

UK Labour Market Insight: November 2025 Release

11 November, by Tim Davis

The labour market report was soft across the board: private regular pay showed further progress and despite coming in line with the BOE and consensus forecasts on a rounded basis, the single month print was notably lower than expected and momentum continues to soften. The unemployment rate was around a tenth higher than expected and has an easy route to reach the peak seen in last week's MPR projections as soon as next month. And the positivity that we have seen in the payrolls prints over the past couple of months has been revised away, with payrolls now also pointing to a softening of the labour market.

Governor Bailey had discussed not wanting to rely on just one data point in his November voting decision. We still need to see confirmation of the September CPI print (and of course we still have another set of inflation and labour market prints next month). However, the labour market data released yesterday does seem to at least confirm the slowing seen in pay growth with both the LFS unemployment print and PAYE payrolls pointing to softening on the quantities side of the labour market, too. Ahead of yesterday's data markets were pricing in around 17bp of easing for the December meeting (around a 2/3 probability of a cut priced). By the end of yesterday that had increased to 20.7bp (around 83% priced). However, just as significantly, market pricing also moved to fully price the subsequent cut by the April 2026 meeting (instead of July) as well as lowering the terminal rate pricing by around 10bp to 3.30% by end-2026. These moves do seem justified – this data does suggest the labour market is softening at a faster pace than expected.

Private regular pay: Details look even softer than headline print suggests

Private regular pay at first glance looked broadly in line with consensus and BOE expectations as it rounded to 4.2%Y/Y in the 3-months to September. However, after further examination it is actually quite a soft print at 4.17%Y/Y unrounded (BOE forecast 4.23%).

We had flagged ahead of the data in our preview that assuming no revisions the BOE's Q3 forecast (published in last week's MPR) imputed a 3.99%Y/Y single month print in September. The outturn only saw marginal revisions (August single month revised up to 4.23%Y/Y from 4.21%Y/Y) but the real driver of the data was a very soft single month figure of 3.79%Y/Y.

| | Labour Market Summary | | | | | mni Unrevised (Jun-Aug) |
|-------------------------------|-----------------------|-------------|------------|-----------------------|---------------------|-------------------------------|
| | Latest Jul-Sep | BOE Nov MPR | MNI Median | MNI Mean | Bloomberg Consensus | |
| Total AWE | 4.82 | | 5.0 | 4.98 | 5.0 | 5.03 |
| AWE ex bonus | 4.64 | | 4.6 | 4.61 | 4.6 | 4.74 |
| Private sector AWE | 4.36 | | | | | 4.77 |
| Private AWE ex bonus | 4.17 | 4.23 | 4.2 | 4.22 | 4.2 | 4.43 |
| Public sector AWE | 6.76 | | | | | 5.82 |
| Public AWE ex bonus | 6.56 | | | | | 5.98 |
| Unemployment rate | 4.97 | 4.87 | 4.9 | 4.91 | 4.9 | 4.83 |
| Economic activity rate | 79.05 | | | | | 78.96 |
| Employment rate | 75.04 | | | | | 75.06 |
| Employment change (3m/3m) | -22 | | 0 | 11 | 5 | 91 |
| | Aug-Oct (flash) | | Jul-Sep | Jul-Sep (unrevised) | | Unrevised (Jun-Aug) |
| Vacancies (000s) | 723 | | 722 | 717 | 731 | 728 |
| V-U Ratio | 0.40 | 0.41 | 0.40 | 0.41 | 0.42 | 0.42 |
| | October (flash) | | September | September (Unrevised) | August | Aug (Unrevised) |
| Payrolled employees (000s) SA | 30,273 | | 30,305 | 30,324 | 30,337 | 30,334 |
| Net revisions | | | -19 | | 3 | 2 |
| M/M Change SA | -32.0 | | -32.1 | -9.8 | 10.3 | 9.6 |
| M/M Change SA (MNI Median) | 0 | | | | | |
| M/M Change SA (MNI Mean) | 2 | | | | | |
| 3M Change SA | -53.8 | | -22.5 | -0.2 | -13.6 | -12.6 |
| 6M Change SA | -94.7 | | -64.1 | -43.3 | -49.6 | -54.1 |
| Payrolled employees (Y/Y) NSA | -179.6 | | -116.6 | -100.0 | -86.9 | -93.3 |
| PAYE median pay (Y/Y) SA | 3.13% | | 5.86% | 5.51% | 6.51% | 6.51% |

Source: MNI, ONS

We are not a big fan of looking at the M/M or momentum measures (as we think there are some issues with the seasonality being used in these series) but it is notable that momentum has fallen back to the 2015-2019 average level – although we would caution that we have seen false dawns here before.

