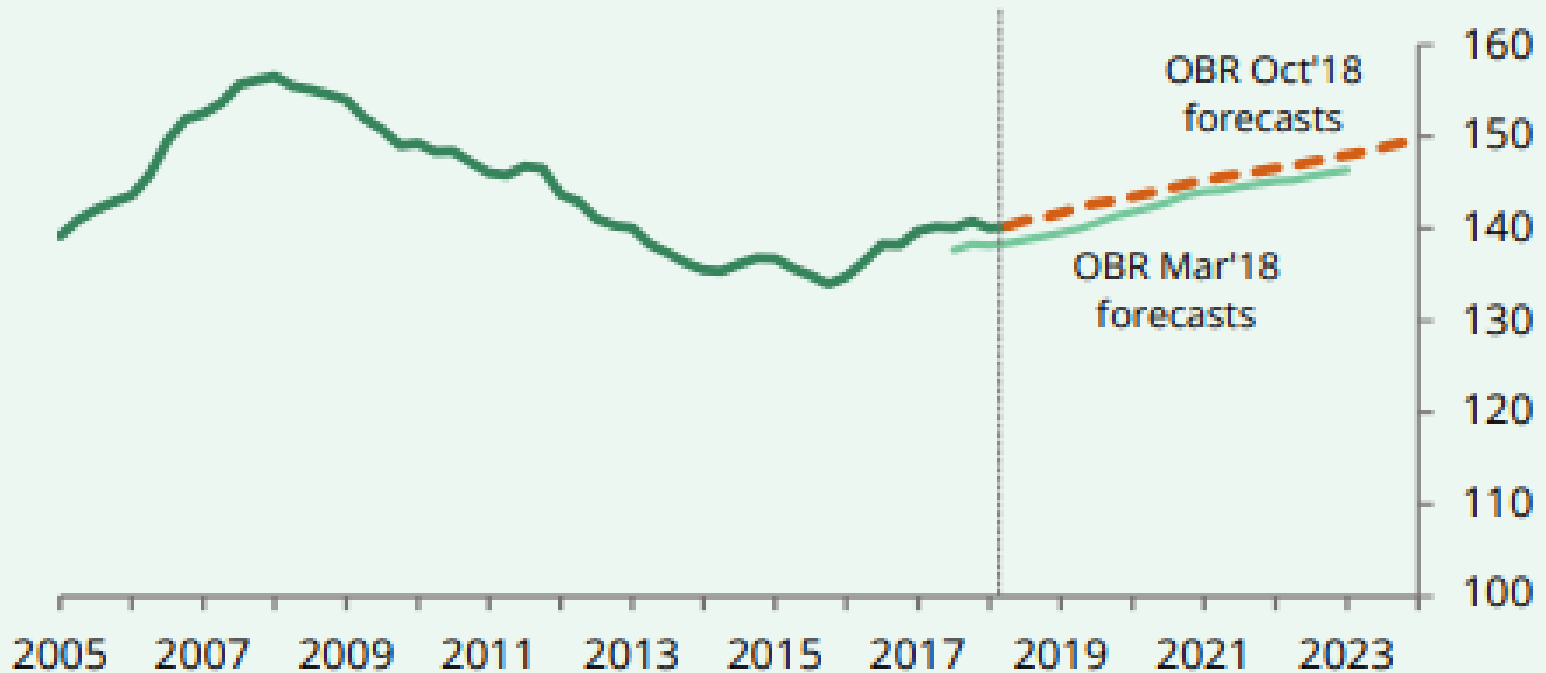


Source:

# Let them eat credit

## UK household debt as % of income

Quarterly data and OBR forecasts up to Q1 2024



Source: OBR, Economic and fiscal outlook Oct'18, chart 3.23



# Switch to passive reduces costs

- Fees on passive UK equity fund now 0.12% against 0.75%
- Fees have dropped 18% for active equity and 30% for passive since RDR in 2012
- Source: Morningstar

# Fintech can cut costs elsewhere

- Mobile payments
- International transfers
- Effect of greater transparency (insurance)
- But incumbents well established; may simply buy challengers
- Will Apple, Google etc muscle into banks' territory?

# More good news

- More people are in work than ever before
- Fewer fatal accidents at work; rate has fallen by three-quarters since early 1980s
- In 1979, there were 29.5m working days lost to strikes in the UK; in 2017, there were 276,000

# Cavalry on the horizon?

- Technology could boost productivity, although at the expense of jobs?
- Aging population may mean real wages have to rise
- Costs could fall further, thanks to finance. Late 19<sup>th</sup> century a time of falling prices, rising real wages
- All the benefits of technology may not be caught in statistics