

News Release

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Employees report higher pay reviews in 2016, but average wage rise of only 1.3% signalled

- **Survey data point to average 1.3% average pay review in 2016, up from 1.0% in 2015**
- **Private sector pay reviews of 1.6% compared with just 0.9% in public sector**
- **Data suggest low inflation being offset by impact of tighter labour market**

The data were collected in two waves between 9th to 13th March and 13th to 18th April from representative panels of households. The survey results are provisional, with more data being collected in coming months.

Survey data collected in March and April point to disappointingly weak UK pay reviews in 2016, though wage pressures have picked up slightly compared to 2015.

The representative survey of 3,000 British households, compiled by Markit, using data collected by Ipsos MORI, found that around one-third of all employees had received a pay review so far this year. Of these, one-in-three (34 percent) report their pay to have been frozen this year, while 3 percent are suffering a pay cut. Although 64 percent are reporting their pay to have been revised higher, only 23 percent are reporting an increase of more than 2%.

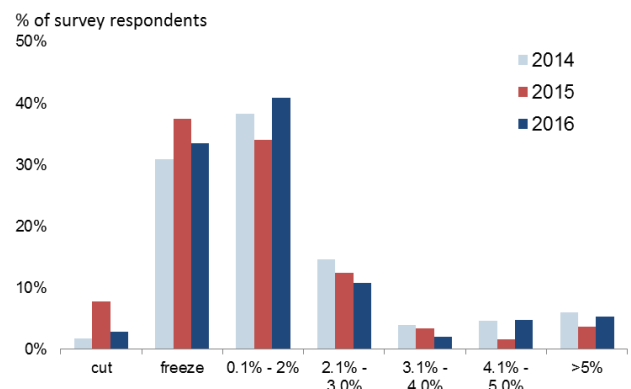
The survey responses collectively point to employee pay reviews leading to an average pre-tax salary increase of just 1.3% this year, higher than the 1.0% increase signalled for 2015 but below the 1.5% rate recorded in 2014.

Pay reviews in the public sector continue to lag behind the private sector, with salary growth rates of 1.6% and 0.9% signalled respectively, although both are up on 2015.

In the public sector, the proportion of employees reporting a pay cut or freeze rises to 51 percent compared to 28 percent in the private sector. Only 13 percent of public employees indicated that their pay will grow by more than 2% in 2016, but this rises to 29 percent in the private sector.

Particularly weak pay reviews were again reported at the lower end of the pay spectrum. Those earning less than £15,000 per annum are set to see salaries rise by an estimated 0.7%, but this rises to 1.6% for those earning approximately £35-58K, with the highest earners (above £58,000) seeing a 1.4% increase.

UK pay reviews



Q. Has your employer conducted a pay review this year (i.e. since January)? Please choose one answer.

- 1) No pay review
- 2) Yes, my pay has been frozen
- 3) Yes, my pay has been revised upwards*
- 4) Yes, my pay has been revised downwards*
- 5) Not applicable

* Subsequent question: Can you please specify to the closest number, the percentage this change has involved?

Source: Markit.

Continued ...

Implied expected pay growth

Annual % change

| | 2014 | 2015 | 2016 (p) |
|---------------------------|------|------|----------|
| All employees | 1.5 | 1.0 | 1.3 |
| Private sector | 2.0 | 1.2 | 1.6 |
| Public sector | 0.8 | 0.7 | 0.9 |
| Salary | | | |
| Less than £15000 per year | 1.1 | 0.4 | 0.7 |
| £15001 to £23000 per year | 1.1 | 0.7 | 0.9 |
| £23001 to £34500 per year | 1.2 | 1.0 | 1.2 |
| £34501 to £57750 per year | 1.6 | 1.1 | 1.6 |
| £57751 or more per year | 2.0 | 1.5 | 1.4 |

The above 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.

2016 data are provisional, based on pay reviews from 600 employees compared to 1,300 in 2014 and 5,700 in 2015.

Source: Markit.

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

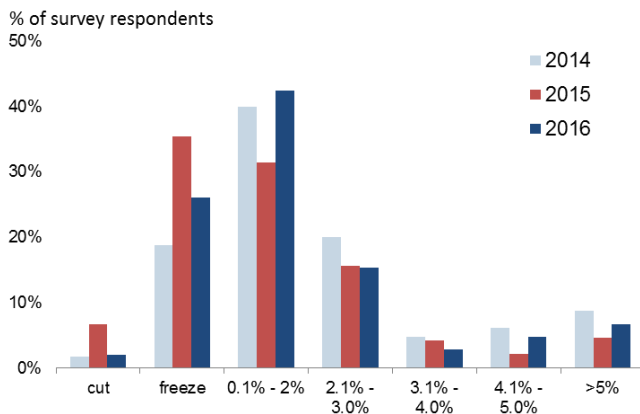
“Although employees have so far this year seen pay reviews improving on those received last year, and rising comfortably above inflation, at 1.3% the average increase remains modest and unlikely to be of concern to hawks at the Bank of England, where an inflation rate of 2.0% is being targeted.

“The survey data suggest that low inflation, running at just 0.5% in March and 0.3% in the first two months of the year, appears to be keeping a lid on pay growth for the vast majority (typically over 95%) of employees who remain in continuous employment.

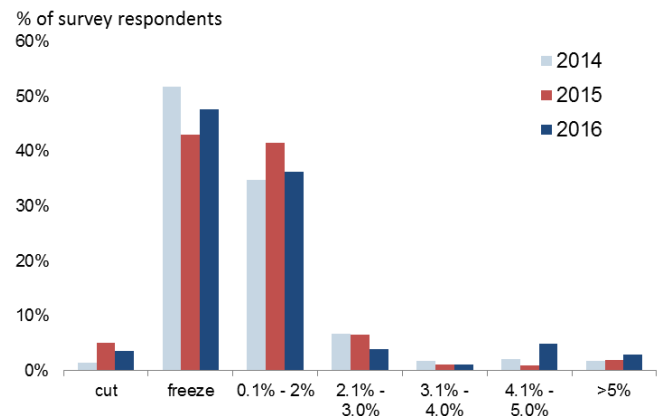
“However, it also appears that tighter labour market conditions mean the average pay review has risen above current inflation. Pay reviews are especially weak at the lower end of the pay spectrum, typically representing lower skilled or poorly experienced workers. Higher earners, in contrast, who are typically higher skilled and experienced, have been awarded relatively higher pay reviews on average. However, even at this upper end of the market the rate of pay increase remains low by historical standards.

“Recruitment agencies report more buoyant pay conditions for those starting new jobs, most likely reflecting the tightness of the labour market. Employers have increasingly had to offer higher salaries to attract staff, as rising employment and dwindling unemployment has limited the number of suitable candidates to fill vacant positions. However, these workers are very much in the minority.”

Private sector pay reviews



Public sector pay reviews



Source: Markit.
Survey excluded those either not currently earning.

For further information, please contact:

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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 1,877 were employed and earning. Interviews were conducted online between 9th to 13th March and 13th to 18th 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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