



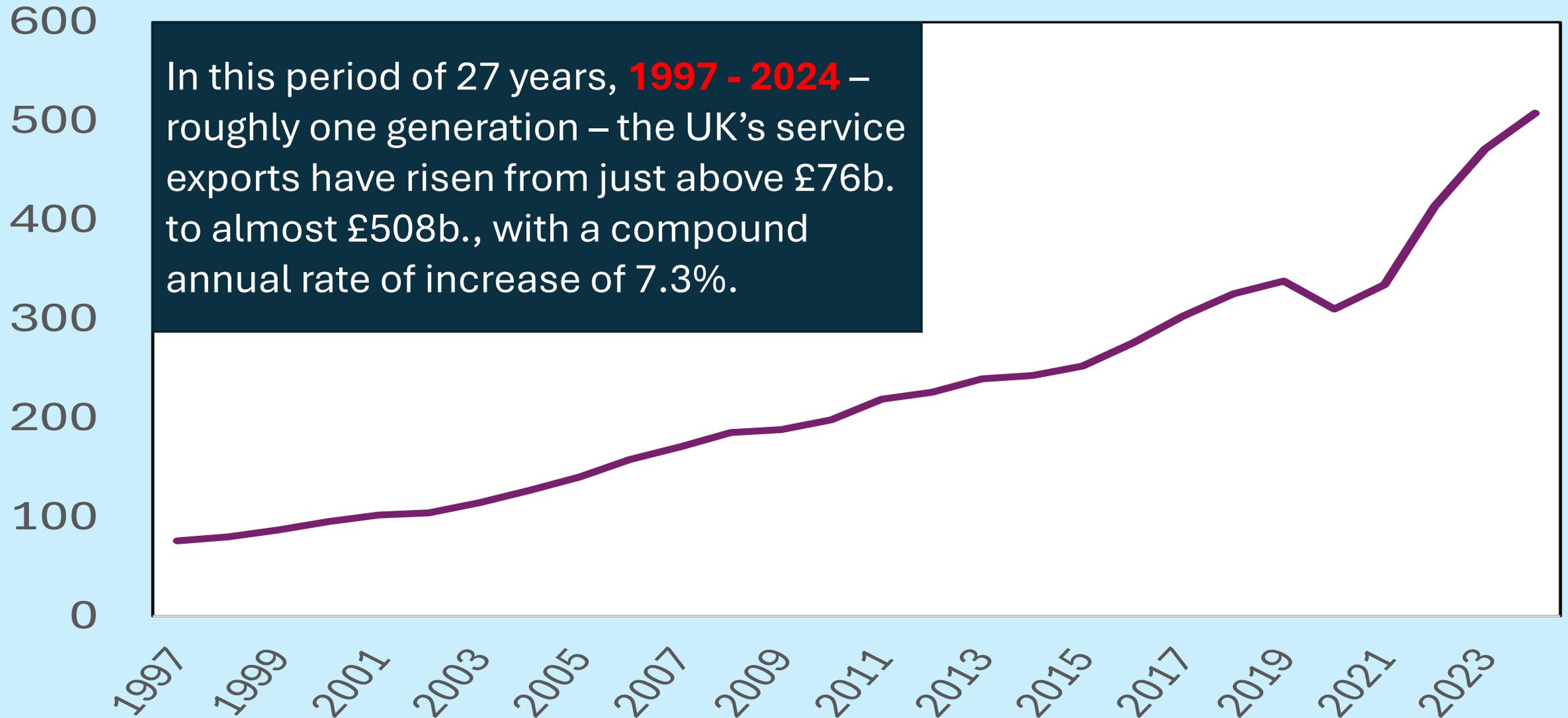
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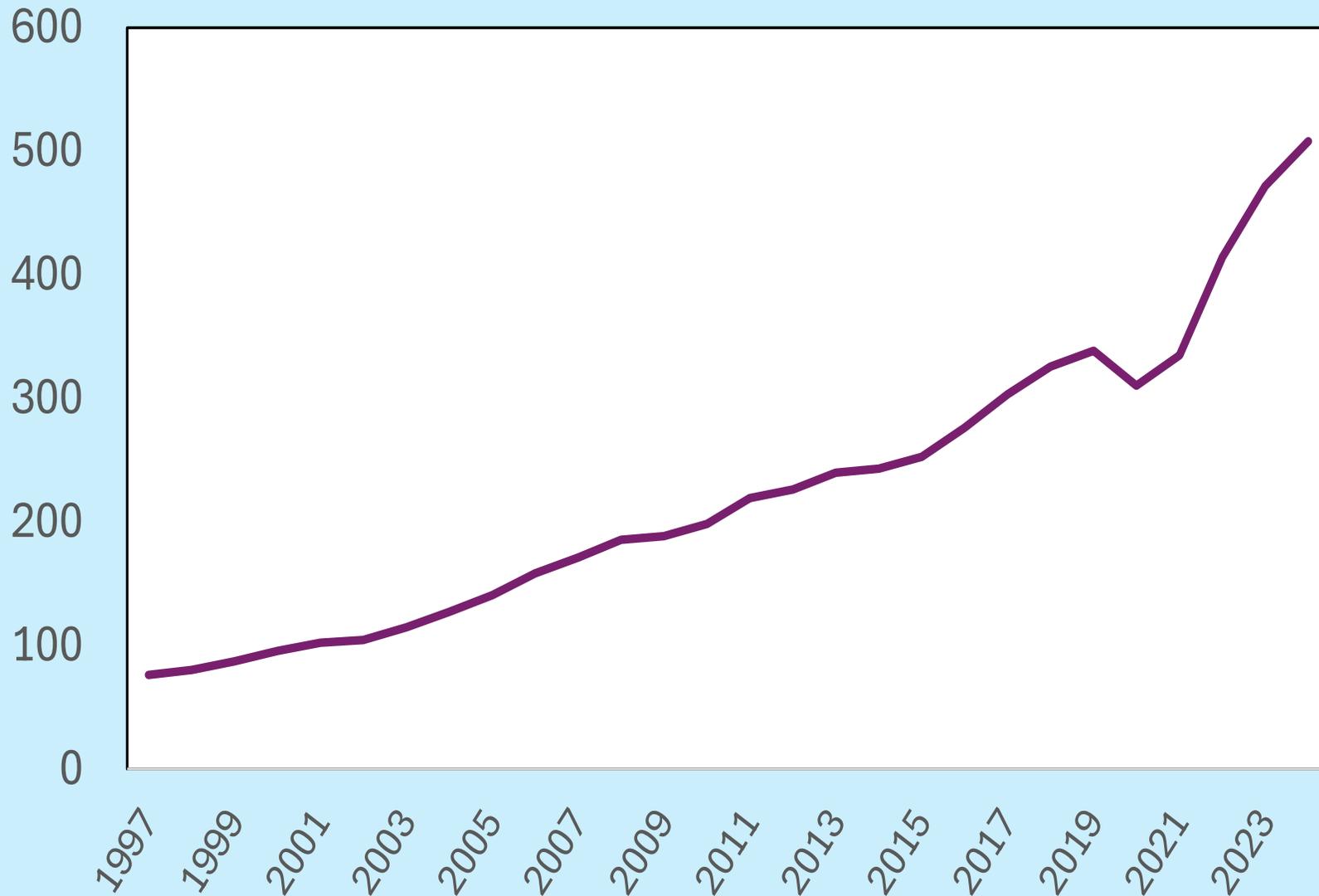
# **The surprise 0.7% Q1 increase in UK GDP: please remember that the UK does have growth industries!**

