

Drop in UK jobs cast doubt over 2018 rate hikes

A bout of weakness in the jobs market weakness suggests slower 2017 economic growth may be starting to take its toll



Source: Bank of England

-14k Change in jobs growth ('000s)
(3M/3M change)

The stand-out feature of today's jobs report is the unexpected fall in employment. Markets will focus on the -14k 3M/3M change, but the picture looks much more concerning when we delve into the "single month" changes. The number of jobs fell by 138,000* between July and September (having fallen by 87k between June and August).

This is interesting because it raises the question of whether the growth slowdown we've seen throughout 2017 is starting to take its toll on the jobs market - and whether the boost from the stronger economic momentum in late 2016 is beginning to fizzle out.

If that is the case, then that has important implications for the Bank of England. That's because a central pillar of the Bank's outlook is that wage growth will pick-up strongly next year because of

the strength in the jobs market, among other reasons. The BoE expects average hourly earnings growth to hit 3% next year (from 2.2% today) and cites evidence from Bank Agents that the first quarter wage-setting round looks set to be better than this year's.

However, with Brexit and political uncertainty elevated and broader economic growth slowing, we think wage growth may not pick-up quite as sharply. For that reason, we expect the Bank to continue to take a cautious approach to further interest rate hikes, although we don't rule out another increase in 2018.

* This figure has been corrected

Author

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.