Funding the Future

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The media are full of the signs of growth in the UK economy. This is from the Guardian:

Britain's recovery is on track to outstrip the rest of Europe following a strong performance by the services sector in August.

The purchasing managers index, published by Markit, jumped to a new post-financial-crash high of 60.5 in August, up from 60.2 in July and its highest level since December 2006.

Now I'm not saying that's a bad thing. But let's be clear that just a little earlier this year the Office for National Statistics reported that:

UK employees' average hourly earnings have fallen by 8.5% since 2009 in real terms (after adjusting for inflation). Real wages have fallen most in the South West of England and in Northern Ireland (9.9%). The South East of England has seen the smallest decline, of 6%. The fall in London was also below the UK average, at 8%.

There is no sign as yet of growth having any impact on household earnings - not least because much of the growth we're seeing is because of a rising population (a fact usually ignored by commentators, but a key variable in this equation) and people working for longer into what was once retirement age if they can (another factor, often ignored). When that growth is then allocate to households it disappears - because average earnings are not growing as a result of it; the 'growth' just represents a more widely spread falling national average income. And that's something very different that the media is all too keen to ignore.