

United Kingdom

Labour market gains add to economic recovery signs

- **UK unemployment falls 5,000 in the three months to April**
- **Employment rises to new high, with job vacancies also increasing**
- **Average pay growth remains subdued**

More signs of the UK economic recovery gaining traction were provided by a further upturn in the labour market. Unemployment has fallen to its lowest in two years, employment rose to a new high, pay growth has picked up modestly and job vacancies have shown the largest increase since late-2010, hitting the highest since December 2008.

The improving labour market data follow [survey evidence](#) which suggests that the economy grew at an increased rate in the second quarter, with GDP on course to rise by an estimated 0.5%, compared with the 0.3% increase seen in the first three months of the year.

With the economic upturn gaining momentum and fuelling increased job creation, the likelihood of any more stimulus from the Bank of England has fallen further.

The total number of people unemployed fell by 5,000 to 2.51 million in the three months to April, an improving trend that is likely to have continued into May, as the more-timely data on the number of people claiming jobless benefit fell by 8,600 last month to its lowest since May 2011. The overall unemployment rate held steady at 7.8%, but is down from a peak of 8.4% in late-2011.

Employment rose by 24,000 in the three months to April, hitting a new all-time high of 29.76 million. Almost a million jobs (949,000) have been created since employment sank to a low in early-2010. The employment rate rose from 71.4% to 71.5%.

Pay excluding bonuses meanwhile rose by 0.9% in the three months to April, up from the record low of 0.8% seen previously. However, although rising, pay growth clearly remains extremely low, and far below inflation,

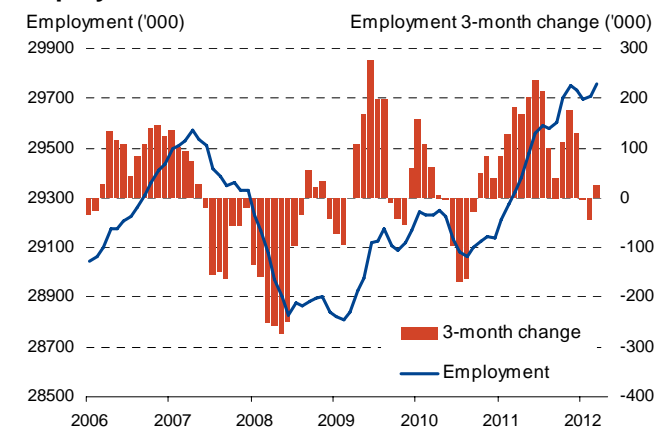
suggesting that squeezed real incomes will continue to act as a brake on the pace of consumer spending growth. Pay including bonuses rose 1.3%, its strongest rise since December, though likewise remained historically subdued.

Vacancies meanwhile rose by 7,000 in the three months to April, up to 516,000 and the highest since December 2008. Vacancies rose in services, manufacturing and retail, and were unchanged in construction and the public sector.

Improvement to persist into May

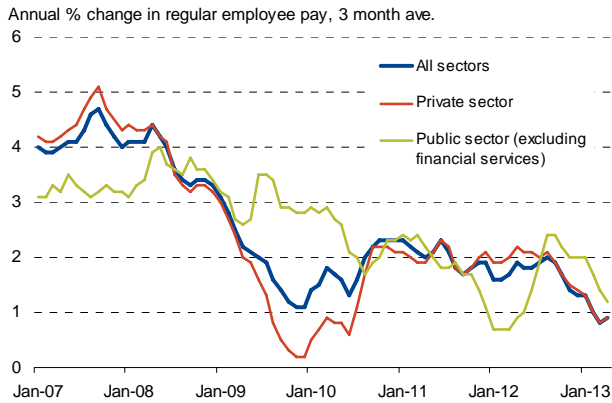
The job market appears to have picked up further in May. [Recruitment agencies](#) reported that the number of people placed in permanent jobs rose at the fastest rate for six months in May, with demand for staff among private sector companies rising at the fastest rate since comparable data were first available in late-2011. Pay growth slipped to the weakest for seven months, however, suggesting the downward pressure on pay growth continued last month. While the recovery is gaining momentum, weak pay growth is likely to keep a lid on the pace of expansion, though will also help keep inflation at bay.

