

UK labour market

Official data continue to provide mixed signals on UK job market but Report on Jobs indicates recovery remains on track

- **Claimant count falls for third straight month but ILO unemployment rises to 15-year high.**
- **Recruitment industry continues to report improving conditions.**

Latest data from the Office for National Statistics continued to paint a mixed picture of UK job market conditions. On the positive side, the number claiming jobseekers' allowance (the claimant count) fell for a third consecutive month in April to 1.52 million, while annual growth of average weekly earnings (including bonuses) accelerated from 2.5% to 4.0% in March, the highest since June 2008. Job vacancy data remained broadly positive, showing an annual rise of 4.6% in April (the third straight increase and the strongest in almost two years), despite a posting a small monthly drop for the first time since last September.

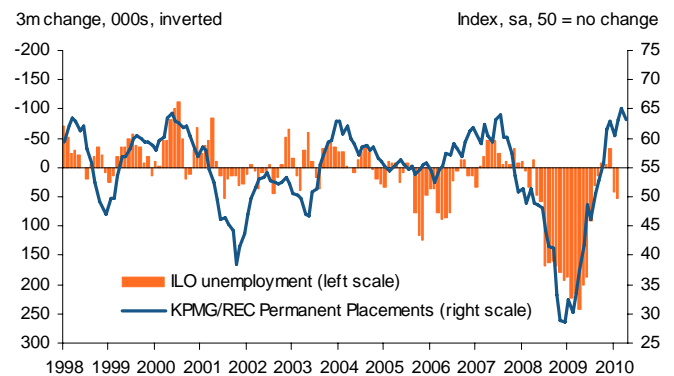
However, the wider (ILO) definition of unemployment, which includes those not working and not claiming jobseekers' allowance, such as 16 and 17-year-olds and students looking for part-time work, rose by 53,000 to a 15-year high of 2.51 million in the three months to March. Meanwhile, total employment declined by 76,000 to 28.83 million during the first quarter. That left the employment rate at 13-year low of 72%. It is likely that weather-related disruption in February is responsible for part of the weakness in the quarterly data, yet the contrasting trends in official figures add to the general sense of uncertainty regarding the labour market.

Survey data point to improving conditions

Business survey evidence, on the other hand, appears less ambiguous and firmly indicates that a labour market recovery is underway. The KPMG/REC Report on Jobs, compiled by Markit, signalled another rise in the number of people placed in permanent jobs by recruitment consultancies in April. The pace of expansion remained

strong, despite easing slightly from March's 12-year high. The placements series has a good relationship with changes in ILO unemployment, and the current level of the index has historically been consistent with a declining unemployment figure. The recent scenario of strongly rising placements at a time of increasing unemployment is in fact unusual in the 12-year Report on Jobs survey history.

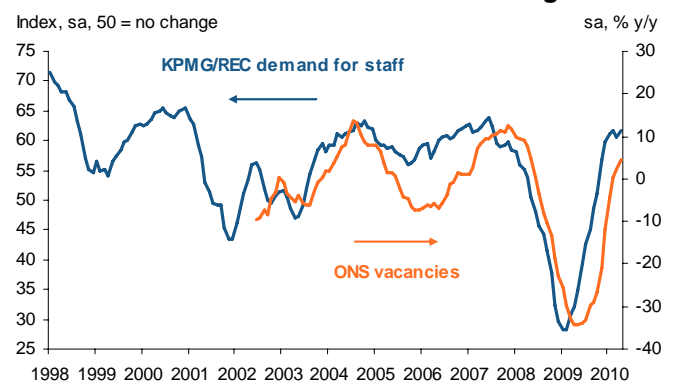
Recruitment activity and unemployment



Sources: Office for National Statistics, Markit.

The recent rise in appointments reflects an increase in demand for staff from employers, as reported by recruitment consultancies. The Report on Jobs Demand for Staff Index correlates well with official vacancy data and continues to signal solid growth.

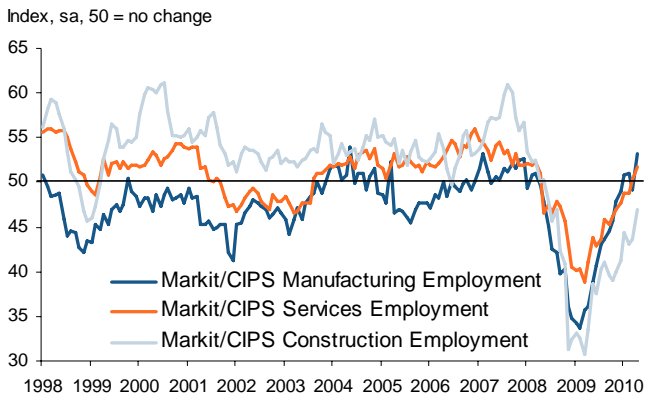
Vacancies rise further as demand for staff grows



Sources: Office for National Statistics, Markit.

It is not the only the Report on Jobs which is pointing to a more positive trend in the labour market. PMI data also indicate a recovery, with private sector employment rising in April for the first time in two years. Jobs growth was recorded in both the manufacturing and service sectors alongside a slower rate of decline in construction.

PMI employment data



Source: Markit.

Public sector retrenchment set to subdue labour market performance

The obvious threat to the labour market is the looming cuts in government spending, which is widely expected to lead to substantial public sector job losses. The extent to which private sector employment conditions improve to offset this will determine the path of overall unemployment.

The next snapshot of labour market conditions will be provided by the Report on Jobs, released 2nd June, covering May data. To find out how to receive the report, and also for enquiries relating to the PMI surveys, please contact economics@markit.com.

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