

United Kingdom

Labour market shows signs of stalling amid mixed official data

- **Employment falls by 43,000 in Q1 while pay growth weakens further**
- **But upturn in job vacancies and drop in jobless claims provide encouragement**
- **Data likely to further deter Bank of England stimulus for now**

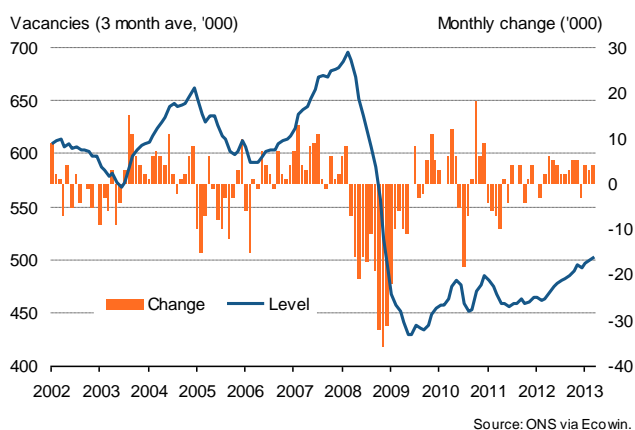
A tangled web of official data once again sent mixed messages about the health of the UK economy. However, most of the disappointments came from the more backward-looking data, while the more forward-looking and up-to-date statistics add to growing signs that the UK economy is enjoying a modest growth upturn after the downturn seen late last year.

On balance, the data are therefore likely to further deter the Bank of England from sanctioning any further stimulus at the moment, though policymakers will be wary of the fragility of the economy.

Unemployment rate edges down to 7.8%

The rate of unemployment fell from 7.9% to 7.8% in the three months to March and jobless benefit claims fell a larger than expected 7,300 in April, down for a sixth successive month. Analysts polled by Reuters had anticipated no change in the jobless rate and a more modest (3,000) drop in benefit claims. The number of job vacancies also rose in March to 503,000, the highest since November 2008.

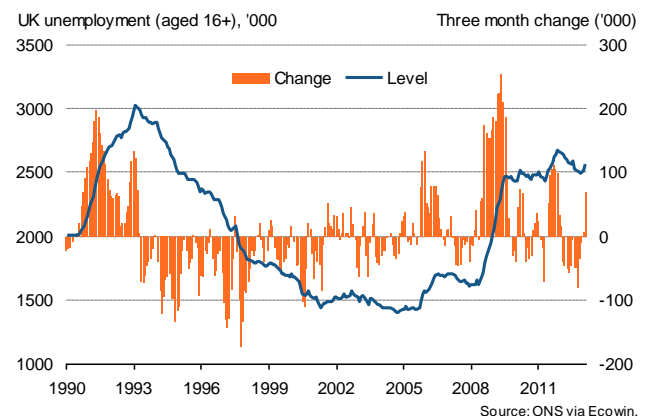
Vacancies



The drop in jobless claims and the upturn in vacancies corresponds with stronger than expected economic growth in the first quarter, when GDP rose by 0.3%, and suggests that the economy is enjoying some renewed growth momentum.

However, other data suggest that the labour market clearly remains weak. Employment fell by 43,000 in the three months to March, compared to the final three months of last year, its steepest fall since the third quarter of 2011. The wider (ILO) survey measure of unemployment meanwhile rose to 2.52 million, up 15,000 on the fourth quarter.

Unemployment



Pay growth hits record low

Also worrying was record low pay growth. Employee pay excluding bonuses rose just 0.8% in the year to March, down from 1.0% in the year to February. That was the lowest rate since comparable records began in 2001. Including bonuses, pay growth was a paltry 0.4%, its weakest since the height of the global financial crisis in late-2009.

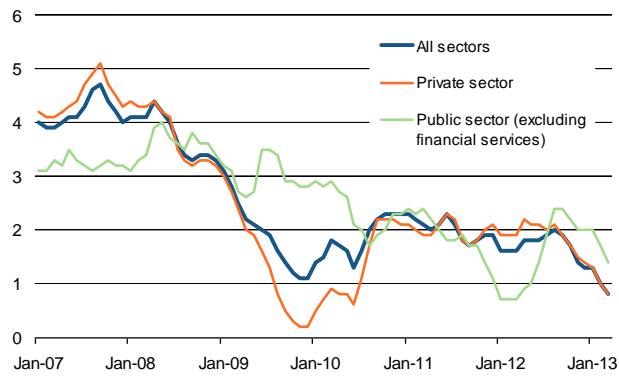
The data suggest that widespread job insecurity is discouraging people from asking for pay rises, but there is also a suggestion that well-paid jobs are being gradually substituted for lower-paid positions, which is driving down average pay rates across the country.

The weakness of pay growth relative to inflation, currently running at 2.8%, will be a concern to the

Bank of England, as squeezed incomes will limit economic growth.

Annual pay growth

Annual % change in regular employee pay, 3 month ave.



Source: ONS via Ecowin.

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