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UK LABOUR MARKET REMAINED SOLID AFTER THE BREXIT VOTE

Berenberg Macro Flash

Jul	Unemployment rate	Average earnings, ex bonus 3m/yoy
Actual	4.9%	2.1%
Previous	4.9%	2.3%
Consensus	4.9%	2.2%
Berenberg	4.9%	2.3%

Although it is still early days, the UK labour market is yet to show any Brexit effect for the period immediately before and after the June 23 vote. The UK unemployment rate remained unchanged at 4.9% in the three months to July. Unemployment fell to 4.7% in July based on the single-month estimate. While employment increased by 174k on a 3m/3m basis, taking the employment rate to a record 74.5%, the annual rate of wage growth ex. bonuses edged down slightly to 2.1% from 2.3% in June.

Data on unemployment claims, which run one month ahead of the headline data, pointed to a firm labour market in August. The claimant count rate remained unchanged on a monthly basis at 2.2%. The monthly change for unemployment claims rose by a modest 2.4k, within the normal range of monthly fluctuations.

After the Brexit vote, we had expected firms to exercise a greater level of caution, implying a fall in vacancies. Most surprisingly, the number of job vacancies rose modestly to 752k in August.

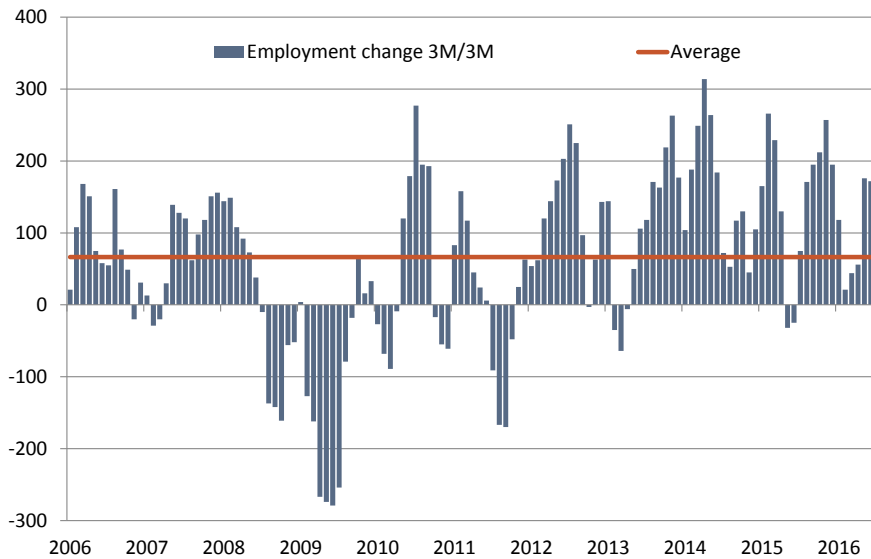
No news is good news. But good news is even better. After the Brexit vote, the heightened uncertainty about the economy outlook could imply more data volatility than normal. We should therefore remain extra-cautious in drawing too much from already volatile monthly data. That said, the solid demand for labour around the vote period as shown by the strong employment gains, together with the pick-up in vacancies in August, points to some upside (positive) risk to our outlook for unemployment. We expect unemployment to rise modestly to 5.3% over the coming months as the economic expansion slows and firms become more cautious.

%		JUL	JUN	MAY	APR	MAR	FEB
Unemployment rate 3m	<i>Level</i>	4.9	4.9	4.9	5.0	5.1	5.1
Average earnings, ex bonus 3m/yoy	<i>Change</i>	2.1	2.3	2.2	2.3	2.2	2.2



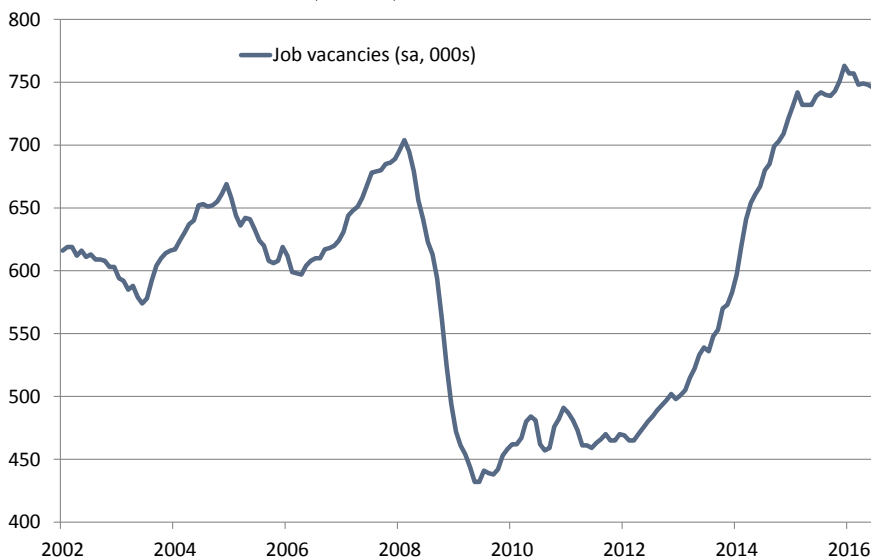
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Chart 1: employment change 3m/3m



Source: ONS, Berenberg calculations

Chart 2: job vacancies (000's)



Source: ONS

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