



ECONOMIC DEVELOPMENT

# The Productivity Frontier: UK Leaders, Laggards and the Growing Gap

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— Executive Summary

- **Productivity growth is just over a quarter of what it was in the 1990s and early 2000s:** From 2010 to 2024, output per job grew by an average of 0.58% per year, compared to an average of 1.9% per year from 1997 to 2007.
- **The UK is falling away from the global frontier in key sectors:** This includes information and communications, manufacturing, and financial services – but for different reasons in each case.
  - Information and communications: The UK caught up with the global productivity frontier pre-2010, but since 2019 has fallen back as the US-led frontier accelerated away, despite continued UK growth.
  - Financial services: Once near the frontier, UK productivity fell and then stagnated post-financial crisis, while others like Singapore and the Netherlands continue to grow – though the UK is still above the G7 average.
  - Manufacturing: UK productivity doubled from 1997 to 2008 but has since flatlined, unlike frontier countries like Denmark and Switzerland, which have continued to advance.
- **The sectors that have historically driven productivity growth have slowed significantly:** While information and communications, financial services and manufacturing remain strengths for the UK economy, they are underachieving compared to historic performance levels. Between 1997 and 2007, these three sectors accounted for 84% of positive productivity growth across the economy. Since then, they contributed 46% between 2008-2018 and only 34% in 2019-2024.
- **There are now more low productivity firms, and they are less productive than in 1997:** The long tail of low productivity firms across the economy is getting longer and falling further behind.
- **However, more people are now employed in higher productivity firms than in the 1990s:** This is a positive signal that some workers are shifting to larger and more productive firms.
- **Therefore, interventions should be focused on the specific sector- and firm-level challenges they are looking to solve:** Supporting a sector does not mean supporting every firm within that sector. Interventions should tackle the long tail of unproductive firms by encouraging dynamism, with an element of encouraging creative destruction and facilitating labour redistribution. They

should also address cross-cutting constraints, such as high energy prices, that are holding back firms at all levels in sectors such as manufacturing.

The UK's low productivity growth is well established yet still poorly understood. From 2010 to 2024, output per job grew by an average of 0.58% per year compared to an average of 1.9% per year from 1997 to 2007. These are not just abstract numbers; labour productivity is the fundamental driver of economic growth and living standards. If the UK's real GDP had continued to grow at this historic rate, it would be 21% higher today, equal to adding £557 billion to the UK economy. Clearly, this is material to the standard of living and quality of life in the UK. Despite the scale of the challenge, solutions have proved elusive for successive governments over the past two decades.

It is therefore not surprising that UK Prime Minister Sir Keir Starmer claims the UK needs a “productivity revolution”. But to unleash such a change, we must first understand the UK's strengths and weaknesses, both relative to peers and to previous periods of stronger growth.

There is plenty of research at the macro level that helps us understand at least part of the story. For example, work by the UK's Office for National Statistics (ONS) demonstrates that a lack of capital investment has been a key factor in the slowdown in UK productivity growth.<sup>1</sup> Similarly, recent analysis by the International Monetary Fund (IMF) of the growing gap between US and UK productivity puts much down to a lack of innovation.<sup>2</sup> While these are undoubtedly key factors, digging further into sector- and firm-level cross-national comparisons can help inform more targeted interventions.

With this in mind, this paper attempts three things:

1. First, we outline a new sector-specific approach to defining the global productivity frontier. This helps illustrate how UK sectors are performing over time, where they are falling behind and where there are continued strengths relative to peers.
2. Second, we consider the implications for sector performance on total UK productivity, to help untangle how various sectors have contributed to productivity growth over time.
3. Third, we take a firm-level approach to understand where the UK is lacking innovation or dispersion, both overall and at a sector level.

Taken together, this analysis shows that when it comes to boosting labour productivity there is no ‘one-size-fits-all’ approach. Three key sector archetypes are helpful for understanding what is

happening across the UK economy and the different sectoral challenges:

- A. Some consistent growth, but the global frontier is still accelerating away.
- B. Cross-industry challenges are causing structural low or static growth across all levels of firms. Here, the UK is falling behind the global frontier and the entire sector is stagnating.
- C. The top firms are doing well, but a long tail of low productivity firms are struggling to keep pace and learn from best practice.

