

Positive UK wage data clouded by worrying jobs figures

Further momentum in wage growth makes a May rate hike all the more likely, although the latest employment data is a little more concerning



Source: Shutterstock

2.5%

UK wage growth

Excluding bonuses, YoY

Better than expected

It's fair to say the latest UK jobs report is a bit of a mixed bag, although the main takeaway is that wage growth is showing further signs of life. Excluding bonuses, regular pay rose by 2.5% YoY and is a further sign that the tightness we've seen in the labour market is causing firms to lift pay packets to retain staff and hire new talent. It's worth remembering that the year-on-year comparisons are currently being flattered by the fact that wages stayed virtually unchanged through last winter. But even so, when we look at the three-month over three-month change - a better measure of the current momentum in wage growth - pay packets are rising at around a 3% annualised rate.

For the Bank of England, which has said rising wages are a key argument for tighter monetary policy, today's data makes a May rate hike all the more likely - although as always, this still relies on renewed Brexit progress over coming weeks.

4.4%

UK unemployment

3M average, up from 4.3% in the three months to November

Having said this, the employment picture is starting to look slightly more concerning. Following an expected surge in jobs growth in the last jobs report, the headline 3M/3M change in employment growth significantly undershot expectations at 88,000, and was coupled by a 45,000 increase in unemployment. When we scratch beneath the surface, the "single-month" figures (which we'd caution are not a National Statistic, so worth taking with a pinch of salt) show that the massive uplift in employment we saw in November was more or less fully reversed in December.

All of this once again raises the question of whether the sluggish economic growth of 2017 is finally starting to catch up with the labour market. For now, we'd treat the latest data with some caution, but it is clearly a trend worth watching over the next few months.

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 www.ing.com.