*A presentation by Professor Tim Congdon CBE,  
Chair of the Institute of International Monetary Research,  
in May 2025*

## UK exports of services, £b.

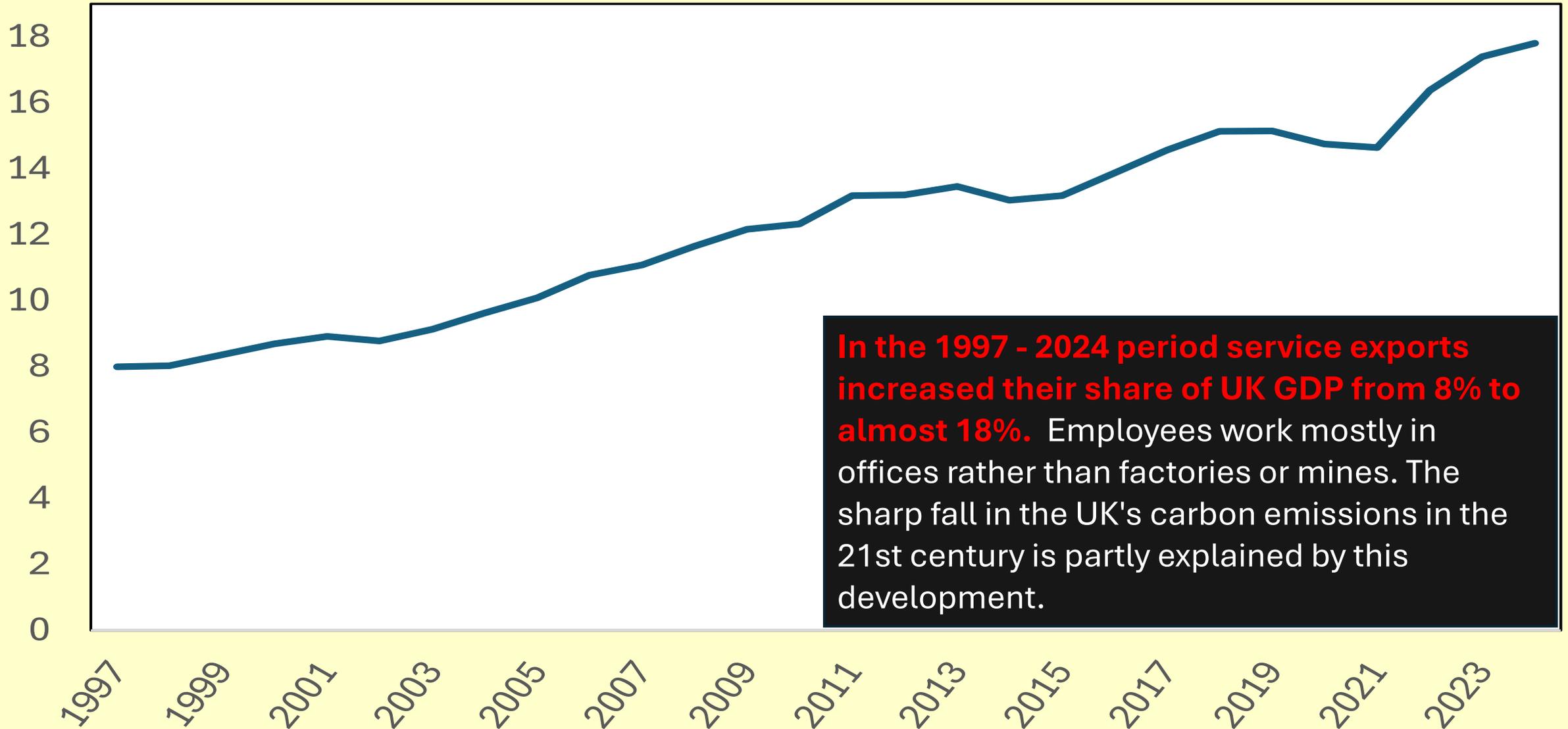


UK exports of services, £b., 1997 - 2024



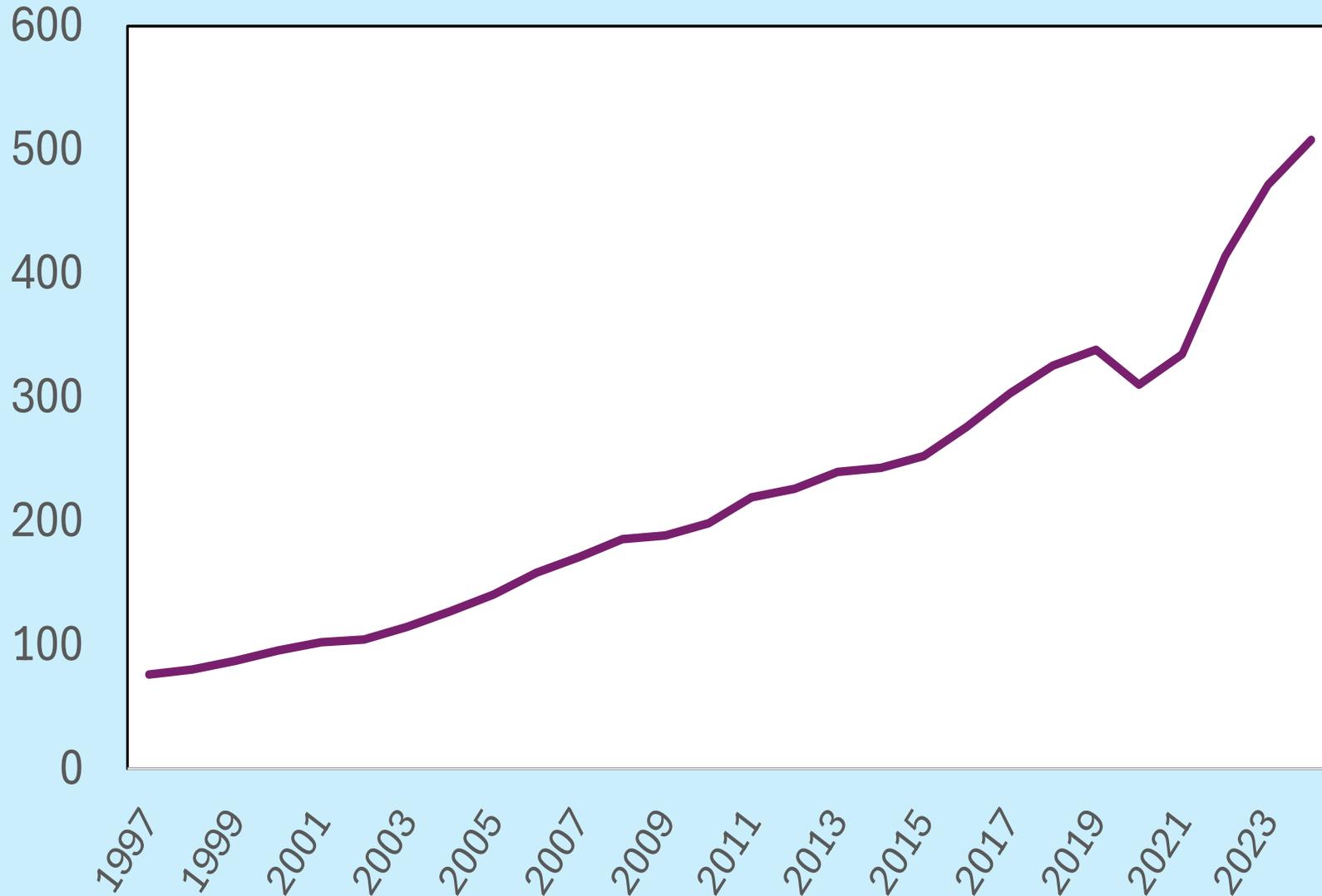
This 7.3% growth rate in nominal terms has been recorded while the UK's GDP deflator (its 'price level', in effect) has gone up by a compound 2.4% a year and its nominal GDP by 4.1% a year. The real compound growth rate of service exports has been 4.8% a year. A 4.8% a year growth rate causes a doubling in 15 years.