# Global Frontier Pulls Away From the UK in Many Sectors

To test how well UK sectors have performed relative to their competitors globally, we have developed a sector approach to estimating the global productivity frontier. We define the frontier in each sector as the average gross value added (GVA) per worker among the top three performing countries globally per year, in constant US dollars. This allows for economies to become the new frontier, while removing some of the noise that can come from relying on a single country. We then judge the UK's performance against the frontier by considering UK output per worker as a percentage of the frontier value for key sectors in the UK economy (see Exhibit 1.1 and 1.2).

**EXHIBIT 1.1**

In Most Industries, the UK Has Fallen Away From the Frontier



Source: Oxford Economics, BCG Centre for Growth Analysis.  
Note: Frontier defined as the average GVA per worker in the top three countries for that industry. Performance relative to frontier calculated as a fraction of frontier. Business Services encompasses Real Estate, Professional, scientific and technical activities and Administrative and support service activities.

Click through to view all exhibits.

The analysis confirms several high-level economic trends. Here we focus on where the changes have been most significant for the UK economy.

- 1. The global frontier in information and communications has begun to accelerate away from the UK over the past few years.** In the run up to the global financial crisis, UK productivity in the sector grew at a faster rate than the frontier and the G7 average. Although, this did start from a lower base and as such, was mainly catch-up growth. Growth slowed somewhat in the 2010s but the sector continued to outperform the UK average and has been strong since COVID. The global frontier – primarily driven by the US – has done the opposite. Marginally slower growth pre-2010 enabled the UK to catch up before aggressive increases in labour productivity from 2019 meant the UK started falling back from the frontier, much earlier than the post-COVID boom. Despite this, the UK remains relatively well-placed, ranking sixth out of 39 countries in 2024; just outside the frontier group. Indeed, when the US is excluded from the G7 frontier, the UK is notably ahead and pulling away from other G7 countries.
- 2. The UK was a world leader in financial services during the 1990s, but productivity has flatlined since the financial crisis while the frontier has continued to grow.** In 1996, the UK's performance against the frontier was 0.83, suggesting it was pushing at the frontier with the fourth-highest productivity in our country set. With the exception of the bubble prior to 2008, the UK has fallen back from the frontier year-on-year. This is largely driven by flat productivity growth in the UK while the likes of Norway, the Netherlands, Hong Kong and Singapore have increased their output per worker in this sector consistently. Even other countries that saw large financial bubbles, such as the US, have been able to steadily raise their productivity. On the upside, the UK continues to benefit from higher productivity than the G7 average, with only the US producing more output per worker.
- 3. UK manufacturing productivity climbed quickly until 2008 but has stagnated since. The global frontier has continued to grow but evidence of slowdown is widespread.** Between 1995 and 2008, UK manufacturing productivity more than doubled, enabling the UK to catch up to the G7 productivity average and somewhat to the frontier. It is likely that this was partly driven by a significant shift of workers out of lower productivity manufacturing and into lower productivity services in the UK during this time. This may have helped to lift manufacturing productivity overall. Since then, UK (and overall G7) productivity has flatlined. Meanwhile, the frontier has advanced – led by Denmark, the US and Switzerland. This may speak to some more widespread challenges for G7 economies when it comes to manufacturing but also tells us that some developed economies have managed to overcome these either through scale (US) or highly specialised advanced manufacturing (Denmark and Switzerland).
- 4. The UK's 'arts and other services' sector is near the frontier and has maintained its position over time, bucking the common trend in other sectors.** While a lower productivity sector overall (likely related to challenges around measuring GVA in a sector which is often non-profit or voluntary), relative to global peers the UK's arts sector is consistently close to the frontier at 0.73 (where the frontier is 1.0). Moreover, the sector is more productive than the G7

average. Given this sector accounted for roughly 3% of GVA in 2023 and has been growing consistently, it underlines that the broader creative sector remains a real strength for the UK.

