

# United Kingdom

## Unemployment rate slumps to 7.4% as job creation surges

- **Jobless rate slides to lowest since April 2009**
- **Near-record rise in employment, with survey data pointing to further rise in November**
- **Pay growth edges higher and set to rise further**

Employment is surging higher and unemployment collapsing in the UK as the economic recovery has moved into a higher gear. The official data are now confirming the upbeat signals from business surveys, which have shown the fastest rates of job creation since the late 1990s in recent months as firms respond to a marked pick up in demand. The surveys suggest that economic growth is likely to have accelerated to above 1.0% in the fourth quarter, encouraging increasing numbers of firms to take on staff and boost capacity. These buoyant survey data suggest that the official employment data will have continued to improve in November.

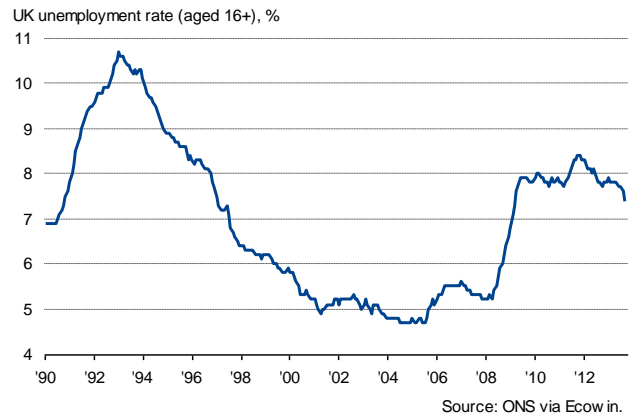
### Jobless rate closer to policy threshold

The rate of unemployment fell to 7.4% in the three months to October, down from 7.6% in the three months to September and the lowest since April 2009. The number of people unemployed fell by a huge 99,000 in the latest three months, the largest drop since mid-2000, down to 2.39 million.

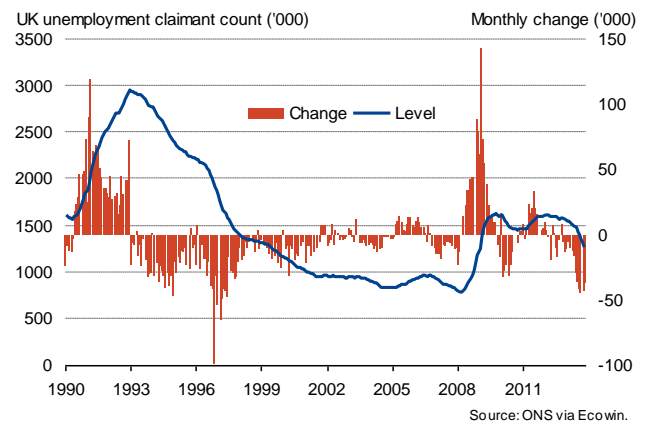
The jobless rate is falling far faster towards the Bank of England's 7% threshold than policymakers envisaged when establishing the marker back in the summer. However, instead of being a trigger for policy to be tightened, the Bank will seek to reassure that 7% was always a mere way-marker, rather than a trigger. The Bank may also choose to move the goal-posts, by setting a lower threshold.

The number of people claiming jobless benefit also fell sharply again, down 36,700 in November. While slightly smaller than the drops in recent prior months, the rate of decline is nevertheless one of the steepest seen since the late-1990s. The claimant count is now down to its lowest since January 2009 and has dropped by 341,000 since the peak seen early last year.

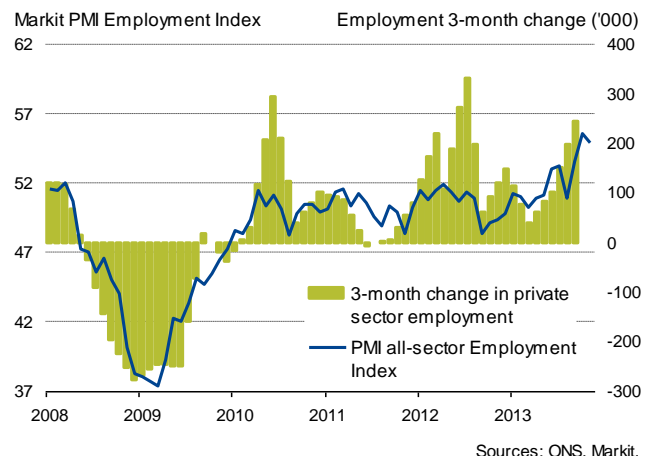
### Unemployment rate



### Jobless benefit claims



### Official employment and survey data



## Near-record jump in employment

The number of people in employment has surged by 485,000 over the past year, up by 250,000 in the latest three months alone, the biggest jump since mid-2010 and one of the largest increases seen on record. The upturn was led by a 246,000 increase in private sector jobs. Service sector jobs rose by 164,000 while manufacturers took on a net 17,000 more staff. Construction employment rose by 34,000, its largest rise since mid-2010, and retailers hired an additional 15,000 staff.

