

United Kingdom

Hiring falls for first time in nearly four years amid rising Brexit uncertainty

- Recruitment agencies report downturn in people placed in permanent jobs during June
- Growth of demand for staff lowest since May 2013
- Wage growth slowest since September 2013

The number of people placed in permanent jobs by recruitment agencies fell in June, dropping for the first time since September 2012 as Brexit uncertainty intensified.

The regular monthly survey of over 400 recruiters, conducted by Markit on behalf of the Recruitment and Employment Confederation, found employers to have grown increasingly reluctant to commit to hiring new permanent staff in the uncertain climate created by the EU referendum.

Recruiters cited employers' worries about the EU vote, exacerbating wider concerns about the pace of economic growth at home and abroad, as well as fears about biting austerity measures.

Temporary and contract staff activity also grew at a much reduced rate in June, causing agencies' billings to rise at the weakest rate in the current 38-month period of growth.

Data were collected between the 13th and 24th June, meaning the vast majority of responses were received prior to the result of the vote being known, so the survey illustrates the extent to which UK companies were pulling back on hiring ahead of the vote rather than after. The decision to leave the EU could therefore lead to a further retrenchment in coming months, at least until uncertainty about the outlook lifts.

A separate indicator of economic uncertainty compiled by Markit, which combines various financial market and economic data series, showed uncertainty rising in June to the highest since December 2011.

Uncertainty was therefore a key factor behind demand for staff rising in June at the slowest rate since May 2013. However, the drop in permanent placements was also in part a reflection of ongoing skill shortages, which led to a further marked deterioration in staff availability.

Despite the widespread staff shortages, wage pressures eased in June, with average salaries received by new permanent hires rising at the slowest rate since September 2013, cooling for a third successive month in line with the slowdown in demand for staff.

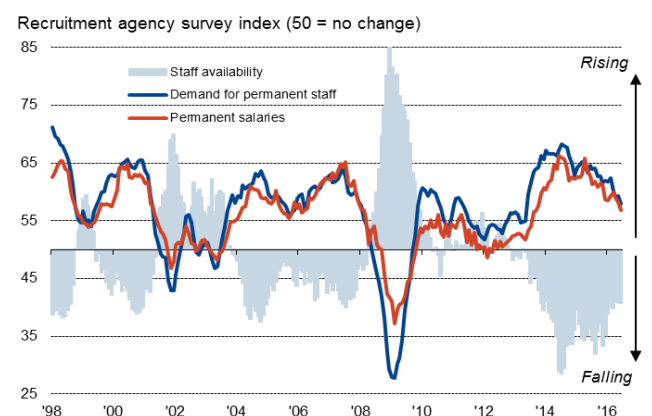
Hiring and employment



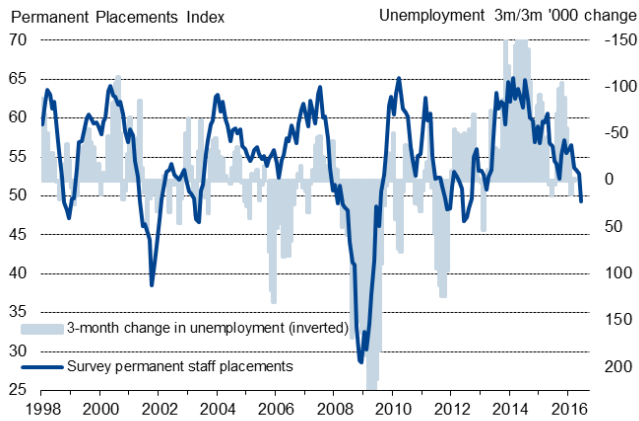
Economic uncertainty and demand for staff



Labour market tightness



Placements and unemployment



Sources for charts: REC, Markit, ONS.

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