**5. Retail has flatlined in the UK while the frontier and G7 has still managed to grow, despite being a tough sector to realise productivity growth in.** As a high-volume, low-value sector, it is not inherently surprising that labour productivity in the retail sector has essentially stagnated from 1997 to 2023. However, other regions globally such as Singapore, Hong Kong and Switzerland and even the G7 have still been able to grow productivity in this sector despite inherent challenges.

This sector-by-sector analysis suggests that there is a general trend of the UK falling back from the global productivity frontier over the past three decades. However, it also shows that the UK still has underlying strengths, outperforming the G7 frontier in some sectors, like the arts and financial services.

## Understanding Historic Performance of Key UK Sectors

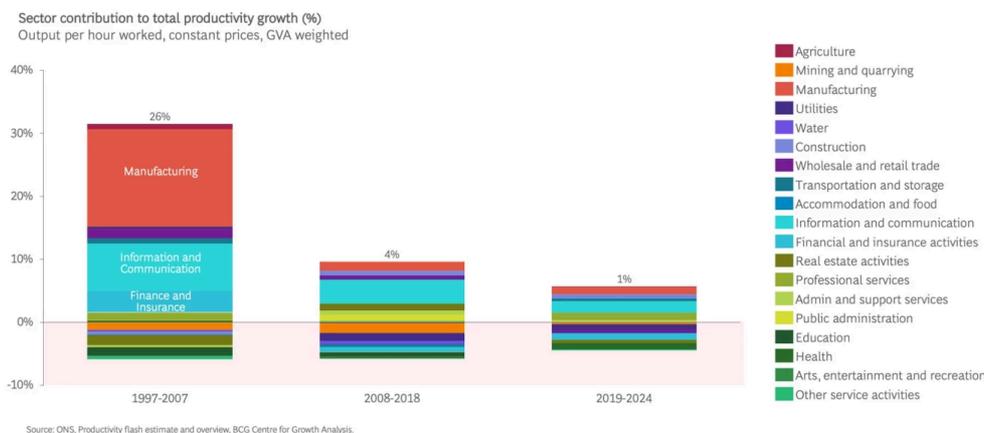
It is notable that the sectors where the UK looks to be falling back from the frontier are also some of the sectors that are traditionally seen as strengths for the UK; particularly high-value services like information and communications and financial services. How do we reconcile this traditional view of our strengths with performance relative to peers?

To answer this, we weight sector productivity growth (using GVA per hour worked) by each sector's share of the economy (GVA). This separates two different forces: how fast a sector's productivity is growing and how much that sector matters in terms of economy-wide outcomes. We then consider the growth in productivity across three time periods – 1997-2007 (pre-crisis), 2008-2018 (post-crisis) and 2019-2024 (post-COVID) (Exhibit 2). A degree of caution needs to be taken when interpreting the results in the most recent time period, as it is half as long, but the results are still helpful in understanding productivity growth to date.

The results suggest that the UK's slowdown is not because all sectors have stopped growing, but rather that aggregate performance became increasingly dependent on a small set of sectors – information and communications, manufacturing and financial services – and all of these have weakened since 2008. Between 1997-2007, these three sectors accounted for 84% of positive productivity growth across the economy. Since then, they contributed 46% between 2008-2018 and only 34% in 2019-2024. So, while these sectors are still important, and remain relative strengths of the UK economy, they are performing less well than previously. At the same time, their weakening performance has not been offset by growth elsewhere.

**EXHIBIT 2**

**Growth Driving Sectors Are Underperforming and Other Sectors Are Not Offsetting**



During 1997-2007, aggregate productivity growth was disproportionately explained by a handful of sectors, most notably manufacturing. This sector combined strong productivity growth with a large share of the economy (19% of GVA), translating to a major contribution to aggregate productivity growth (around 15% over the period). After 2008, the sector’s contribution fell sharply to around 1% in both 2008-2018 and 2019-2024, reflecting both slower productivity growth and a smaller share of the economy, with its GVA share falling from 19% in the pre-crisis period to 11% in 2019-2024.