# Total service exports as % of the UK's GDP, 1997 - 2024



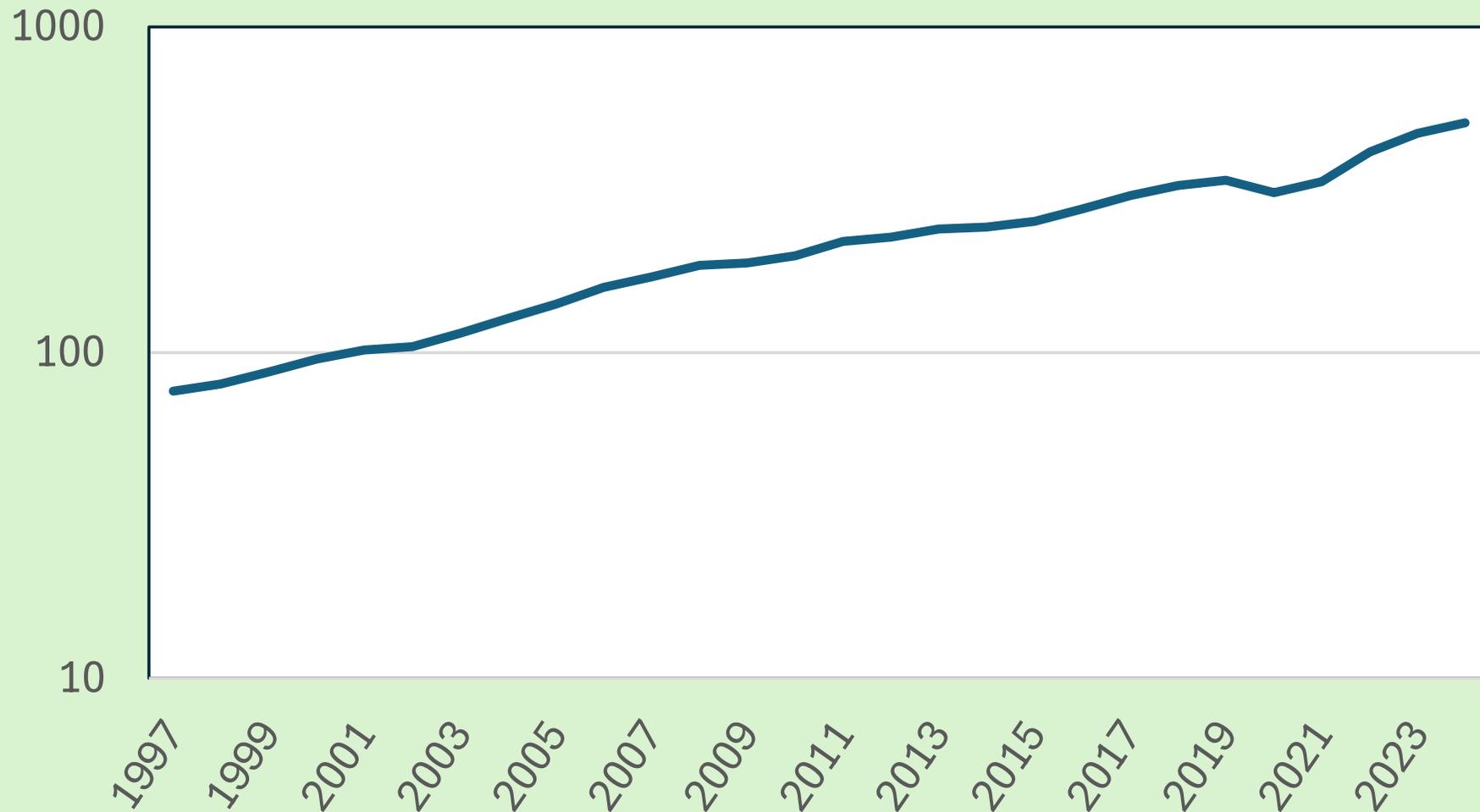
**In the 1997 - 2024 period service exports increased their share of UK GDP from 8% to almost 18%.** Employees work mostly in offices rather than factories or mines. The sharp fall in the UK's carbon emissions in the 21st century is partly explained by this development.

UK exports of services, £b., 1997 - 2024



Has the growth rate been slowing or accelerating? Notice that the chart is on an arithmetic, not logarithmic, basis.

