Lower UK wage growth points to another Bank of England pause

While wage growth is still much too strong for the Bank of England's liking, there's nothing in the latest data that's likely to push the committee into a rate hike at the November meeting

Today's UK wage data was always going to be one of two key tests ahead of the Bank of England's November meeting. And at first glance, there's nothing that's likely to push the committee towards another rate hike.

Admittedly, this is an unusually thinned-down jobs report, with many of the key numbers, including unemployment, delayed for a week due to quality concerns. Those numbers, when we get them, will still have some bearing on the Bank's next decision, but committee members have made it abundantly clear that private-sector regular pay growth is the key metric it's watching – and that number has been released today as planned.

These wage numbers do bounce around a bit between months, and if we look at the latest figure in isolation, we did see a slightly faster increase in the level of private sector pay (£611 to £615 for the average week, or up 8% annualised). But that follows a couple of months of slower increases, and that means the three-month annualised change in pay – which is perhaps a fairer indication of the trend – has still slowed since the unusually large wage rises we were seeing in the second quarter. On a year-on-year basis, private sector wage growth is down to 8%, down from 8.2% at the peak. That's still too high for the Bank's liking, but the lack of fresh unpleasant surprises reduces pressure to hike again in November - and importantly, policymakers have also been noting that other measures of wage growth have been looking a bit more favourable.

> *There are mounting signs the UK labour market is cooling*

While we'll have to wait until next week's full jobs data, there have also been mounting signs that the labour market is beginning to cool. Vacancies have fallen noticeably across sectors, and that's gone hand-in-hand with a pick up in unemployment. The number of payrolled employees fell in September, according to an alternative measure of employment that we did get published as planned.

That suggests the days of 8%+ private-sector wage growth are numbered, though we expect the decline to be gradual.

As for the November Bank of England meeting, we still have to wait on services inflation due tomorrow. This has been volatile, though our best guess is that this notches fractionally lower – and should continue to do so over coming months as the lagged effect of lower gas prices feeds through. Any unpleasant upside surprises could be enough to tempt the Bank into a resumption of its rate hike cycle in November. But for now, that's not our base case. We expect rates to remain on hold until next summer.

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