The macro impact of the information and communications sector also faded over this period. The sector’s contribution to aggregate productivity growth fell from 8% in 1997-2007 to 2% in 2019-2024, despite a modest rise in share of total GVA (6% to 7%).

At the same time, other sizeable sectors have moved from neutral/positive to negative contributions to aggregate productivity in later time periods. Financial services is a particularly stark case: even as it grew in terms of share of the economy (from 8% to 9%), its productivity performance fell enough to flip its contribution to aggregate productivity growth from +3% pre-2008 to -1% in 2019-2024.

However, there are some positives. The professional services segment is smaller than the big three sectors, but its contribution to aggregate productivity growth has recently rebounded, showing surprising resilience. In 1997-2007, professional services contributed 1.2% of aggregate productivity growth, then fell to around zero in 2008-2018, before rebounding to around 1.2% in 2019-2024. That puts it ahead of manufacturing in the most recent time period, reflecting both stronger recent productivity growth, a wider slowdown in productivity growth for other sectors, and its growing importance to the economy.

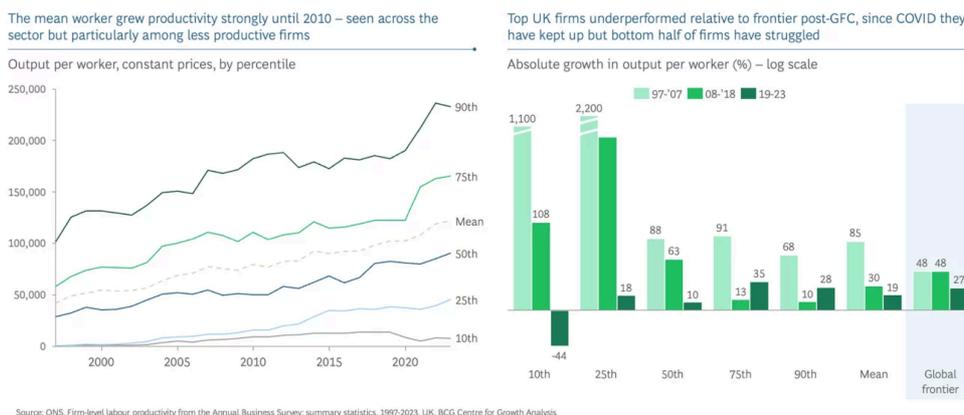
Previously, the UK was able to thrive despite aggregate productivity growth being concentrated in a small number of large, high-performing sectors. However, while these sectors remain the key drivers of productivity growth, they are contributing much less. In other words, the UK’s strongest sectors are now underperforming when compared to the global frontier *and* to what they once were.

# Firm-Level Analysis Shows That Reasons for the UK Falling Behind Vary Across Key Sectors

With this in mind, we can turn to our firm-level analysis to understand why some of our key sectors might be performing poorly relative to peers and to their own historical performance. We do this for the largest and most important sectors – manufacturing, retail, information and communications and professional services (a subset of business services). Together they accounted for 37% of the UK economy in 2024, and the vast majority of the private sector economy. We have not included financial services due to a lack of UK firm-level data, but we intend to publish a more detailed assessment of the sector’s poor productivity in the coming months, given its performance is particularly disappointing and it accounts for 10% of the UK economy.

## EXHIBIT 3.1

### Information and Communication | Strong Productivity Growth Pre-’08, With Top Firms Improving Performance Since COVID



[Click through to view all exhibits.](#)

## Information and communications:

As Exhibit 3.1 shows, firms at all levels grew strongly in the run up to 2008. This reflects the period of catch-up growth we see in our frontier analysis above, where the lowest productivity firms aggressively closed the gap with the top-performing firms relative to their 1997 starting point. Following the financial crisis, the bottom 25% of firms continued to grow quite strongly. However, the top 50% of firms in the UK slowed their growth over this period, allowing the global frontier to pull further away. This is likely because, from the 2010s, structural headwinds flattened the UK’s

productivity frontier, while weak ICT investment delayed technology adoption, leading to a weaker long tail of firms and wider dispersion.