UK exports of services, £b., 1997 - 2024,  
presented on a logarithmic basis



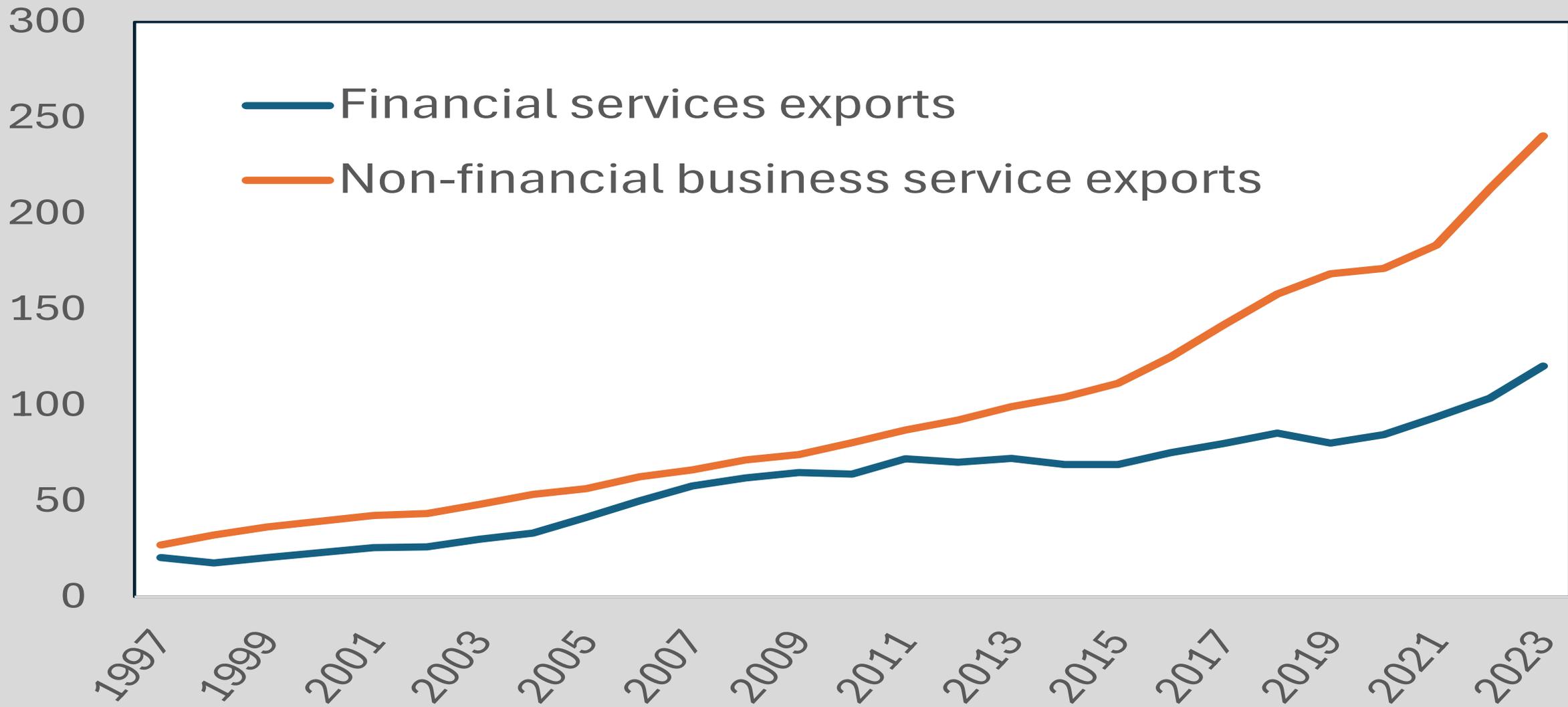
The dip in 2020 and 2021 was Covid-related, while the subsequent recovery was affected by the inflation flare-up. **The trend growth rate looks stable, at about 5% in real terms.**

# The contribution to UK growth: and what about the rest of the economy?

- With service exports at 18% of GDP, and with a trend growth rate of 5% a year, the underlying growth of service exports – in a normal year – will contribute almost 1% to UK GDP growth.
- If the rest of the economy were flat, growth would still be being delivered at about this sort of number.
- In the last decade, the ten years to 2024, the UK's average annual growth rate of real GDP has been 1.4% and of whole-economy output per worker hour (i.e., productivity) a mere 0.6%. Official data show falls in output per worker hour in 2023 of 0.4% and in 2024 of 0.8%.
- **By implication, the performance of the UK economy outside the dynamic area of service exports has been very poor.**

# The impact of the Great Financial Crisis

*Value of service exports in £b., annual data*



# What are these business service exports?

## **Non-financial business service exports**

Legal

Accounting and tax consultancy

Management consultants

Recruitment agencies

Advertising and marketing

Engineering consultancy

Technical advice, engineering, science etc.

