

# UK labour market

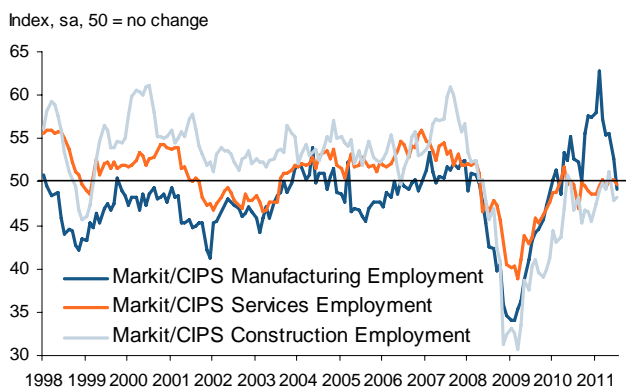
## Unemployment jumps amid weakening job market

- **Biggest rise in claimant count for over two years.**
- **Vacancies drop to lowest level since November 2009.**

Official data paint a very disappointing picture of the UK labour market. Claimant count unemployment showed the largest jump since May 2009, up 37,500 – almost twice the 20,000 rise that analysts had been expecting. The unemployment rate also jumped to 7.9% from 7.7%.

Survey data indicate that unemployment is likely to continue to rise in coming months as private sector employers fail to make up for public sector job cuts. The Markit/CIPS PMI™ survey showed companies reducing their headcounts in July due to concerns over the economic outlook. The drop in staffing levels was broad-based across the manufacturing, services and construction sectors.

### PMI employment by sector

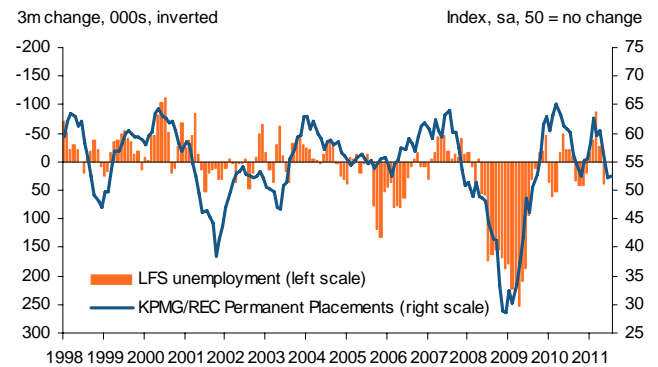


Source: Markit.

Meanwhile, recruitment firms surveyed by Markit on behalf of KPMG/REC reported that the number of people they had placed in permanent jobs had risen in July at a rate only marginally higher than June's near two-year low. This tallies with official data showing that the number of job vacancies fell to the lowest in almost two years at 449,000 in the three months to July.

The ILO measure of unemployment increased by 38,000 to 2.49 million in the three months to June, as more people entered the labour force and employment showed its weakest increase in six months at just 25,000. Moreover, the number of people working part-time because they could not find a full-time job climbed by 83,000 to a record high of 1.26 million.

### Permanent placements and unemployment



Sources: Markit, ONS.

As far as policy is concerned, one of the most important numbers in this morning's labour market report is the rate of growth of employee pay, which showed a rise of just 2.2% on a year ago in June after bonus payments had been allowed for. This suggests that there is still no sign of high inflation (4.4% in July) feeding through to wage settlements, largely due to widespread job insecurity.

The absence of pay pressures provides policymakers with more ammunition to keep interest rates at historic lows. However, the flip-side is that it means a considerable squeeze on real pay, which is one of the reasons we expect consumer spending to remain subdued in coming months. With consumer spending accounting for around two-thirds of GDP, it is therefore likely that economic growth will also remain modest at best.

Business confidence clearly needs to rise before employment growth will pick up again, but at the moment the surveys suggest that companies remain worried about economic growth both at home and

---

abroad and are generally erring towards cost-cutting rather than expansion.

For more information about the Report on Jobs and Markit PMIs, please contact [economics@markit.com](mailto:economics@markit.com).

---

**Chris Williamson**

**Chief Economist**

Markit

Tel: +44 207 260 2329

Email: [chris.williamson@markit.com](mailto:chris.williamson@markit.com)

For further information, please visit [www.markit.com](http://www.markit.com)

**Jack Kennedy**

**Senior Economist**

Markit

Tel: +44 1491 461 087

Email: [jack.kennedy@markit.com](mailto:jack.kennedy@markit.com)

The intellectual property rights to this report provided herein is owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.