

ICT AND PRODUCTIVITY GROWTH IN THE UK

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ABSTRACT

This paper develops new estimates of investment in and output of information and communications technology (ICT) in the UK. These new estimates imply that GDP growth has been significantly understated, particularly since 1994. A growth accounting approach is employed to measure the contribution of ICT to the growth of both aggregate output and aggregate input. On both counts, the contribution of ICT has been rising over time. From 1989 to 1998, ICT output contributed a fifth of overall GDP growth. Since 1989, 55% of capital deepening has been contributed by ICT capital, and 90% since 1994. ICT capital deepening accounts for 25% of the growth of labour productivity over 1989-98 and 48% over 1994-98. But even when output growth is adjusted for the new ICT estimates, both labour productivity and TFP growth are still found to slow after 1994.