Post-2019 and following the COVID pandemic, the story has flipped, with our top 10% of firms growing strongly, at a slightly greater rate than the global frontier (1pp). However, the bottom 10% of firms have fallen back significantly, becoming far less productive. Overall, this suggests that there have been multiple challenges at different times for this sector. But as it stands, we are seeing a mix of a long and unproductive tail of firms dragging down productivity in the sector, and even though our top firms are doing well, they aren't doing well enough to materially catch up with the most productive globally, given their lower starting point.

### **Retail:**

The retail sector is generally a relatively low productivity sector (in terms of output per worker) and at most levels has seen little to no productivity growth (Exhibit 3.2). The median firms (50th percentile) have increased their output per worker by just £500 since 1997 to £39,500. Unlike other sectors, the period between the financial crisis and COVID presented the strongest productivity growth for this sector. Since 1997, the top 10% of firms have seen a period of rapid productivity growth, but this is often followed by sharp falls. This suggests an element of economic cyclicality, which is not surprising for the top end of this sector, as it may be more exposed to changes in consumer behaviour and macroeconomic headwinds. Since the pandemic, the tail of low productivity firms has seen productivity fall significantly. While this low productivity growth may be unsurprising in the retail sector, the global frontier has been able to increase its productivity, though it has also struggled post-COVID. This suggests that as an industry it is possible to make gains, but the UK has struggled to embed these in an enduring way.

### **Manufacturing:**

The UK manufacturing sector grew its productivity at a compound annual growth rate of 7% up until 2007 – the strongest growth of any sector. As a result, average output per worker almost doubled from £35,500 to £69,000. This was broad-based, cross-sector growth, as shown in Exhibit 3.3. While it was strongest among low productivity firms, it is true at the top end too. The sector also outperformed productivity growth at the global frontier which achieved on average about half the overall growth of the UK's sector. This may well be because rapid globalisation pushed UK manufacturers to offshore lower-value activities, specialise in higher-value production, and take advantage of cheaper imported inputs. In turn, this allowed output to grow even as the manufacturing workforce shrank.

However, since 2008, the sector has stagnated across the board in the UK. Average GVA per worker grew by a total of just 1.4% over 11 years up to 2019, or just £1,000. Productivity has slightly picked up since COVID though, with output per worker growing by £4,500 between 2019 and 2023. Generally, this period of low productivity growth after 2007 was mirrored across much of the G7. This suggests that some structural challenges, such as high energy costs and squeezed margins from global competition, are impacting the sector across the board, rather than firm-level behaviours struggling to keep up.

## Professional services:

The UK's professional services sector has witnessed some of the largest divergence across the economy, driven by the least and most productive firms moving in different directions. As evidenced in Exhibit 3.4, the least productive firms more than halved their output per worker between 1997 and 2007, while the most productive increased their productivity considerably by a total of 33% (possibly reflecting the bubble in the adjacent financial services sector). While the period post-crisis saw falling output across the sector, since COVID productivity has picked up and kept pace with the global frontier. Unlike other sectors, the mid-tier firms have managed to grow their productivity faster than the top.

Bringing all this together, across these sectors and over time, we see three broad issues that are not mutually exclusive:

A. In certain sectors, **despite some consistent growth, the global frontier is pulling away** and UK firms, even productive ones, are struggling to keep up.

