

## Healthier UK jobs report as wage growth beats expectations

The latest jobs and wage data came in above consensus, but won't be enough to bring forward the date of the first Bank of England rate hike



Source: iStockphoto

### Unemployment rate hits another record low

Wednesday's jobs report was slightly healthier than might have been expected. Jobs growth beat expectations, coming in at 125-thousand, even as March's 340k "single month" increase drops out of the three-month moving average comparison. That, combined with a further fall in unemployment, was enough to take the unemployment rate down to yet another record low 4.4%.

The big question for the Bank of England is whether the ever-tighter jobs market starts to translate into a sharp acceleration in wage growth. We have seen slightly more momentum in the level of average weekly earnings recently following a particularly sluggish start to the year. That appears to corroborate the BoE's view that some of the recent weakness in pay growth is attributable to temporary factors like the apprenticeship levy and pension costs.

## 2.1 Average weekly earnings, ex bonuses (YoY%)

Better than expected

### Wage growth unlikely to rise much further this year

However, even as the probability of a Brexit transition period increases, there's still plenty of political uncertainty facing businesses. Throw in rising import costs, which will keep pressure on firm's cost bases, and slowing economic growth & consumer demand, then it looks unlikely that wage growth will pick up rapidly over coming months. Or at least, not enough to meet the Bank's 3% target for 2018.

In fact, we expect wage growth to hover around the 2% level for the rest of this year. With inflation likely to inch closer to 3%, that means real incomes will continue to be squeezed.

We expect the Bank of England to increasingly "look through" rising inflation and focus instead on the muted outlook for growth. A 2017 rate hike looks very unlikely.

#### Author

##### James Smith

Developed Markets Economist, UK

[james.smith@ing.com](mailto: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 [www.ing.com](http://www.ing.com).