

# United Kingdom

## Unemployment rises and household mood darkens

- **Unemployment rises, pay growth falls**
- **Households downbeat about year-ahead financial outlook**
- **Economic growth likely to slow in second quarter**

The UK labour market showed signs of cooling in February and survey data signalled that households are becoming increasingly concerned about both job security and rising prices in recent months.

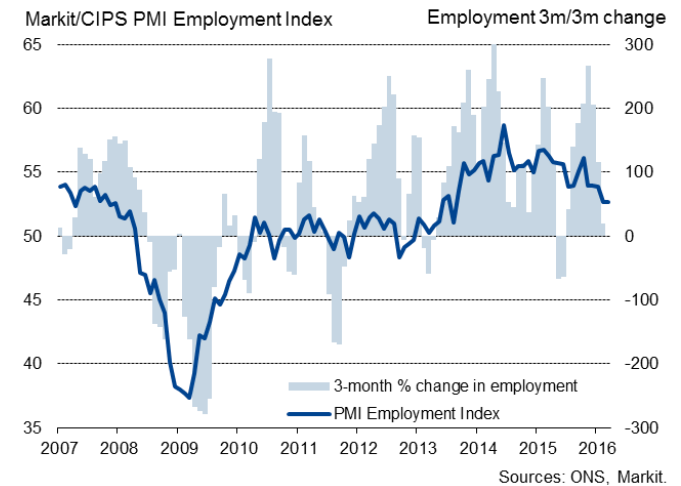
With employers appearing to have become more cautious in their hiring and the consumer outlook darkening, economic growth looks set to slow further in the second quarter, after having likely already eased in the opening three months of the year. [PMI data](#) point to a 0.4% rise in GDP in the first quarter, down from 0.6% in the fourth quarter of last year. A slowdown to 0.2% or worse could be seen in the second quarter as uncertainty surrounding the EU referendum exacerbates existing pressures on the economy, such as worries about global economic growth and the impact of further deficit-fighting austerity measures.

The unemployment rate held steady at 5.1% in the three months to February, its lowest since November 2005, according to the latest data from the Office for National Statistics, but the actual number of unemployed rose for the first time since July 2015, up 21,000 in the three months to February. Similarly, the number of people claiming unemployment benefits increased by 6,700 in March, the first rise since August 2015.

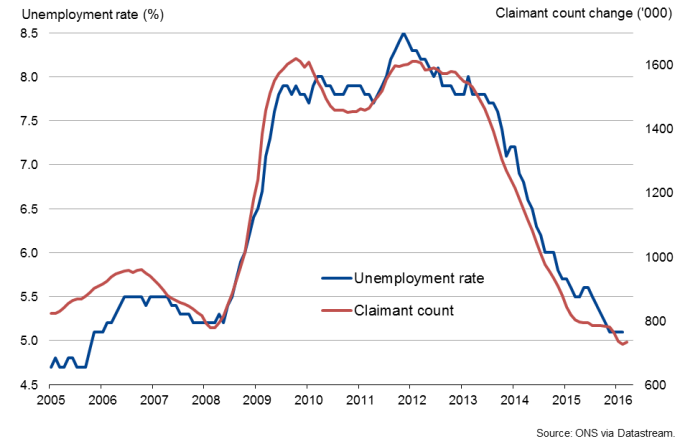
Although employment meanwhile continued to rise, at 20,000 the increase was the smallest seen since the second quarter of last year. PMI data point to [further weak job growth in March](#).

Adding to the disappointing numbers was a downturn in annual pay growth to just 1.8% in the three months to February, a one-year low, fuelling worries that ultra-low inflation is feeding through to weak annual wage reviews for many employees. Although excluding bonuses the rate of increase held steady at 2.2% (up to 2.5% in the private sector), the rate of pay growth clearly remains disappointingly lacklustre, given the current low level of unemployment.

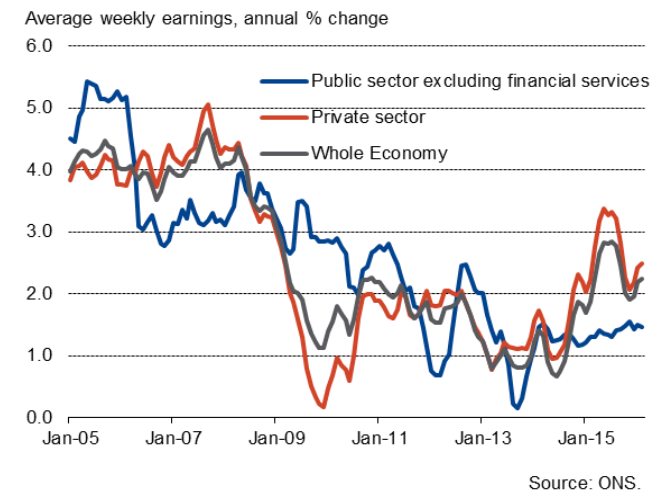
### Employment



### Unemployment



### Pay growth (excluding bonuses)



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## Household mood darkens amid job insecurity and rising prices

Markit's monthly [survey of households](#) showed worries about future finances rising in April to the highest since last December. Although income from employment rose and debt levels declined in April, families remained worried about job security and became more concerned about rising prices, as well as the threat of the Bank of England lifting interest rates.

Job security has been running at its highest for almost two years in recent months. April saw marked deteriorations in the manufacturing, financial services and media, culture & entertainment sectors.

Households meanwhile perceived prices to have risen in April at the fastest rate since December 2014, with expectations about future inflation also picking up to the joint-highest seen over this period.

Higher inflation perceptions appeared to have altered households' views regarding the next change in the Bank of England base rate during April. One-in-four households expect interest rates to start rising within the next six months – the highest proportion since January. For the first time in three months, more than half of panellists anticipate higher interest rates over the coming year. The proportion of households expecting the next move in rates to be a cut fell from 10% to 7% in April.

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