

UK labour market

Record rise in UK unemployment, but evidence from recruitment sector suggests pace of job losses may be set to ease

- **Jobless rate climbs to 7.6%.**
- **Vacancy numbers drop to record low.**

Data released by the Office for National Statistics (ONS) on 15th July signalled a further deterioration in the UK labour market. In the three months to May, the broadest measure of unemployment surged by 281,000, the biggest rise in the series' 38-year history (see chart 1). It took total unemployment to 2.38 million, the highest since 1995, and the jobless rate to 7.6%.

Meanwhile, vacancy levels dropped by 35,000 to 429,000 in the second quarter of the year, the lowest since data were first available in 2001 (see chart 2).

Employee earnings remained under pressure. Excluding bonuses, earnings rose by 2.6% on an annual basis in the three months to May, another record low. An alternative measure, average weekly earnings, showed that growth of pay excluding bonuses slumped to 1.6% in April (see chart 3).

A rare bright spot in the data was a slower rise in the number of people claiming unemployment benefit during June. The claimant count increased by 23,800 to 1.56m, the smallest monthly gain in over a year.

Although it was largely insufficient to alter the perception of a grim overall picture, June's rise in claims was well below economists' expectations for a 40,500 increase, hinting at the start of a possible easing in the labour market downturn.

More recent survey data provides evidence of a slowing in the pace of decline in the recruitment market, which could translate into smaller rises in unemployment in the coming months. The KPMG/REC Report on Jobs, conducted by Markit, signalled that permanent placements fell at the slowest rate for thirteen months in June (chart 1). Meanwhile, the latest drop in temporary jobs was the smallest since last September.

Similarly, falls in demand for staff and permanent salaries measured by the Report on Jobs have shown

Chart 1: Change in jobless v permanent placements

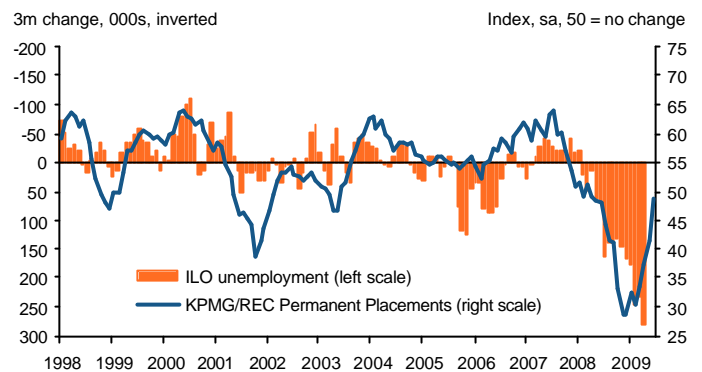


Chart 2: Vacancies v demand for staff

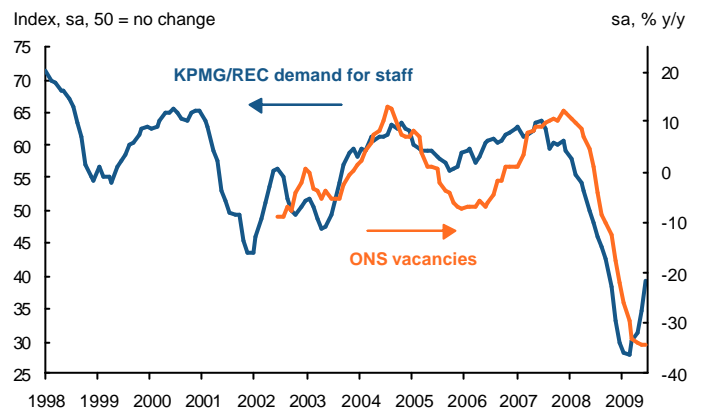
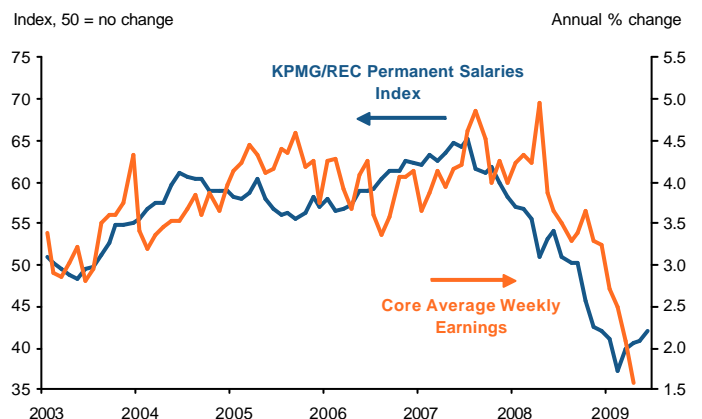


Chart 3: Weekly earnings (ex. bonus) v perm salaries



Sources: Office for National Statistics, Markit Economics.

signs of bottoming out of late (charts 2 and 3). If these improvements can be sustained in the second half of 2009 as confidence gradually returns to the job market, official data could begin to show signs of stabilisation in the labour market. However, this is unlikely to prevent the jobless total from climbing much higher than its current mark – and a peak of around 3 million (not seen since February 1993) still looks a distinct possibility.

The next snapshot of labour market conditions will be provided by the Report on Jobs, released 5th August, covering July 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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