

News Release

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Pay outlook weakens as ‘noflation’ looks set to dampen pay negotiations

- **Survey evidence point to weak pay reviews in 2015 with average rise of 1.0% signalled**
- **Only one-in-five employees expect a pay rise of 2 percent or more this year**
- **More than one-third expect a pay freeze with a further 7 percent anticipating a pay cut**
- **Drop in inflation set to offset any boost to wage negotiations from tighter labour market**

The data were collected in two waves between 11th to 15th March and 15th to 19th April from two different but representative panels of households. The survey results are available for regions, employment type and demographic categories on request.

Survey data collected from just under 2,000 employees in March and April point to disappointingly weak UK pay growth in 2015.

The representative survey of British households, polled by IPSOS Mori on behalf of Markit, found that only one-in-five employees expect their pay to rise by 2 percent or more in 2015. Just under one-in-ten anticipate a pay rise in excess of 3 percent.

Just over one-in-three (36 percent) of all employees expect their pay to be frozen this year, while 7 percent expect to suffer a pay cut.

The survey responses collectively point to employee pay rising by just 1.0 percent this year on average.

An average expectation of a 0.8 percent pay rise in the public sector compares with 1.3 percent in the private sector.

In the public sector, the proportion of employees expecting a pay cut or freeze rises to 47 percent compared to 41 percent in the private sector. Only 11 percent of government employees meanwhile anticipate their pay to grow by more than 2 percent in 2015 but this rises to 27 percent in the private sector.

Expected pay growth rises according to the amount that people currently earn, although only modest growth is signaled for all salary bands. The highest earners (those whose incomes are in excess of

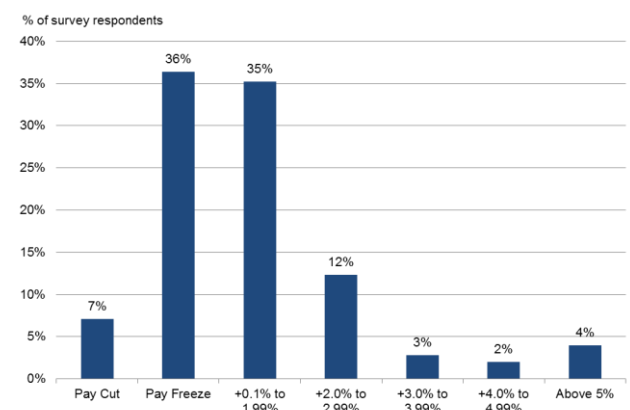
£58k per annum) expect their pay to rise by 1.6 percent in 2015 while the lowest earners (with annual incomes below £15k) anticipate a mere 0.5 percent pay increase.

Manufacturing workers expect to see the biggest pay awards of all major sectors, expecting an average pay rise of 1.6 percent this year, followed by Financial & Business Services workers, who on average anticipate a 1.4 percent rise. A more modest 1.2 percent rise is expected in retail, dropping to 1.0 percent in construction.

By region, the most buoyant wage outlook was seen in the South West, where a 1.5 percent pay rise was expected on average. Employees in the Scotland and Wales were the most downbeat, expecting incomes to rise by just 0.8 percent.

UK pay expectations

Thinking about your income from employment for 2015 as a whole, and without taking into account the impact of tax changes, which of the following best describes your expected earnings?



Source: IPSOS Mori/Markit.
Survey excluded those not currently earning.

Commenting on the survey, Chris Williamson, Chief Economist at Markit:

“The weak survey data raise doubts over the extent to which pay growth might revive in 2015, which in turn puts question marks over the sustainability of the economic upturn.

