

## UK wage growth slows fractionally as jobs market cools

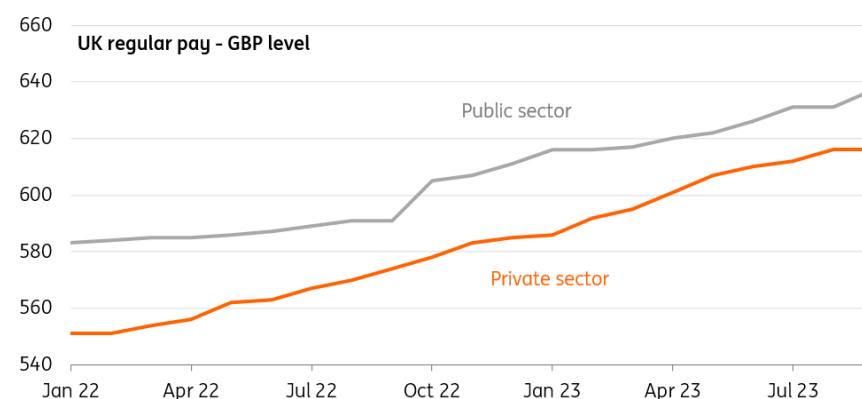
Private sector wage growth is starting to come down, albeit slowly. That's good news for the Bank of England, and with the jobs market cooling, we expect more progress on wage growth by next summer. That should help unlock rate cuts from August 2024



The latest UK wage figures are generally good news from the perspective of the Bank of England. Private sector regular pay growth, which strips out volatile bonus payments, inched lower to 7.8% from 8.1% on a year-on-year basis. This is one of the three key metrics the Bank has said it's looking at as a guide for policy.

Admittedly, that's still far too high and inconsistent with a 2% inflation target. But equally, the news is better if you look at pay in level terms. Private sector pay was unchanged in the most recent month, as the chart below shows. That means if you compare the most recent three-month period to the three months prior, the rate of growth has slowed a lot. These figures do bounce around, but it looks like a signal that momentum is slowing.

## Private sector wage growth is slowing



Source: Macrobond

Figures are seasonally adjusted

That's a trend we expect to continue. If you try to produce a model of wage growth, typically the main drivers right now are either inflation expectations or labour market tightness – depending on exactly which indicator you use for both. Whichever is the dominant factor, both are easing rapidly. Measures of both consumer and business price expectations have fallen noticeably in recent months, which in part probably just reflects the fact that headline prices like energy are coming lower. But the latest data today also emphasises that the jobs market is easing too.

We can't reliably look at the new 'experimental' unemployment figures, which suggest the jobless rate stayed unchanged in the most recent three-month period. That's due to well-publicised issues with survey sample sizes. But vacancies have been consistently falling, and the data from firms' payrolls (PAYE) indicates that employment growth has stalled since the summer. Multiple surveys suggest that firms are finding it easier to find staff than a year ago when skill shortages were at their most acute.

All of that suggests the Bank's forecast for private sector wage growth to hit 6.6% in March appears to be on track, and if anything, might be beaten on the downside. We think these figures can reach the 4-4.5% area by next summer, and that might be one of the catalysts for rate cuts to begin in August.

### Author

**James Smith**

Developed Markets Economist, UK

[james.smith@ing.com](mailto: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](http://www.ing.com).