

UK labour market

Claimant count drop is latest sign of improving job market

- **Jobless benefit claims fell in November for first time since February 2008.**
- **Employment rose by 53,000 in the three months to October.**

Latest data from the Office for National Statistics (ONS) showed a reduction of 6,300 in the number of people claiming unemployment benefit in November, the first fall since February 2008. It defied analysts' consensus forecasts of a 12,000 rise and was the latest in a string of better-than-expected labour market figures.

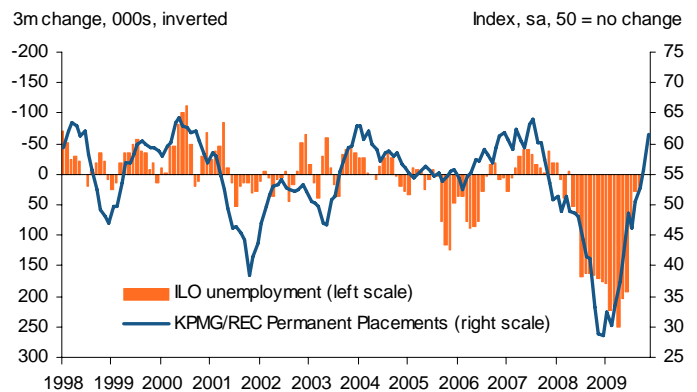
The wider International Labour Organisation (ILO) measure of unemployment showed the smallest rise in one-and-a-half years in the three months to October (21,000), while employment posted a solid gain of 53,000, the largest since May 2008.

The positive figures corroborated survey evidence from the KPMG/REC Report on Jobs, compiled by Markit, which has provided labour market observers with an advance indication of the improving trend well before it became fully apparent in official data. November's Report on Jobs signalled that growth of permanent staff placements accelerated to a 28-month high, while temporary appointments rose at the fastest pace since April 2008.

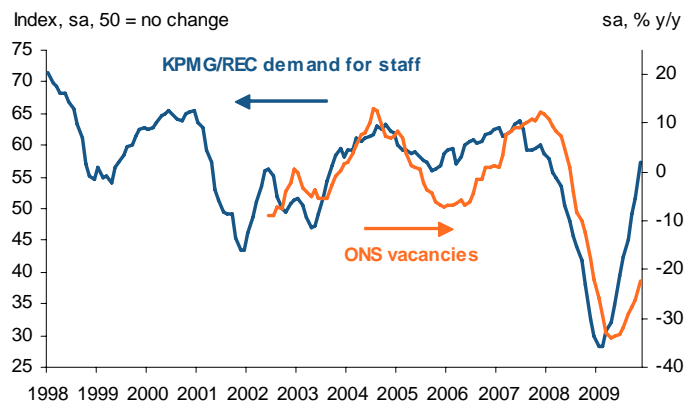
It is possible that the rise in unemployment has been quelled in part by the flexibility of the UK labour market, as pay freezes and reduced working hours have limited the need for redundancies. However, there are signs that the squeeze on pay is easing. Growth of average weekly earnings edged up from 0.3% to 0.7% in September, while the Report on Jobs indicated a small rise in permanent staff salaries for the first time in 15 months in November.

There remains a risk that unemployment will move higher in 2010, reflecting lingering doubts as to the strength and sustainability of any economic upturn among private sector employers, plus the prospect of

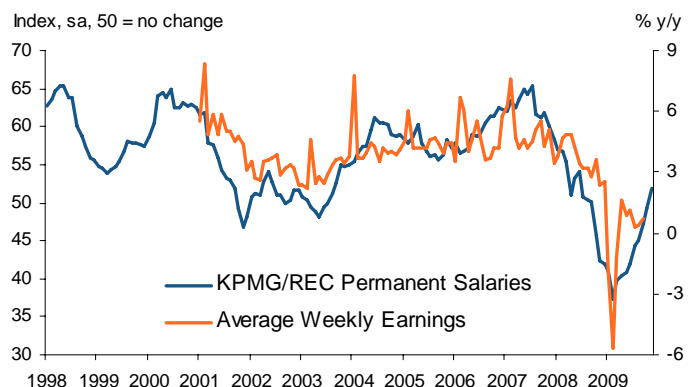
Change in jobless v permanent placements



Vacancies v demand for staff



Average weekly earnings (ex. bonus) v perm salaries



Sources: Office for National Statistics, Markit Economics.

public sector spending cuts. However, the stabilisation of the labour market at this early stage of the recovery represents a much more positive outcome than many considered possible earlier in the year.

The next snapshot of labour market conditions will be provided by the Report on Jobs, released 6th January 2010, covering December data. To find out how to receive the report, and also for enquiries relating to the PMI surveys, please contact electronics@markit.com.

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