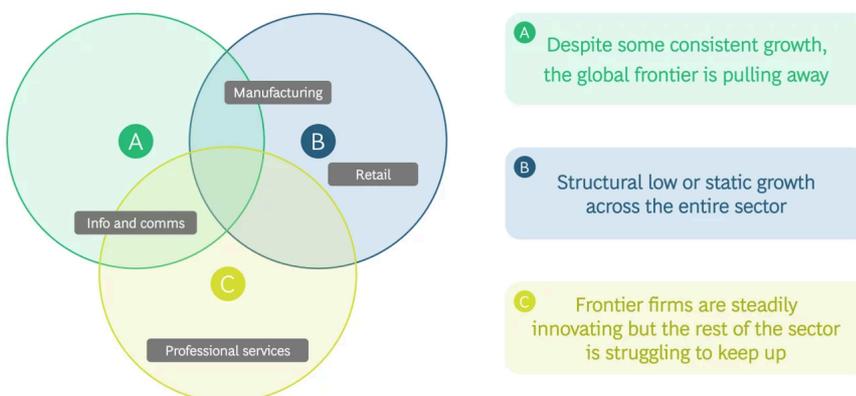
B. In others there is **structural low, or static growth across the entire sector** in UK firms, suggesting a sector-wide challenge impacting firms across productivity deciles, either due to structural factors or an inability to learn from other parts of the economy. As a result, not only is the UK falling back from the global frontier, but the entire sector is stagnating. We see this in the manufacturing sector.

C. Finally, some UK **frontier firms are steadily innovating but the rest of the sector is struggling to keep up with the pace of change**. In some sectors we see a strong frontier, but a long tail of laggard firms.

Exhibit 4 shows how four of the UK's key sectors map onto these issue archetypes.

### EXHIBIT 4

#### The UK's Key Industries Face Different Challenges



These sector-level trends also feed into some more general issues that are visible across the economy.

At the bottom of the productivity distribution:

- 1. There has been growth in the number of low productivity firms.** Between 1997 and 2023, the total number of firms increased by 70%, from 1.4 million to 2.4 million. This increase has disproportionately been in low productivity firms – below the 25th productivity percentile (Exhibit 5). The number of firms below the 25th percentile has almost doubled from 444,500 to 873,000 whereas the number of firms above the 75th percentile has increased by just 62%, from 310,500 to 502,500. In other words, the more productive UK firms have become a smaller share of the UK economy. The firms in the top 1% for productivity, for example, now account for 6% of all firms in 2023 rather than 6.6% in 1997.
- 2. The UK's least productive firms have become even less productive.** Considering the performance of the UK's laggard firms – those in the bottom 10th percentile for productivity – we see that the general trend is one of declining productivity. Across the 15 sectors observed, seven have seen productivity fall since 2010, including agriculture, retail, transportation, accommodation and food, and information and communications – essentially the majority of the UK private sector. As Exhibit 6 shows, the mean output per worker for the bottom 6% of firms was lower in 2023 than in 1997 in real terms.

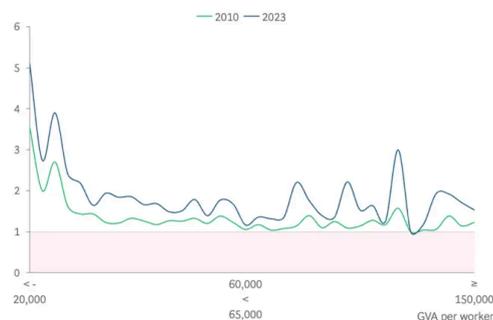
The story at the top of the distribution is nuanced but more positive. The threshold to be among the top 1% of UK firms by productivity is lower in 2023 than it was in 1997, indicating a downward shift in the upper tail of the productivity distribution. This is seen when weighting data by the number of firms. It may be because we have many small firms in the UK economy that are relatively low productivity and, as our analysis above suggests, this long tail has grown. However, when weighting the data by employment, the picture looks much more positive. The mean output per worker of firms at the top of the distribution is significantly higher than it was in 1997. This may be because larger and more productive firms are employing more people, which in turn suggests some positive allocative efficiency with workers flowing to more productive firms. As illustrated in Exhibit 6, output per worker is materially higher within the most productive firms.

