

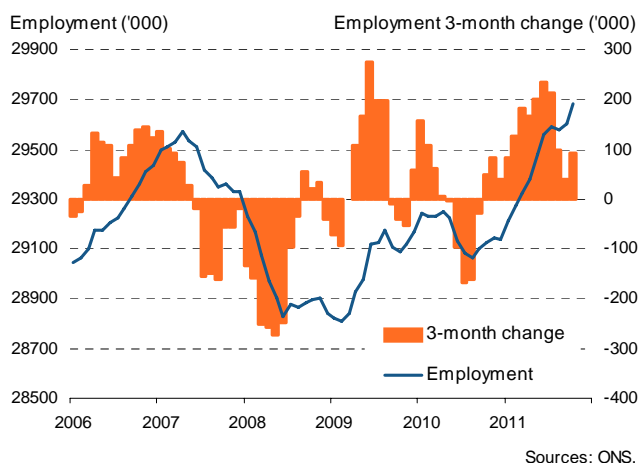
# United Kingdom

## Labour market shows resilience as employment climbs to record high

- Employment up 91,000 in three months to November
- Unemployment falls, rate drops to 7.7%
- Vacancies hit four-year high
- Regular pay growth sinks to 1.4%

The UK labour market continued to show surprising resilience in the face of signs of renewed economic weakness in the fourth quarter, with employment rising to a new all-time high and unemployment dropping to the lowest since the spring of 2011. However, pay growth remains very weak, which will subdue consumer spending, and survey data point to a reluctance of firms to take on more staff due to the uncertain economic outlook, highlighting an underlying weakness of the labour market. Vacancies have nevertheless hit a four-year high, suggesting companies are still in recruitment mode and that the perplexing situation of rising employment in a stagnant economy may continue into the new year.

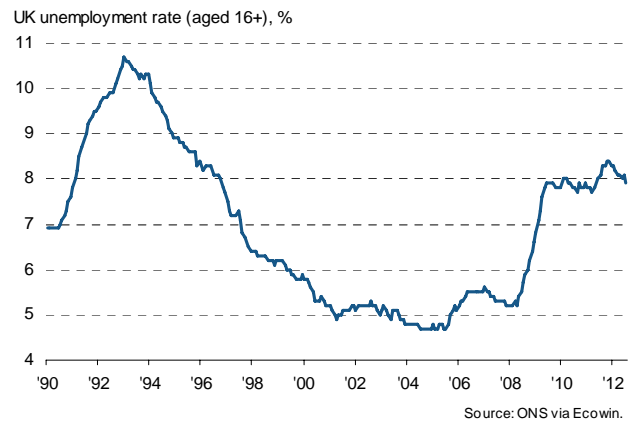
### Employment



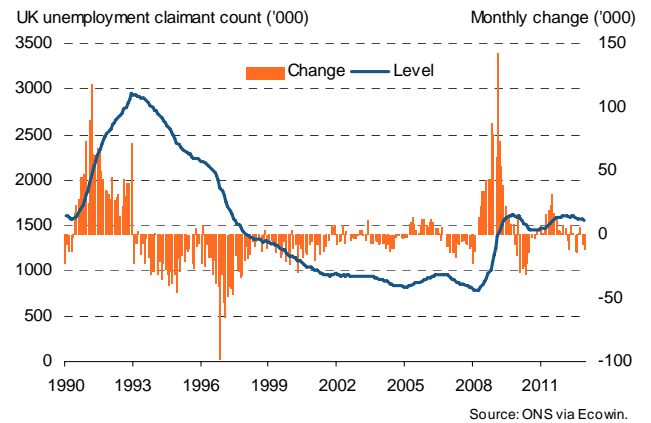
UK employment rose 91,000 to a record high of 29.68m in the three months to November, helping bring the unemployment rate down from 7.8% to 7.7%. Total unemployment fell by 37,000 in the three months to November, dropping to 2.49m and its lowest since the spring of 2011. Unemployment also looks to have fallen further in December, with the narrower claimant

count measure falling 12,100, its largest fall for four months.

