

UK Labour Market Insight: June 2025 Release

10 June, by Tim Davis

The latest data confirm that the UK labour market is softening at an increasing pace. AWE wage data is on track to come in even lower in Q2 than the BOE's Q1 forecast miss. There was also a deceleration in the HMRC PAYE RTI wage data.

Elsewhere the HMRC payrolls data (despite issues with reliability of the flash prints) is also pointing to increasing slack in the labour market while the unemployment rate ticked up too.

Overall the softness of the data has been enough to see the market move closer to fully pricing 50bp of cuts this year (there is now 49bp priced, up from 41bp priced yesterday). Both the wage data and the HMRC payrolls data have been referenced by MPC members in their recent comments – so we do think that this is a significant release.

Private AWE data miss due to revisions and fresh data

For the private regular AWE data, there was a deceleration to 5.14%Y/Y in the 3-months to April from 5.51%Y/Y in the 3-months to March (which was downwardly revised by 0.05ppt). There was a downward revision to the single month Y/Y for March 2025 of 0.13ppt to 4.85%Y/Y which saw the 3-month data revised down to 5.51%Y/Y in the 3-months to March 2025 (so that is now 0.25ppt below the BOE's forecast of 5.76%).

The April single month data was a little softer too at 4.78%Y/Y which puts the 3-months to the end of April at 5.14%Y/Y. Consensus was 5.3%Y/Y - but with this being a "high" 5.1%, we estimate that probably around half the surprise was in the revision and half in the new April cohort. And we also note that estimates did range from 5.2-5.4% from the previews that we wrote so this will be a marginal surprise to some and a larger surprise to others.

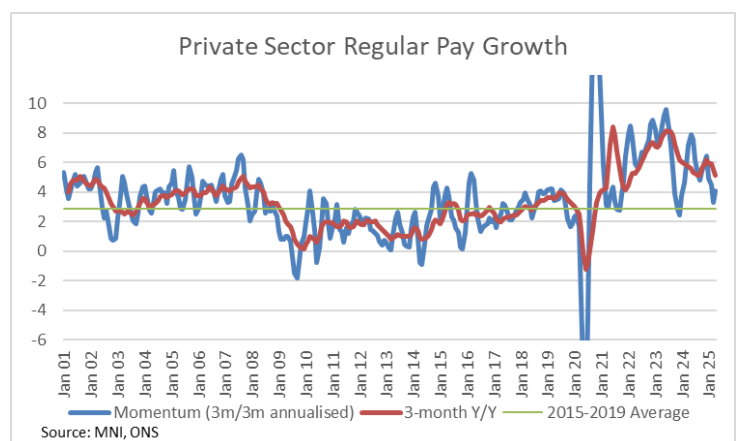
The BOE's Q2 wage forecasts look set to be missed by even more to the downside

The big picture, however, is that with the revisions the downside miss to the BOE's Q1 forecast has been solidified. And it looks as though we will get an even larger miss in Q2-25 (which the BOE forecast at 5.20%Y/Y). So this is definitely a soft print. Indeed, with the last two single month prints below 5% it looks as though we are on course to reach the BOE's 4.71% Q3-25 forecast ahead of schedule. (Note that the BOE looks for private regular AWE to fall further to 3.84% in Q4-25 and 3.53% in Q1-26.

Labour Market Summary						
	Latest Feb-Apr	MNI Median	MNI Mean	Bloomberg Consensus	Prior (Jan-Mar)	Unrevised (Jan-Mar)
Total AWE	5.32	5.47	5.47	5.5	5.60	5.50
AWE ex bonus	5.23	5.3	5.33	5.3	5.53	5.56
Private sector AWE	5.28				5.51	5.43
Private AWE ex bonus	5.14	5.3	5.27	5.3	5.51	5.56
Public sector AWE	5.48				5.41	5.38
Public AWE ex bonus	5.57				5.53	5.50
Unemployment rate	4.60	4.7	4.64	4.6	4.53	4.53
Economic activity rate	78.74				78.63	78.63
Employment rate	75.06				75.00	75.00

	Jan-Mar	Feb-Apr	Feb-Apr (unrevised)	Jan-Mar	Unrevised (Jan-Mar)
Vacancies (000s)	761	736	761	760	5.50
V-U Ratio	0.46	0.45	0.47	0.47	5.56

	May (flash)	April	April (Unrevised)	March	February	January
Payrolled employees (000s) SA	30,175	30,284	30,302	30,384	30,367	30,362
M/M Change SA	-109.1	-55.0	-32.5	17.2	4.7	10.9
3M Change SA	-199.3	-118.4	-106.4	32.9	61.0	84.3
Payrolled employees (Y/Y) NSA	-272.7	-131.1	-123.3	315.1	362.7	414.8
PAYE median pay (Y/Y) SA	4.81%	4.84%	5.03%	6.20%	6.47%	6.30%



Low paid sectors are seeing wages rise

The one sector which isn't seeing softness is "wholesaling, retailing, hotels and restaurants" which has picked up again in Y/Y terms - but this was largely expected with a large proportion of workers in this sector earning low wages and hence being more impacted by the large minimum wage rises.