On a sectoral basis private regular pay looks to be seeing a broad slowdown

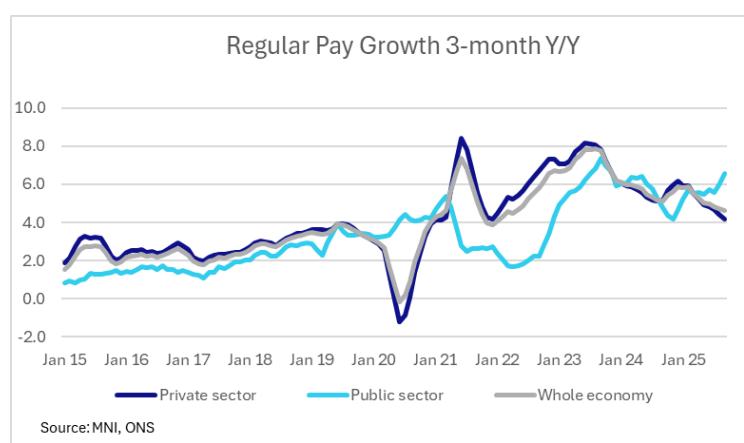
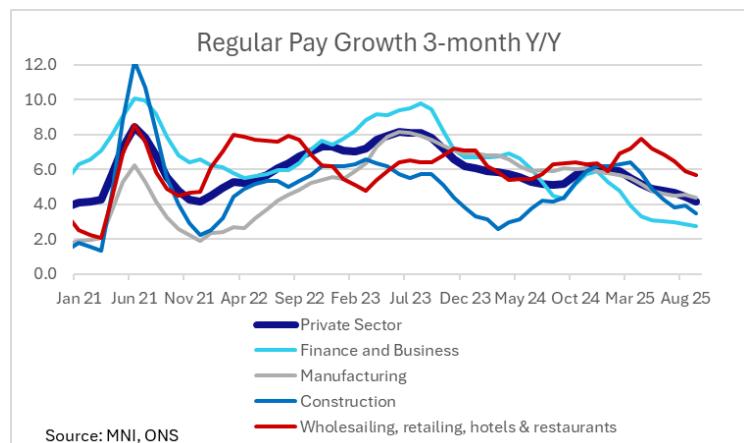
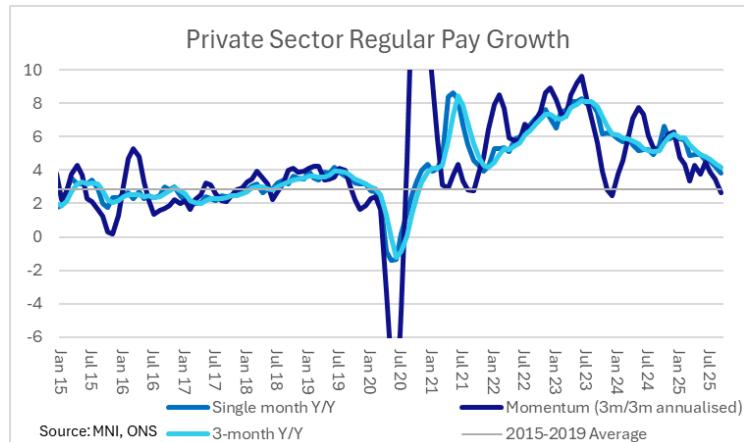
Looking at the sectoral breakdown, it looks like a relatively broad slowdown in wage growth: the single month growth rate for construction fell to 2.87%Y/Y from 3.94%Y/Y in August - the lowest single month print since May 2024 and the lowest 3-month print also since May 2024 (at 3.49%Y/Y). The single month print for manufacturing fell to 4.10%Y/Y from 4.66%Y/Y - lowest single month since May 2022 and lowest 3-month print since July 2022 (at 4.39%Y/Y). Finance and business services' single month print fell to 2.29%Y/Y - the lowest single month print since July 2020 and lowest 3-month print since August 2020 (at 2.74%Y/Y). "Wholesaling, retailing and hospitality" as well as the broader services sector saw the single month prints stay stable (to 1dp) with the former likely due to a large number of employees on or close to minimum wages, but even in these categories there was moderation in the 3-month prints.

Overall, we have now seen two months of downward surprises to private regular AWE growth and when Governor Bailey talks about wanting to not just base policy off of just one print, these data seem to confirm that pay growth is slowing and that last month was not just a one-off soft print.

Do note, however, that despite a single month print of 3.79% for September, further moderation will be needed in the next few months in order to meet the BOE's Q4 forecast of 3.51%Y/Y.

