

UK labour market

Unemployment shows largest fall since 1997 as demand for staff picks up. Business surveys point to improved job market outlook.

- **Unemployment fall and job vacancy rise take analysts by surprise.**
- **Recruiters report that demand for labour is rising strongly, pointing to further job market improvements in coming months.**

An improvement in the UK labour market surprised many analysts, with unemployment showing the largest fall since 1997 and job vacancies showing the strongest upward trend since at least 2001. Questions arise as to the resilience of the labour market in coming months, especially with public sector job cuts widely expected after the General Election. But for the time being, surveys of recruitment consultancies and purchasing managers suggest that the latest official data represent a general upturn in employment conditions as the UK economic recovery was sustained during the initial months of 2010.

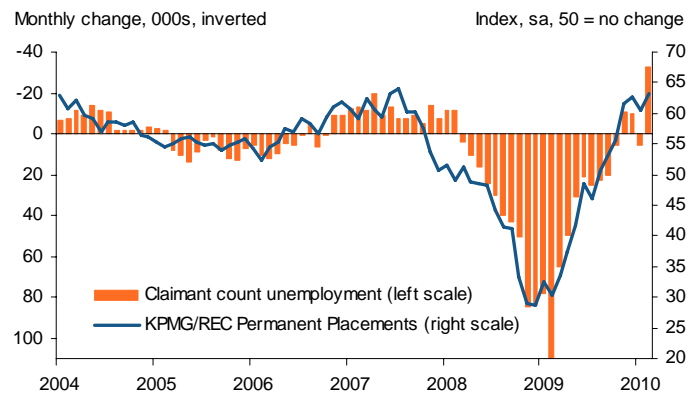
Unemployment falls sharply

The latest data from the Office for National Statistics showed the largest fall in jobless benefit claimants since 1997, official data showed on Wednesday. Claimant count unemployment fell by 32,300 in February and a previously reported increase of 23,500 in January's was revised down to 5,300.

Unemployment according to the wider International Labour Office (ILO) measure also fell, dropping 33,000 in the three months to January to 2.45m. That left the unemployment rate unchanged at 7.8%.

The upbeat message from the official data took many analysts by surprise (a Reuters poll had indicated that analysts were expecting an 8,000 increase in unemployment on average), but the data correspond well with surveys such as the KPMG/REC Report on Jobs.

Unemployment falls as recruiters get busier



Sources: Office for National Statistics, Markit.

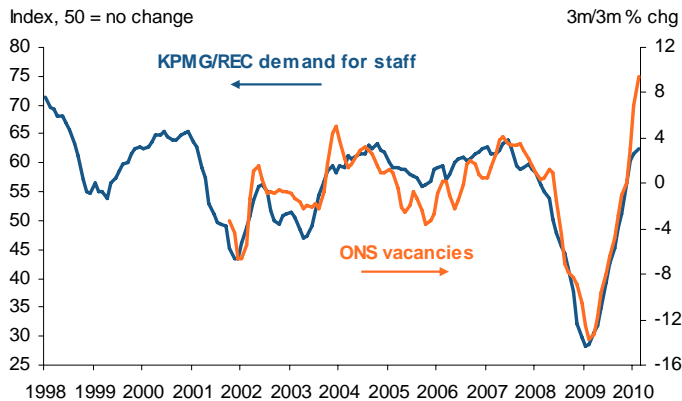
The survey found that the number of people being placed in permanent positions by recruitment consultancies increased for the seventh successive month in February, growing at the fastest pace since June 2007. Changes in permanent placements tend to occur in advance of changes in unemployment, and the placements figures therefore point to further improvements in the official unemployment data in coming months.

Vacancies rise as the demand for staff improves

A further sign of an improving labour market was provided by an increase in the number of job vacancies, which rose at a quarterly rate of 9.4% in the three months to February – a record rate since the series began in 2001.

The official data on job vacancies correlate well with the Report on Jobs data relating to the demand for staff at recruitment consultancies' client companies. Recruiters have reported that the demand for additional staff has picked up sharply in recent months, increasing in February at the fastest pace since July 2007.

