

UK labour market

Unemployment at 17-year high as job market outlook remains subdued

- **UK unemployment rises to highest level since 1994, but growth of benefit claimants remains muted**
- **Job vacancy and recruitment consultancy surveys point to weak demand for staff, suggesting joblessness may rise in 2012**
- **Weak pay growth and job insecurity points to subdued consumer spending trend in coming year**

UK unemployment has risen further, increasing by 118,000 in the three months to November. At 2.685 million, the total is the highest for over 17 years. According to the internationally comparable (ILO) measure, the rate of unemployment edged higher, from 8.3% to 8.4%.

The narrower, but more up-to-date, claimant count measure of joblessness also rose, up for the tenth successive month in December. The 1,200 increase was well below the peak of 33,700 seen in July, suggesting that the rate at which the dole queue is lengthening eased towards the end of last year, but a further rise in unemployment looks highly likely, perhaps breaching the three million mark later this year.

Both recruitment agency and the vacancy data point to a subdued job market in early 2012. Recruitment consultants reported a further downturn in the labour market in December, with permanent staff placements dropping for the third straight month.

The number of vacancies, at 463,000, is also still running well below the level of over 600,000 frequently seen in the years prior to the recession.

Public sector staff cuts will therefore likely be accompanied by private sector job losses, as companies focus on cost-cutting in the face of what many are expecting to be a challenging year ahead. Worrying signs were already apparent in the third quarter of last year (the latest period for which data are available), when a 67,000 drop in public sector jobs was offset only partially by a 5,000 gain in the private

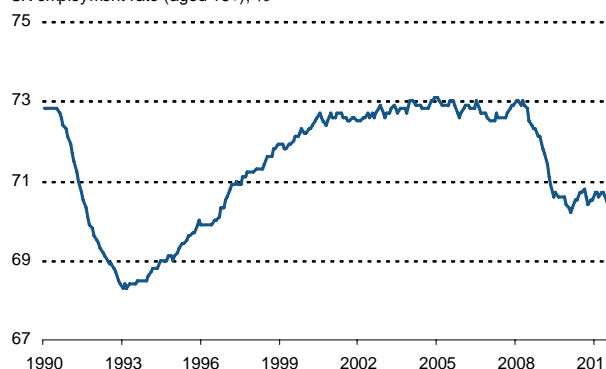
sector. Since the start of 2010, 365,000 public sector jobs have been cut, though 630,000 jobs were created in the private sector.

Average weekly earnings, including bonuses, grew just 1.9%, providing a further indication of the general weakness of the labour market. Widespread job insecurity and cost-cutting by employers is clearly holding down pay rates well below the current rate of inflation.

The increase in unemployment, plus job security worries and low pay growth for those in work, means consumer spending may remain subdued this year, despite lower inflation alleviating the squeeze on real incomes that caused so much distress to households in 2011. Encouragingly, the Misery Index, which combines measures of unemployment and inflation, has come down from September's 19-year high. However, it remains higher than at any time since the early-1990s recession, highlighting the stress that households continue to face in terms of high prices and job worries.

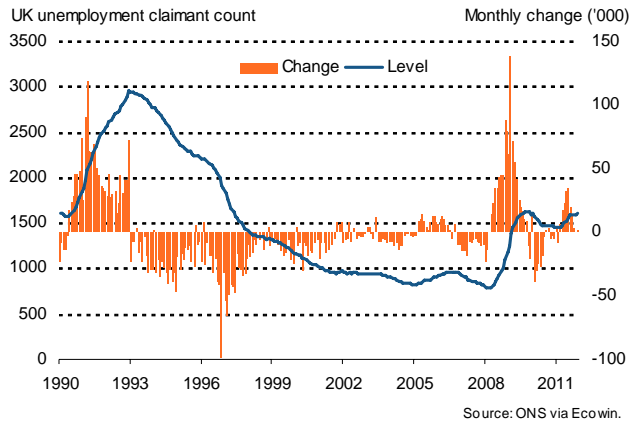
Unemployment

UK employment rate (aged 16+), %

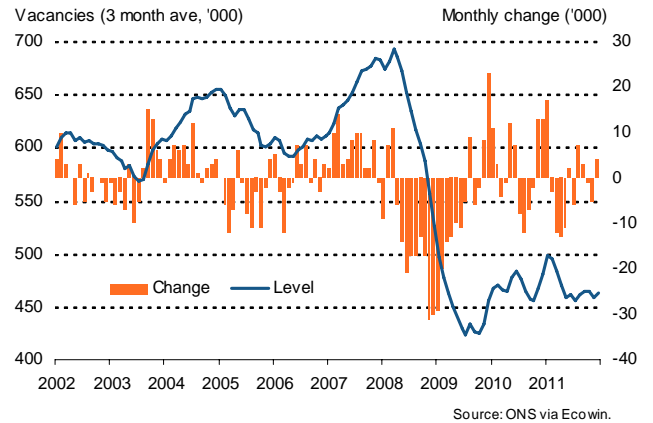


Source: ONS via EcoWin.

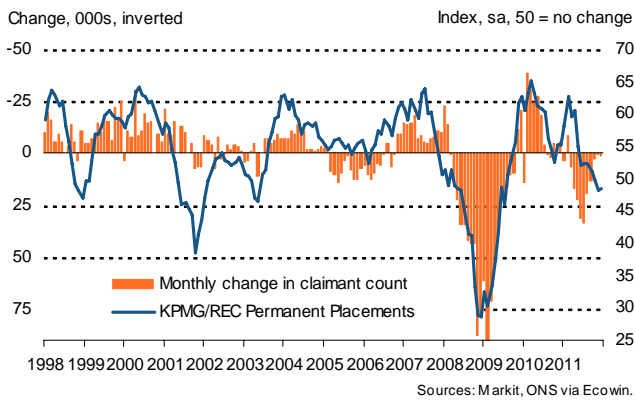
Unemployment



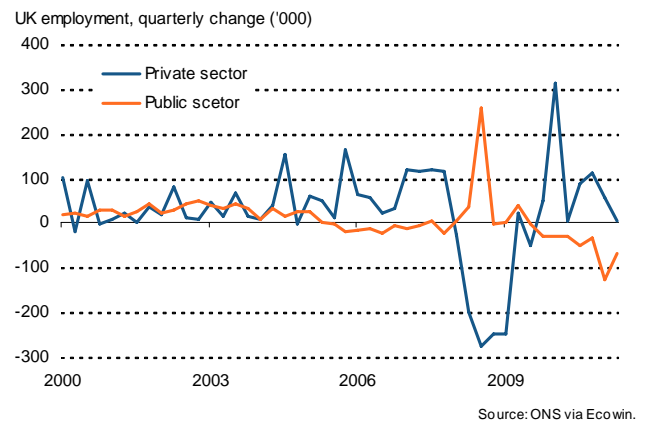
Vacancies



Permanent staff appointments and claimant count



Public sector job cuts not offset by private sector



Misery index



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