



UK GDP per capita to overtake US in 2008 for first time since the 19th century

- Living standards in the UK as measured by GDP per capita are set to rise above those in the US in 2008 for the first time since the 19th century. According to Oxford Economics, UK GDP will reach \$48,000 per head of the population (£23,500 per capita) in 2008, compared with \$47,430 per capita (£23,250 per capita) in the US.
- Moreover, UK GDP per capita will be over 8% higher than in both Germany (\$44,200/£21,665 per capita) and France (\$44,300/£21,700 per capita) in 2008.
- Commenting on the figures, Oxford Economics' Managing Director, Adrian Cooper, said: *"The last 15 years have seen a dramatic change in the UK's economic performance and its position in the world economy. No longer are we the 'sick man of Europe'. Indeed, our calculations suggest that UK living standards are now a match with those of the US."*
- The improvement in UK relative living standards has been substantial since the early 1990s. In 1993, following the last major recession and the UK's ejection from the ERM, GDP per capita in the UK was 34% lower than in the US, 33% lower than in Germany and 26% lower than in France.
- The increase in the UK's relative GDP per capita in large part reflects the long period of sustained strong growth that the UK has enjoyed since 1993. More recently, it also reflects the strength of sterling, first vis-à-vis the European currencies and, in the last couple of years, versus the US dollar. However, as the chart below shows, the UK has been catching up steadily with living standards in the US since 2001 – so, it is a well-established trend rather than simply the result of currency fluctuations.

GDP per capita at current price US dollars

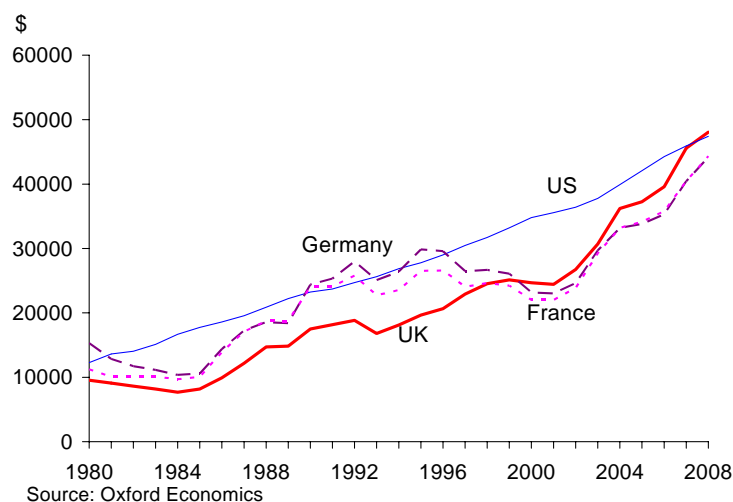


Table 1: GDP per capita in current price US dollars

	UK	US	Germany	France
1993	16,796	25,612	25,093	22,724
1998	24,521	31,707	26,663	24,625
2003	30,686	37,779	29,696	29,244
2007	45,566	45,935	40,432	40,484
2008	48,062	47,427	44,199	44,333

- It should be emphasised that Oxford Economics' estimates have been made at market exchange rates and do not take account of differences in the relative cost of living in different countries. Measured at purchasing power parity, UK living standards would still be somewhat below US levels.

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