

UK labour market

Claimant count rise adds to signs of job market downturn

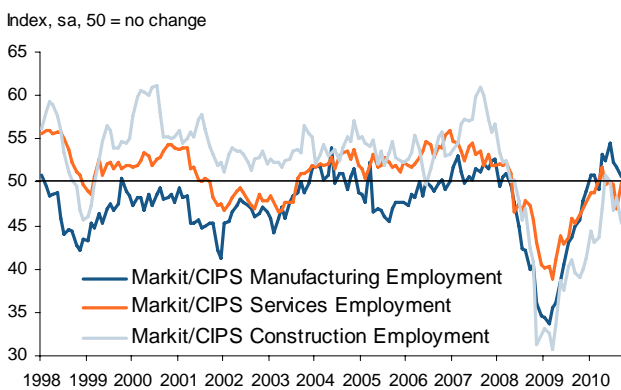
- **Jobless claims increase for second month running in September...**
- **...suggesting labour market trend has turned**

The latest batch of labour market data once again provided both good and bad news. Employment rose in the three months to August and the broad 'ILO' measure of unemployment fell from 7.8% to 7.7%. But September saw the biggest rise in claimant count unemployment since January, with the increase for August also revised higher.

Survey data signal clear deterioration

The downbeat picture is supported by surveys of both purchasing managers and recruitment consultancies, which also indicate that the situation is likely to deteriorate in coming months. The Markit/CIPS PMIs indicate that private sector employment fell throughout Q3, reversing the gains seen in the second quarter, with weakness particularly apparent in the services and construction sectors. However, even manufacturing job creation has almost stalled, representing a sharp turnaround from the 16-year high seen in June.

PMI employment data

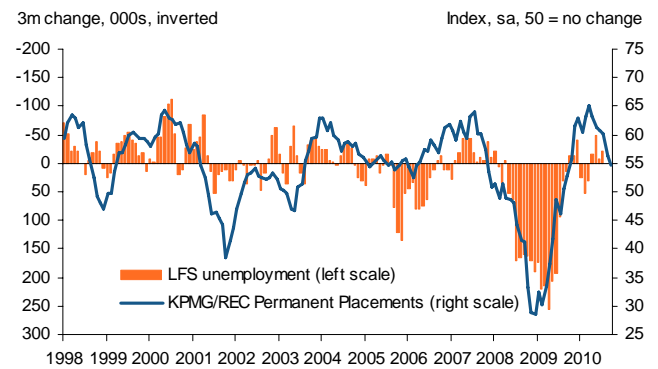


Source: Markit

Meanwhile, the KPMG/REC Report on Jobs, also compiled by Markit using monthly survey data collected from over 400 recruitment consultancies,

showed employers' demand for staff growing at the weakest rate since October 2009. Recruiters reported the smallest increase in permanent appointments for a year in September while growth of temp staff billings eased to an 11-month low.

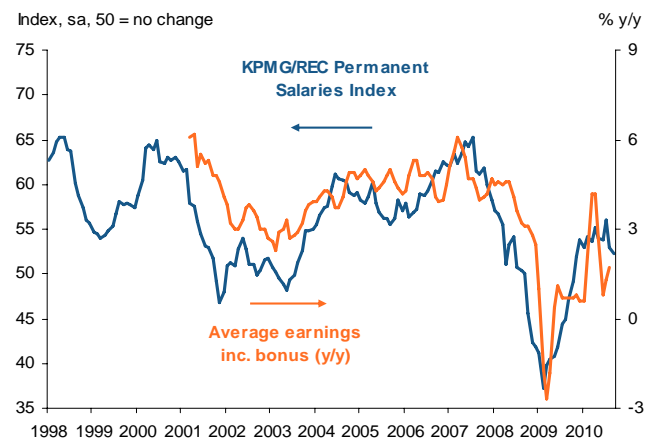
Recruitment activity and unemployment



Sources: ONS, Markit

Softer demand for staff has also fed through to pay rates; permanent staff salary inflation fell to a 10-month low in September and temporary/contract staff hourly pay rates declined for the first time in nine months. These more up-to-date survey data suggest that official data will continue to show a subdued pay trend despite signs of a slight pick-up in the three months to August.

Permanent salaries and average earnings



Sources: ONS, Markit

Pay excluding bonuses rose 2.0% on an annual basis, the highest since June 2009, while pay including bonuses was 1.7% higher, but in both cases remained well below the rate of consumer price inflation which was unchanged at 3.1% in September.

Uncertainty abounds before public spending announcement

Employers are clearly showing a renewed wariness in the recruitment of staff, meaning the private sector will struggle to make up for looming public sector job cuts and further increases in the unemployment numbers look likely in coming months. However, much will

depend on how employers react to next week's government Comprehensive Spending Review. On one hand, confidence could get knocked further by announcements of cuts to public sector spending but, on the other hand, we may see that recruitment decisions have merely been put on hold in recent months until the Review gives greater clarity about the short-term impact of austerity measures on the economy.

For all enquiries relating to the PMI surveys and the KPMG/REC Report on Jobs, compiled by Markit, please contact electronics@markit.com.

Chris Williamson

Chief Economist

Markit

Tel: +44 207 260 2329

Email: chris.williamson@markit.com

For further information, please visit www.markit.com

Jack Kennedy

Economist

Markit

Tel: +44 1491 461 087

Email: jack.kennedy@markit.com

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