Commercial design services

Leasing services

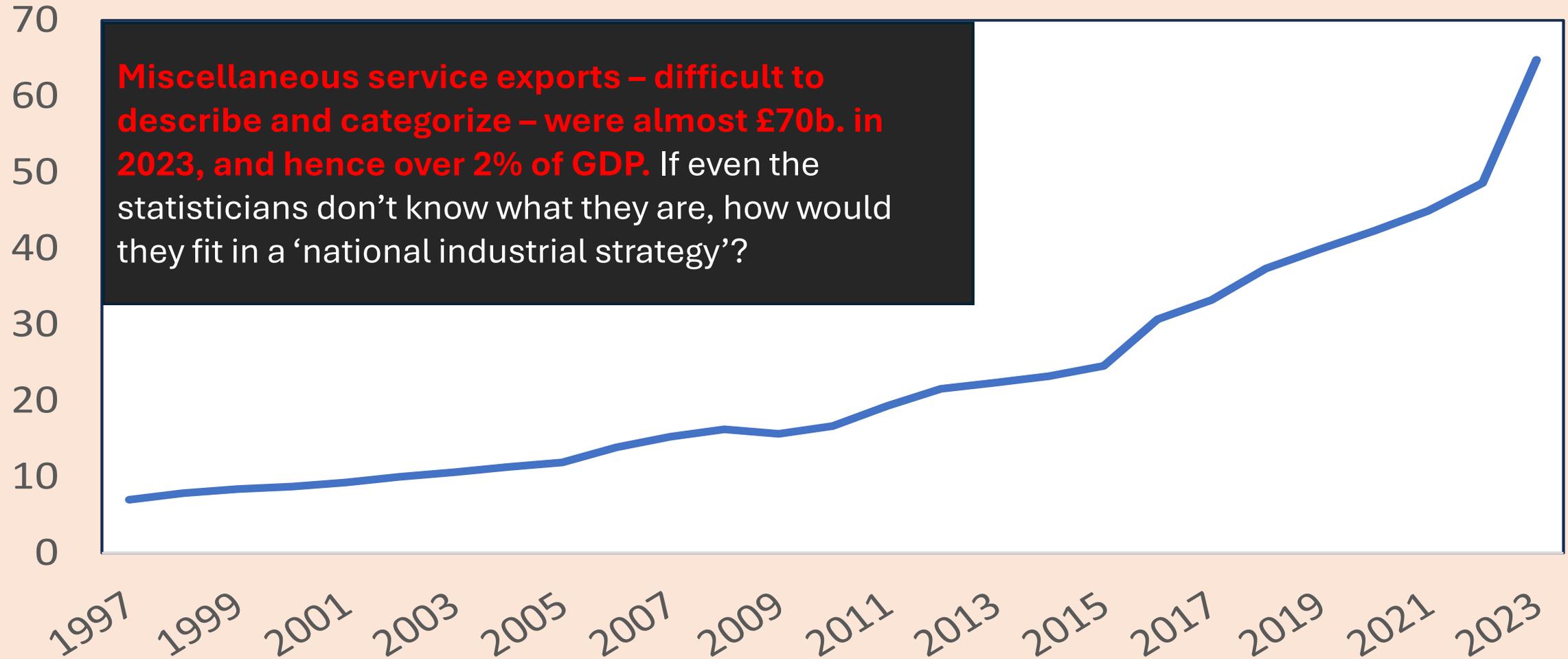
Headquarters functions, by banks

Headquarters functions, inside non-bank organizations

Miscellaneous R & D



Exports of 'Technical, trade-related and other business services: Other business services', in £b.



# Compound % annual growth rate in last decade



The chart relates to UK exports of 'Technical, trade-related and other business services: Other business services', which in 2023 amounted to almost £65b. or over 2% of GDP. **The growth appears to be accelerating – even from a compound annual figure in the last decade of over 11%!**

# UK growth: measurement problems?

- According to the official data, **UK output grew by only 0.4% in 2023 and 1.1% in 2024, while whole-economy output per worker hour declined.**
- Labour market data have been unsatisfactory for a few years, implying major scope for future revision.
- The measurement of real output depends on using a number for a price deflator against a nominal value figure for incomes, sales etc. (The nominal income numbers – from HMRC etc. – are close to 100% reliable.) **The difficulty is in calculating the deflator, particularly so when new products *and* services are being introduced.**

# UK growth: measurement problems?

- Having said that (which implies GDP growth in the last two years has been under-estimated), the official statisticians have – in my view – a serious problem in assessing the value to the nation of such ‘products’ as
  - i. **crypto-currencies (where I would argue that the social value is practically nil)**, and
  - ii. **online gambling**, although – if the UK is exporting gambling services with the necessary software, expertise, etc. – the possibly negligible value to foreign customers is not a concern for the UK.