Vacancies rise as the demand for staff picks up

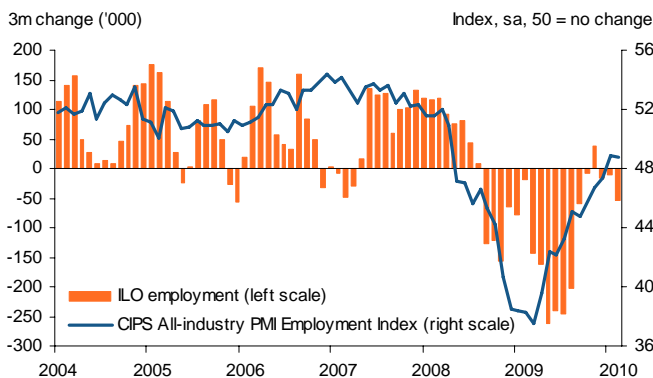


Sources: Office for National Statistics, Markit.

Employment still dropping, but rate of decline shows reassuring trend

Employment continued to decline, down by 54,000 in the three months to January. However, the rate of decline of employment has shown a broad easing trend over the past year (the rate of job losses hit a peak when employment fell by 263,000 in the three months to last April), in line with both the Report on Jobs data and the employment data from the CIPS/Markit Purchasing Managers' Index (PMI) survey.

Employment still falling but rate of job losses has slowed

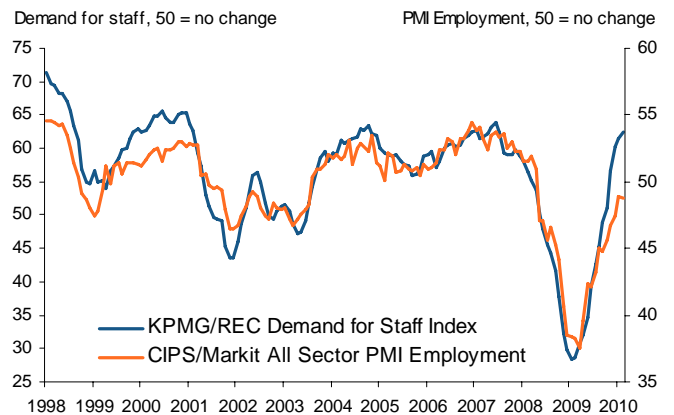


Sources: Office for National Statistics, Markit.

With job vacancies and the demand for staff at recruitment agencies both rising, and the CIPS/Markit

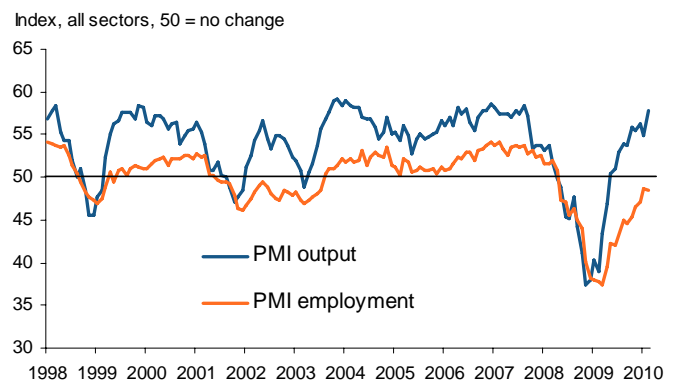
survey showing strong growth of business activity in general (output in the combined manufacturing, services and construction economies rose in February at the fastest pace since August 2007), it is likely that employment – in the private sector at least – will soon stabilise.

Like the official data, Markit's business surveys show that the demand for staff has picked up, causing the rate of decline of employment to slow



Source: Markit.

Purchasing Managers' Index data suggest that rising output may soon generate employment growth in the private sector



Source: Markit.

Chris Williamson

Chief Economist

Markit

Tel: +44 207 260 2329

Email: chris.williamson@markit.com

For further information, please visit www.markit.com

The intellectual property rights to this report provided herein is owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.