

# UK labour market

Smallest rise in unemployment for 16 months and net gain in jobs suggests labour market is turning

- **ILO unemployment rose by lower-than-expected 30,000 in three months to September.**
- **Employment shows first growth since July 2008.**

Latest data from the Office for National Statistics (ONS) signalled that unemployment increased by 30,000 in the three months to September, the smallest rise since May 2008. The unemployment rate remained unchanged at 7.8%, confounding analysts' expectations of a jump to 8.0%. Moreover, overall employment actually registered a small increase of 6,000, the first growth since July 2008.

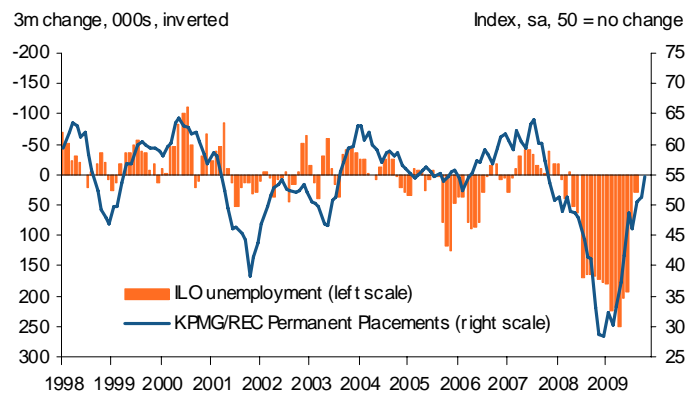
Overall, the figures provided further evidence that the job market is stabilising and raised hopes that unemployment may peak at a much lower level than was feared earlier in the year.

Data suggest that the flexibility of the UK labour market has helped to quell the rise in unemployment. In the three months to September, there was an increase of 86,000 people in part-time jobs, which more than offset a decline of 80,000 in permanent employment. Additionally, there was further evidence of a squeeze on pay, as growth of employee earnings including bonuses slowed to just 1.2% in the three months to September, from 1.6% in August.

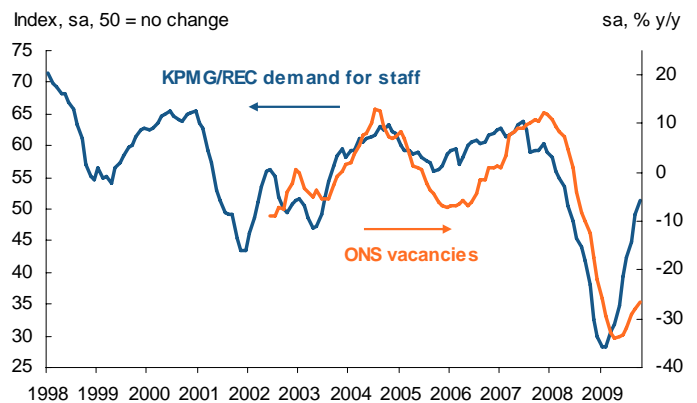
Although the outlook remains uncertain, amid concerns as to the sustainability of economic recovery and the impact on employment of tighter public sector spending next year, it is clear that the labour market has so far shown impressive resilience.

One of the earliest indicators of stabilisation in the labour market was provided by the KPMG/REC Report on Jobs, produced by Markit, which signalled a return to growth of both permanent and temporary employment in

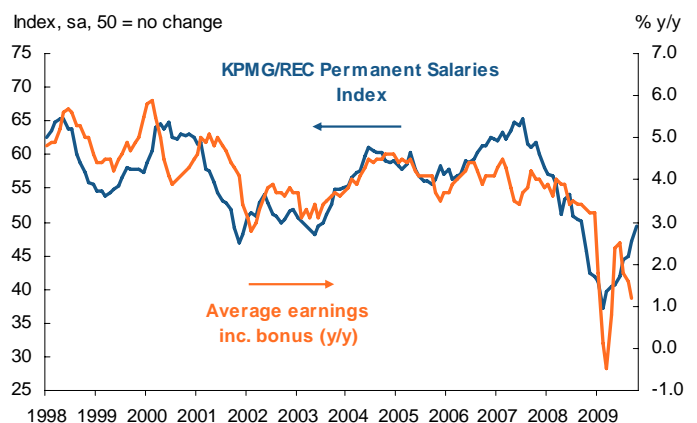
**Change in jobless v permanent placements**



**Vacancies v demand for staff**



**Earnings (inc. bonus) v perm salaries**



Sources: Office for National Statistics, Markit Economics.

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August – before the recent improvement in official figures became apparent. The latest report, published 4<sup>th</sup> November and featuring the October period not yet covered by official data, showed that permanent and temporary jobs increased at the strongest rates for two years and 16 months respectively. If these trends are again corroborated by ONS data, the labour market appears set for more positive news before the end of the year.

The next snapshot of labour market conditions will be provided by the Report on Jobs, released 9<sup>th</sup> December, covering November data. To find out how to receive the report, and also for enquiries relating to the PMI surveys, please contact [electronics@markit.com](mailto:electronics@markit.com).

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