# UK jobs data likely to divide opinion at the Bank of England

The UK jobs market remains tight, even if it is no longer tightening. In practice this data is unlikely to change many minds at the Bank of England when it comes to August's decision: hawks will stay concerned about worker shortages, while the doves will focus on the pick-up in shorter-term unemployment. We still narrowly expect a 50bp hike next month

## The jobs market is no longer tightening

The UK jobs market remains pretty tight all things considered, even if it is no longer actively tightening. The unemployment rate stayed at 3.8%, even if we're beginning to see a pick-up in the number of people unemployed for less than six months.

Time will tell whether that's the start of a deterioration in the jobs market, not least because for now, the number of planned redundancies by companies has shown no sign of increasing over recent weeks. What we can probably say with more certainty is that the number of unfilled job vacancies appears to have peaked, and indeed more timely data from Adzuna suggests these will gradually begin to fall.

For the time being though, firms are still clearly finding it hard to fill positions – a monthly Bank of England survey showed that around two-thirds of companies are finding it ‘much harder’ than usual to find staff, and more importantly this percentage has only continued to increase in recent months. Encouragingly though, the number of people classed as inactive (ie neither in a job nor actively seeking one) has continued to decrease, though there are still around a quarter of a million extra people out of the jobs market due to long-term sickness compared to pre-pandemic. That, and lower inward immigration levels, suggest worker shortages could remain an issue for at least the next few months.

The labour market is undoubtedly a lagging indicator, though for now despite the increasing pressure on company margins, firms have a strong incentive to retain staff amid rehiring concerns. So despite mounting economic growth concerns, there’s no guarantee we see a sharp rise in unemployment over coming months. Corporates are more likely to deal with margin and demand pressure by reducing staff hours.

## This data is unlikely to sway the Bank of England

Ultimately, this jobs market data isn’t – on its own – going to change any minds on the Bank of England’s policy committee. Those that have been pushing for more aggressive, 50 basis-point increases are worried that shortages in the jobs market will persist, keeping pressure on pay. Those in the majority that have so far backed steadier, 25bp rate rises, will focus on the fact that the jobs market is no longer tightening.

August’s meeting remains a tough call, but the fact that markets are fully pricing a 50bp hike, against a backdrop of sterling pressure and the prospect of another 75bp hike from the Fed next week, suggests to us that the committee is likely to follow through with a more aggressive rate increase.

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