Employment



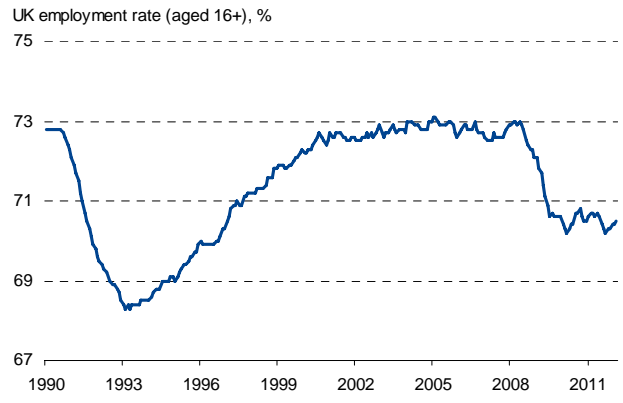
Sources: ONS.

Pay growth



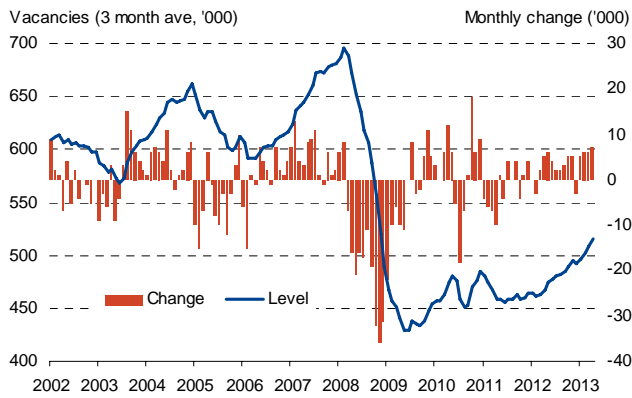
Source: ONS via Ecowin.

Employment rate



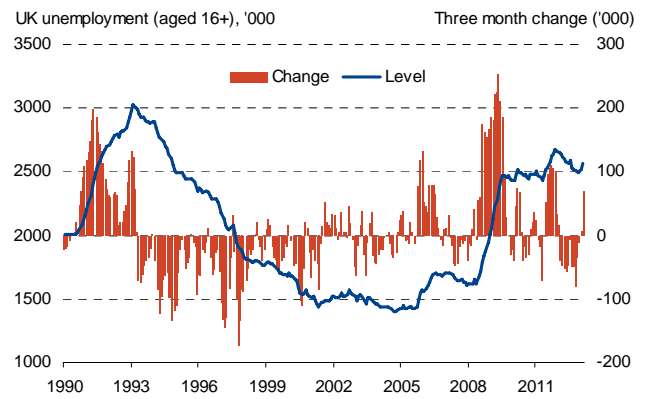
Source: ONS via Ecowin.

Job vacancies



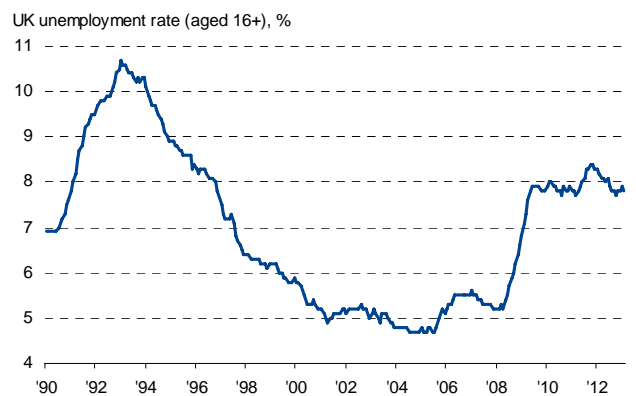
Source: ONS via Ecowin.

Joblessness



Source: ONS via Ecowin.

Unemployment rate



Source: ONS via Ecowin.

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