### Unemployment rate



### Claimant count unemployment

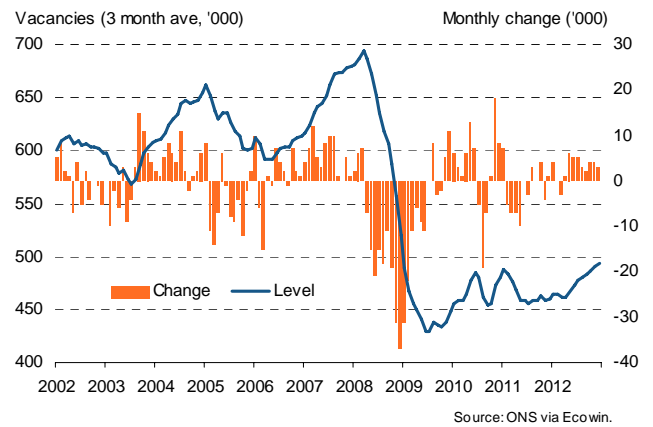


Pay, including bonuses, rose by just 1.5% on a year ago, therefore still running well below consumer price inflation, which is currently 2.7%. Regular pay, excluding bonuses, rose at an even weaker rate, the annual rate of increase slowing from 1.7% to 1.4% in November, its lowest since June 2010. The weakness of pay growth relative to inflation therefore suggests that the squeeze on real incomes intensified to the greatest since last March and will continue to eat into households' spending power.

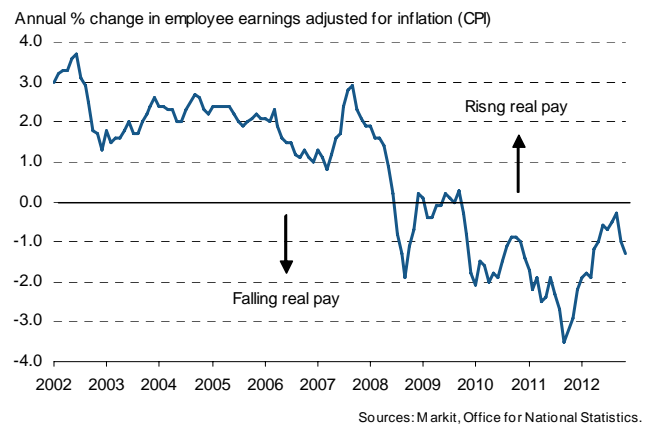
There are signs that the robust employment picture cannot last for long, though the picture is by no means

clear. Purchasing managers surveys recorded a fourth consecutive monthly drop in private sector employment in December. Although only marginal, the decline represents a reluctance among firms to take on staff in the face of growing uncertainty about the economic outlook. Recruitment agencies meanwhile reported that the number of people actually placed in jobs grew at a slower pace. More positively, recruiters had also reported the largest increase in demand for staff from employers for 20 months in December, and today's official data also showed a further (albeit modest) rise in vacancies to 494,000, which is the highest since December 2008 and suggests that there is further scope for unemployment to fall in coming months.

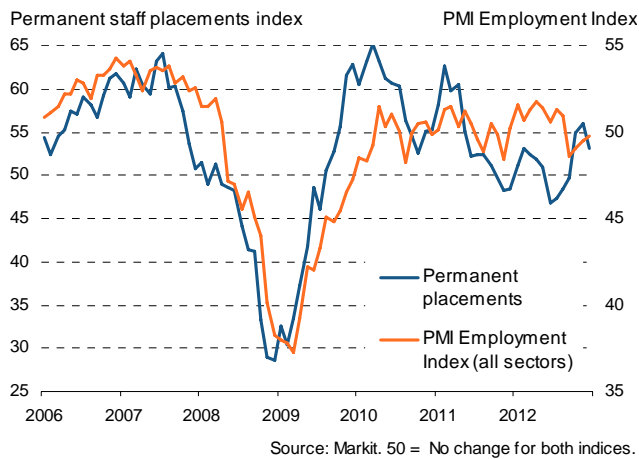
The welcome strength of the labour market data will add to views among policymakers at the Bank of England that no further quantitative easing is warranted at present, and the publication of today's minutes from the last MPC meeting does nothing to change the view that QE will be on hold unless perhaps both the GDP and PMI data show a marked deterioration in the economic growth profile.



**Pay growth and inflation**



**Business surveys**



**Job vacancies**

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