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

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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.

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