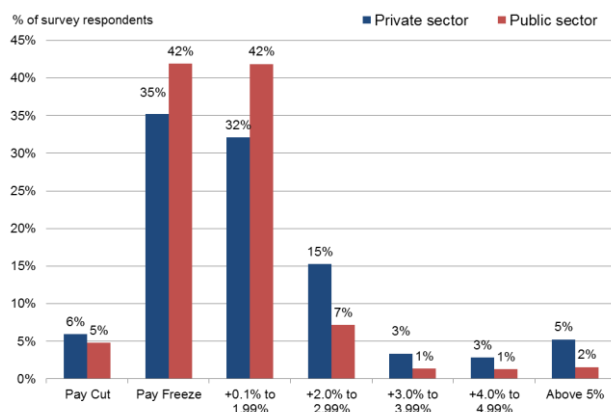
“The survey data suggest that growth of employee earnings is likely to remain weak in coming months, confounding widespread expectations of pay growth accelerating this year. The most recent official data showed headline [pay growth slowing](#) to 1.7% in the three months to February.

“Although there is recruitment survey evidence that skill shortages are driving up salaries offered to new recruits as companies compete for talent, the recent drop in inflation to zero appears to be feeding through to lower annual pay reviews for existing employees, holding down overall pay growth.

“The Bank of England is currently forecasting the economy to grow by 2.9% this year, fuelled by consumer spending rising on the back of higher real employee earnings. The worry is therefore that weak pay growth means the economy is reliant on ultra-low inflation to boost consumer spending power. With inflation likely to pick up later this year, economic growth could consequently slow more than policymakers are expecting.”

Private & public sector pay expectations

Thinking about your income from employment for 2015 as a whole, and without taking into account the impact of tax changes, which of the following best describes your expected earnings?



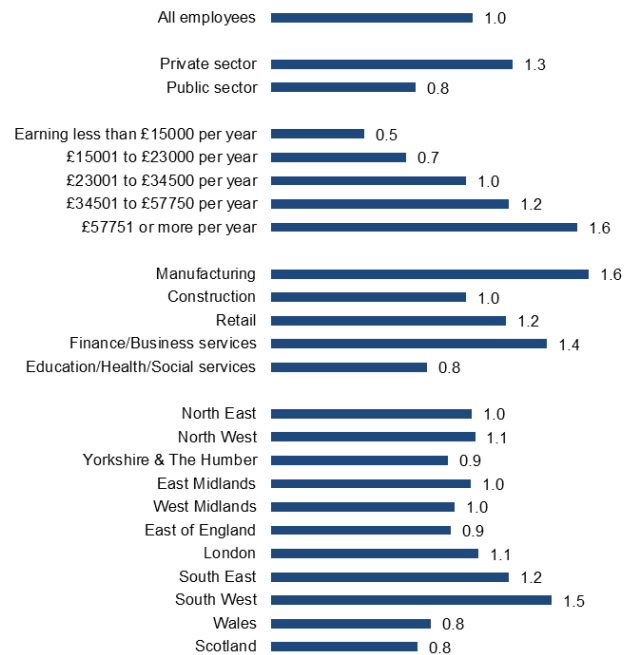
Source: IPSOS Mori/Markit.
Survey excluded those either not currently earning.

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Implied expected pay growth in 2015 (percent change on 2014)

The following estimates are calculated by weighting the percentages of respondents reporting each pay growth band by the mid-point percent change of each band (e.g. 1 percent is the mid-point for the 0.1-1.99 percent wage increase band). The average of the 5 percent+ pay band is assumed at 7.5 percent and the average pay cut is assumed at -1.5 percent.



– Ends–

Note to Editors:

About the survey

Ipsos MORI interviewed 3,000 adults aged 18-64 across Great Britain from its online panels of respondents of which 1,933 were employed and earning. Interviews were conducted online between 11th – 15th March and 15th to 19th April with a representative sample of adults interviewed in each month. The survey use quota controls set by gender, age and region. The resultant survey data are weighted to the known GB profile of this audience by gender, age, region and household income. Ipsos MORI was responsible for the fieldwork and data collection only and not responsible for the analysis, reporting or interpretation of the survey results.

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