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Western European Economic Indicators and Insights

October 17, 2012

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UK: Solid Labor Market Signals Continue?

Surprising positively once again, claimant count unemployment actually fell further in September albeit a little less clearly than in August, but with the drop of 4 000 also being the third fall in succession, a result still keeping the jobless rate on this basis stable at an unrevised 4.8%.

Broadly-Based Better Signals

Moreover, a better labor market backdrop was also evident in the alternatively-sourced and broader ILO measure of unemployment. This saw a sixth successive, but more muted drop, this time of 50 000, enough to trim the jobless rate on this basis by 0.2 percentage point to a one-year low of 7.9%.

On a further upbeat note, the rate of redundancies fell, while vacancies edged back up. Hours worked, however, corrected back but employment numbers rose further and a little more clearly (actually reaching a record-high level). *Moreover, the increase in jobs was somewhat less dominated by (possibly far from voluntary) part-time working and self-employment.* Regardless, a better underlying tone to the labor market may also be discernible from the continued upward trend in the participation rate.

Earnings Growth Less Subdued.

Average weekly earnings growth edged up 0.1 percentage point to 1.7% Y/Y in the three months to August, boosted by a clear pick-up in the single month Y/Y figure reading to 2.3%. These numbers were partly tempered by bonus pay effects as regular pay earnings growth edged up to 2.0%.

DE View: This is yet another set of clearly more reassuring messages regarding the labor market, thereby continuing the better trend seen in UK economic data of late. Indeed, *the latest batch of labor market data suggest an unexpected resilience that seemingly provides a further rebuff to the notion that the UK economy is actually in recession.*

However, this relative strength is seemingly coming at a price at least for households. Average earnings are still running at a pace well below CPI inflation. More worryingly, average earnings growth may still be too high given the very clear weakness in productivity that the combination of soft GDP and rising employment is painting.