Public sector pay growth picked up

In contrast to the slowdown in private regular pay, public sector regular pay saw an acceleration to 6.56%Y/Y in the 3-months to September. This was the highest print since November 2023 but the ONS noted that the figure had been impacted by base effects. Given that public sector pay lags private sector and is less indicative of current economic conditions, we don't think this will be a big concern for the doves on the MPC (or for Governor Bailey).



PAYE Median Pay Spiked Lower on Base Effects

Looking at the PAYE median pay measure, there was a spike lower – which is largely driven by base effects. There was a 2.2%M/M pickup in pay growth seen in the data in October 2024 (which can be seen with a spike up in the growth rate from 5.71% to 7.84% last year). This year there was a 0.4%M/M reduction in the flash median pay estimate. Together these saw the median pay Y/Y growth rate fall from 5.86% in September to 3.13% in the flash October print. If this was a true print, it would be see PAYE pay growth returning to within the pre-Covid normal range. However, we would recommend viewing this print with a handful of salt.

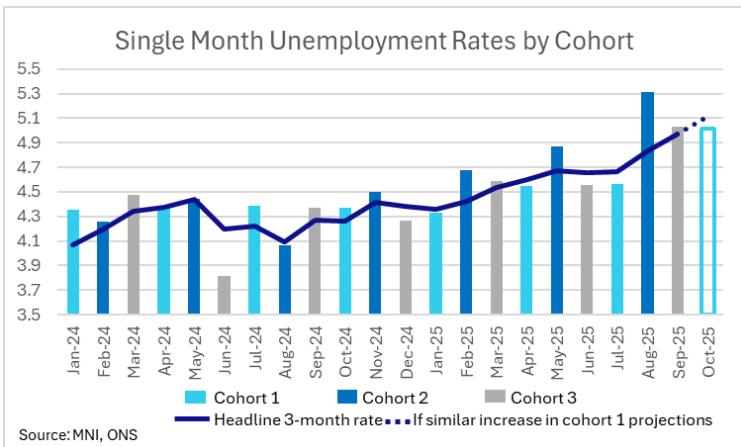
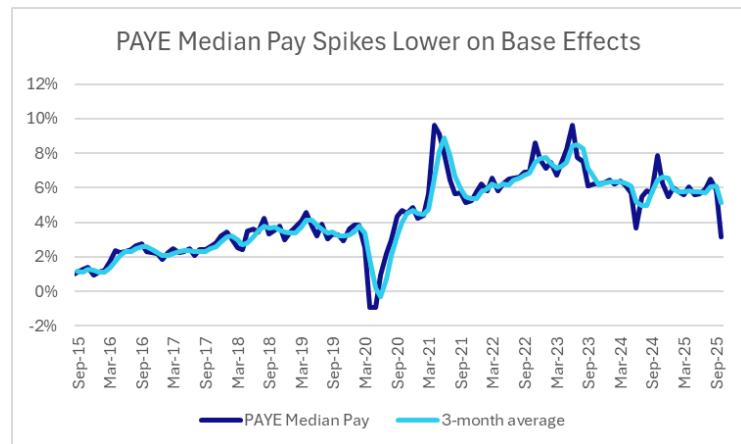
Unemployment rate already softened to BOE Q4 Projection Level, On Track for MPR Cycle High Projection of 5.1% in October

However, it was not just wage growth that pointed to softness in the labour market, the unemployment rate was also higher than expected at 4.97% against the expected 4.87% from the BOE and 4.9% consensus. The unemployment print that needed another reading today to confirm its validity – and has indeed seen this today.

Just like AWE data, unemployment data is also made by taking the 3-month average of three single month prints – and each of these three months has a different cohort. For some time now the cohort seen in November 2024, February, May and August has consistently seen higher single month prints than the other two cohorts (which have seen broadly similar readings to each other). There was a significant 0.44ppt increase in the single month unemployment rate seen in the print released last month from 4.87% in May to 5.31% in August which led to the headline 3-month rate increasing from 4.66% to 4.83%.

Expectations had been that the September single month print would see a smaller jump relative to June. As it turns out, however, a marginally larger 0.47ppt change was seen in this cohort's single month print from 4.56% in June to 5.03% in September. This left the headline 3-month rate at the aforementioned 4.97% (around a tenth above consensus).