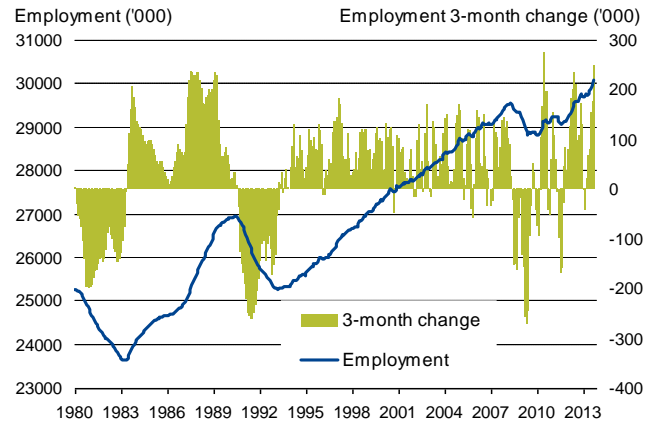
## Wage growth reviving

Pay growth is picking up. While only gradual at the moment, the rate will inevitably accelerate in coming months as the labour market continues to tighten. With inflation down to 2.1%, the prospect of wages rising in real terms by the middle of next year is looking like a real possibility. Average earnings rose 0.9% in the year to October, the rate edging higher from 0.8% Regular pay growth, excluding bonuses, was unchanged at 0.8%. Private sector pay rose 1.3%, its highest rate since July, whereas public sector pay was unchanged over the year.

## This time it's genuine

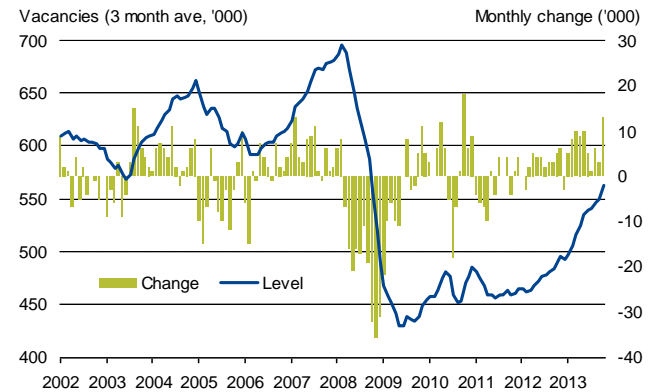
Importantly, we believe that this is the largest genuine improvement in the labour market since the recovery from the financial crisis. Previous falls in unemployment and increases in employment have, we suspect, been flattered by the clampdown on fraudulent welfare benefit claimants and other austerity-related factors since the coalition came to power. [Tellingly, the previous improvements in the labour market over the past three years were not confirmed to the same extent by the survey data.](#) This time, however, the survey data accurately anticipated the buoyant official data, giving us greater confidence that this is a genuine improvement, which will in turn therefore lead to higher pay and rising incomes.

### UK employment long-run trend



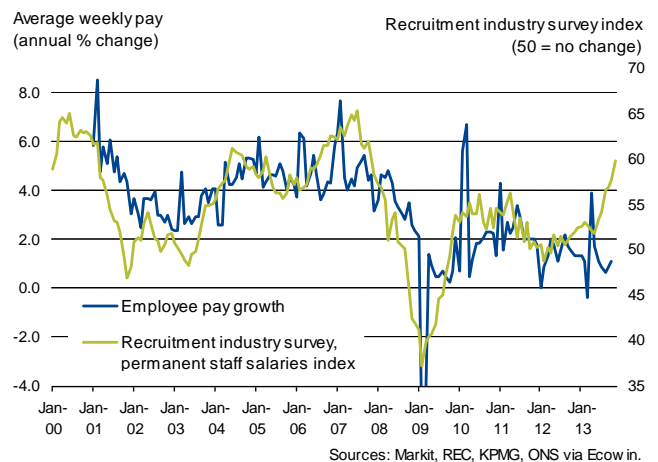
Source: ONS.

### Job vacancies



Source: ONS via Ecowin.

### Pay growth



Sources: Markit, REC, KPMG, ONS via Ecowin.

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