## EXHIBIT 5

### There Are More Low-Productivity Firms Today Than in 1997 and Our High Productivity Firms Make Up a Smaller Share of the Economy

The largest growth in the number of firms, relative to 1997, is at the lower end of the productivity spectrum

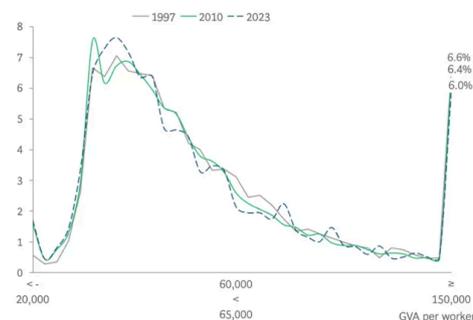
Number of firms, firm weighted, constant prices (indexed, 1997=1)



Source: ONS, Firm-level labour productivity from the Annual Business Survey; summary statistics, 1997-2023, UK, BCG Centre for Growth Analysis

And high productivity firms are now a smaller share of the overall number of firms in the economy than they were in 1997

Share of total firms (%), firm weighted, constant prices



[Click through to view all exhibits.](#)

## Key Insights and Learnings for Policymakers and Businesses

Our findings reinforce much of what we already know about the UK's productivity challenges. But they also show that context and timing are crucial. Given how widespread the productivity slowdown has been, it is important to consider sector performance relative to peers and to our own history. Furthermore, our firm-level analysis highlights that the challenges faced are not always the same over time.

With this in mind, it is also worth noting that productivity has potentially improved according to recent data. Using Labour Force Survey (LFS) employment data, output per hour worked grew by just 1.1% in four quarters to 2025 Q3. However, using PAYE data (RTI), output per hour worked grew at 3.1% over the same period. This means from Q1 2024, productivity has increased by 3.4%, a rate not seen since before the financial crisis.<sup>3</sup> This has also coincided with a period of rising unemployment, so we should be cautious about interpreting this as universally positive. It will be important to see whether these workers can be reallocated to more productive work over time.

What does all this mean for policymakers and business leaders? There are four key lessons that flow from our analysis.

1. **Leverage the industrial strategy to target a few key sectors, given their role in driving productivity growth.** Financial services, information and communications, and manufacturing play an outsized role in driving productivity. Within these are subsector focuses that are also

important. This reinforces the need for the UK's industrial strategy to have hard edges and be relentlessly focused, rather than trying to lift growth for all sectors.

2. **Focus on sector-specific challenges rather than adopt a 'one-size-fits-all' approach across sectors.** An industrial strategy approach for a specific sector need not treat all firms equally. Supporting a sector does not mean supporting any and all firms in that sector. For example:
  - a. In manufacturing, the highest productivity firms have raised their productivity less in the last four years than the median firms. While there may be sector-wide challenges too, this suggests that it is a) harder to grow productivity at the frontier than as a laggard and b) that the focus needs to be on innovation. An industrial strategy approach might focus on incentivising R&D spending in advanced manufacturing and reducing the barriers to commercialising/scaling innovation.
  - b. In information and communications, the UK's top firms are now increasing their productivity gains and keeping pace with the global frontier, while the bottom half of the sector improves at a slower pace. Here, the UK's industrial strategy should aim to pull these firms up. This could entail policies focused on reducing barriers to technological adoption, upskilling programmes among SMEs or strengthening existing ecosystems which encourage the diffusion of best practice.
3. **Address the problem of the long tail of low productivity firms.** As part of this, policymakers should be less concerned about the possibility of clearly underperforming firms failing, with workers hopefully moving into more productive roles. This also means setting a high bar to intervene in specific sectors or firms – predominantly only where there is clear market failure – and incentivising greater business dynamism. This helps to spread best practice from the most to the least productive firms through creative destruction. We have seen the potential benefits elsewhere. Studies show that the US has largely reversed its services sector productivity decline, helped by faster reallocation of workers and firms following the pandemic, a shift enabled by a less interventionist approach to supporting struggling businesses during COVID.<sup>4</sup> While the UK's labour market flexibility is often praised, we need to focus on the right kind of flexibility. In this case, it is the ability for people to move within and between firms to different roles, rather than adjusting hours worked in an existing role, for example.
4. **Recognise the structural issues that are holding back certain sectors.** This is most obvious in manufacturing, which has plateaued across most firm levels. An obvious contributing factor here is the high cost of energy in the UK which puts pressure on profit margins and the ability to scale production. In 2023, for example, electricity prices for UK industrial users were almost 50% higher than in France and Germany and four times higher than the US and Canada.<sup>5</sup> Similarly, the UK retail sector has experienced flat growth across all firm levels for decades. Improving this could include finding ways to enable smaller retailers to benefit from some economies of scale, such as using shared infrastructure within supply chains, or encouraging much greater digital adoption and integration within processes and platforms across the