To put this into context, the 4.97% print today is the Bank of England's Q4 forecast and it has been reached a quarter earlier than expected (making last week's MPR projections already look



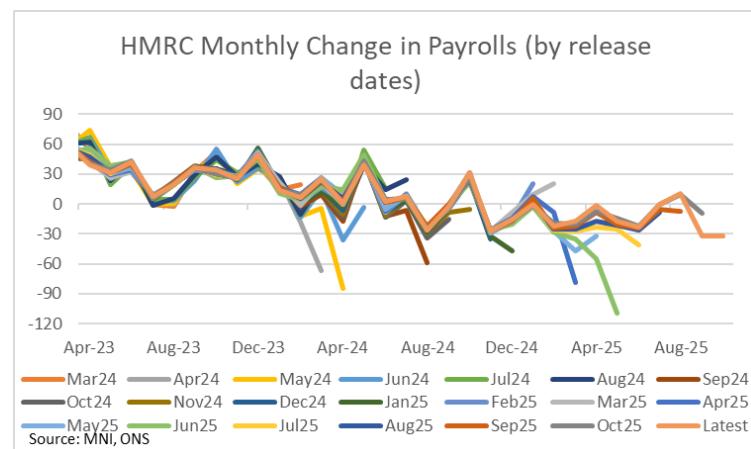
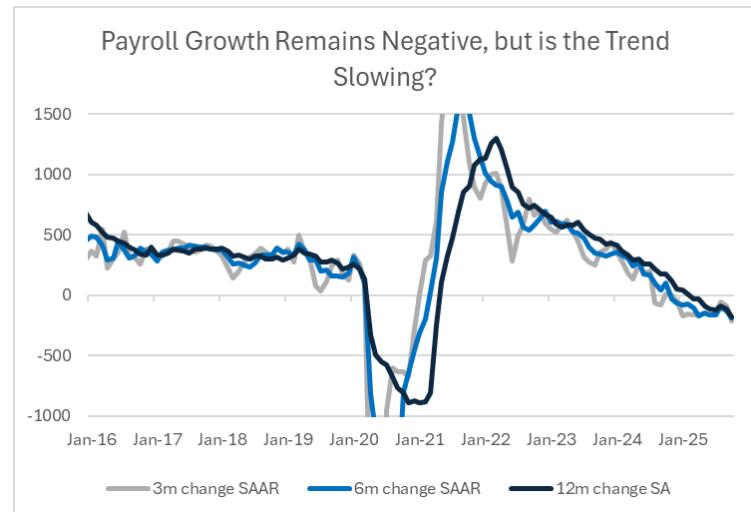
a bit stale). And if we assume that we see a similar increase in the single month rate between July and October we would be left with an unemployment rate marginally above 5.1%. Indeed, to round up to a 5.1% print the next cohort only needs to see a 0.25ppt increase between October and July. The latest MPR projections only see a 5.1% print reached by Q2-26 before falling back to 5.0% or lower through the rest of the forecast. This does therefore seem to be meaningful downside news.

Assisting this move in the unemployment rate was the 3-month LFS employment change which came in at -22k. This had been expected to be flat according to the MNI median while the Bloomberg consensus had looked for a +5k reading.

PAYE payrolls show labour market is softening, but the pace is hard to gauge

This month's release also saw the first meaningful downside surprise to the flash PAYE payrolls data since June (when the flash May data was released), which was also the last time there were any meaningful downside revisions to payrolls data. The flash print for October of -32.0k came in against median expectations from the previous we had read of a flat print (Bloomberg consensus was -3k). Indeed, the range of estimates that we had seen only ranged from -6k to +15k. In addition there was a downward revision to September data from -9.8k to -32.1k.

It is a huge "if", but if these data are actually correct, outside of the two latest months the last time there was a -30k print was back in November 2020 based on the latest data. However, 5 out of the previous 10 flash prints have been -30k or lower and have since seen these moves revised away. Indeed, as the hedgehog chart shows some of these prints have been much more negative than the flash data currently indicates. The data do not appear to be falling off a cliff like they were earlier in the year, and whether or not the data is to be believed that the downturn is reaccelerating, they do still point to a 180k reduction over the past 12 months – compared to a 2017-19 average that was in excess of a 300k average annual gain. So there is clear evidence that slack is building in the labour market from this measure.



Unauthorized disclosure, publication, redistribution or further dissemination of this information may result in criminal prosecution or other severe penalties. Any such authorization requires the prior written consent of Market News International. Redistribution of this information, even at the instruction of your employer, may result in personal liability or criminal action unless such redistribution is expressly authorized in writing by Market News International. Violators will be prosecuted. This information has been obtained or derived from sources believed to be reliable, but we make no representation or warranty as to its accuracy or completeness. This is not an offer or solicitation of an offer to buy/sell. Copyright © 2025 Market News International, Inc. All rights reserved.