

# UK jobs market grinds to a halt

Is weaker growth starting to take its toll on employment?



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**-56k** Change in employment  
(3M/3M change)

Worse than expected

The latest UK labour report provides another tentative sign that the weaker economic momentum we've seen through 2017 may finally be taking its toll on the jobs market. With employment falling by 56,000 in October (3M/3M change), it's fair to say that the jobs market is going through a rough patch. This could simply be noise, but the latest services PMI and Manpower surveys have also suggested that the rate of hiring is slowing.

Wage growth was a little more encouraging, with earnings excluding bonuses rising by 2.3% YoY. This will be good news for the Bank of England, who are looking for pay growth to accelerate next year. There are skill shortages reported in certain sectors which will keep some pressure on employers to raise wages. But if the labour market does continue to slow in line with economic growth, and firms margins continue to be squeezed by higher external costs, there is a risk that wage growth doesn't take-off to the extent the Bank is hoping next year.

So what does this mean for interest rates? Well, policymakers signalled back in November that they'd be fairly comfortable with hiking again in 2018 - particularly if a transition deal can be swiftly agreed in the new year. That means we could feasibly see another rate rise in the first half of 2018, but with the economy struggling to get back up to speed and a number of Brexit 'ifs' still to be resolved, it's still far from guaranteed.

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