sector. This could aim to emulate some parts of the Retail Transformation Map adopted by the Singaporean Government. [6](#)

The UK must build a system for diffusion as well as for innovation. The emphasis on which varies across sector and firm levels. We will explore these themes in more detail over the coming months in a series of sector-specific analyses (such as financial services) and on some of the cross-cutting issues including diffusion, dispersion and adoption of innovation (particularly AI) at the tail end of the productivity spectrum.

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## – Methodology

### Frontier analysis

- Key measure used was Gross Value Added (GVA) per worker. Measured using constant US dollars in 2015 prices. We have not used a Purchasing Power Parity conversion since these only apply nationally rather than at a sector level and as such may distort any comparisons.
- Global frontier was calculated by taking a mean average of the top three performing countries, by industry in a given year.
- Performance relative to the frontier was calculated as the UK GVA per worker as a fraction of the frontier GVA per worker in that year.
- Sectors were grouped in accordance with NACE code groupings.
- UK performance compared to up to 48 countries depending on data availability. Countries included: Australia, Austria, Belgium, Brazil, Canada, Chile, China, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Germany, Greece, Hong Kong (China), Hungary, India, Indonesia, Italy, Japan, Latvia, Lithuania, Malaysia, Malta, Netherlands, New Zealand, Norway, Philippines, Poland, Portugal, Romania, Russia, Singapore, Slovak Republic, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Kingdom, United States.

### Aggregate productivity analysis

- Key measure used was Gross Value Added per hour worked.

- We summarise trends across three periods: 1997-2007, 2008-2018, and 2019-2024.
- For each sector, total productivity growth is calculated over each period using the log change between the start and end of the window. We use logs because they (i) handle compounding cleanly over long horizons and (ii) are additive over time, so the growth over a multi-year window aligns with the sum of the year-to-year log changes. We convert this log-growth back to familiar percentage change terms for results and chart interpretations.
- We weight sectors by their economic importance using each sector's share of total UK GVA (current prices). For each period, we use the sector's average GVA share across the relevant years.
- Within each period, we estimate a sector's contribution to aggregate productivity growth by combining its productivity growth with its average GVA weight. The same approach can be applied on an annual basis to calculate year-by-year sector contributions.

### Firm-level analysis

- Productivity calculated as GVA per worker, constant GBP in 2023 prices.
- Productivity percentiles calculated and weighted by the ONS as part of firm-level dataset. Overtime comparisons of firm count use 2023 productivity baselines.

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1 <https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/bulletins/internationalcomparisonsofproductivityfinal>

2 <https://www.imf.org/-/media/files/publications/selected-issues-papers/2025/english/sipea2025112.pdf>

3 <https://www.resolutionfoundation.org/app/uploads/2026/01/Mountain-climbing.pdf>

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5 <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/articles/theimpactofhigherenergycostsonukbusinesses/2021to2024>

6 [https://www.sra.org.sg/wp-content/uploads/2019/11/mr05122\\_retail-industry-transformation-map-2025-to-develop-global-singapore-brands-accelerate-innovation-and-internationalisation.pdf](https://www.sra.org.sg/wp-content/uploads/2019/11/mr05122_retail-industry-transformation-map-2025-to-develop-global-singapore-brands-accelerate-innovation-and-internationalisation.pdf)

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