It appears as though most of the surprise seen today was in the private sector with public sector wages still lagging a little here.

HMRC RTI Pay Data Below 5%

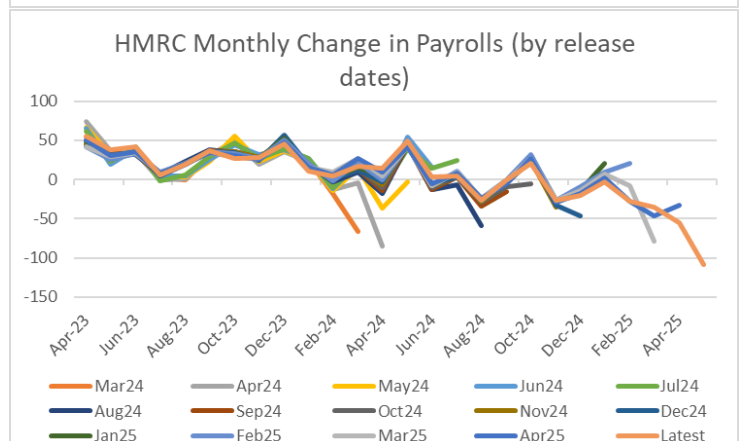
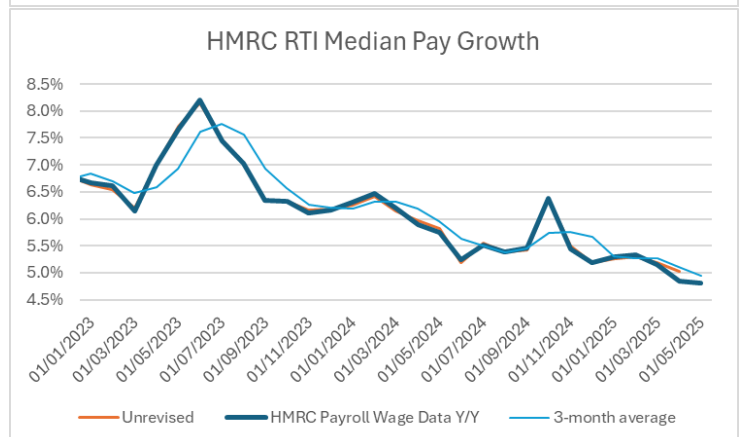
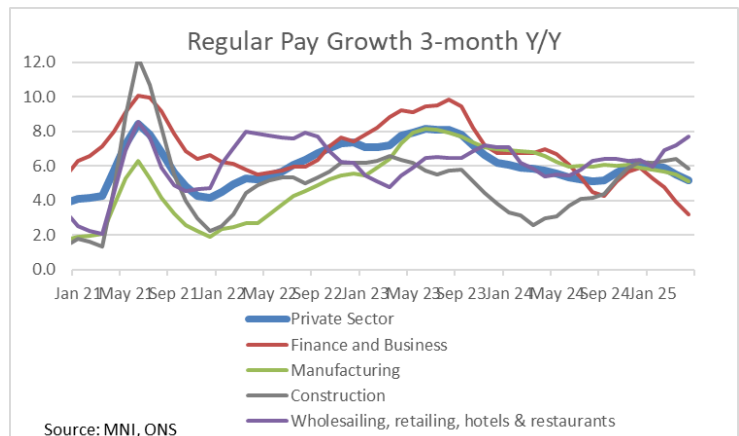
Looking at HMRC RTI pay data it can also be seen that pay growth is slowing – and this series has also moved below the 5% level in both the April revision and the May flash data. Also bear in mind that this series incorporates public sector workers too (but not the self-employed).

Payrolls growth sees a big miss

There was a really big miss versus consensus expectations for the very volatile flash PAYE RTI payrolls number, which came in at -109k for May. If realised in the final data, this would be the third worst print since the series began back in mid-2014. Only the two "peak Covid" months of April 2020 and May 2020 saw larger falls.

Looking at the hedgehog chart, however, it shows that we do need to view a flash print with a bucketload of salt. There were large false negative prints seen, particularly in March 2024 (flash -67k) and April 2024 (flash -85k) that were revised much higher when the following month's data was released (and in fact the latest estimates for both of those months now are positive).

However, what is also evident is that if we ignore the flash data and only look at the second estimates of the data, revisions are a lot smaller. And for third releases of the data there are even smaller revisions.



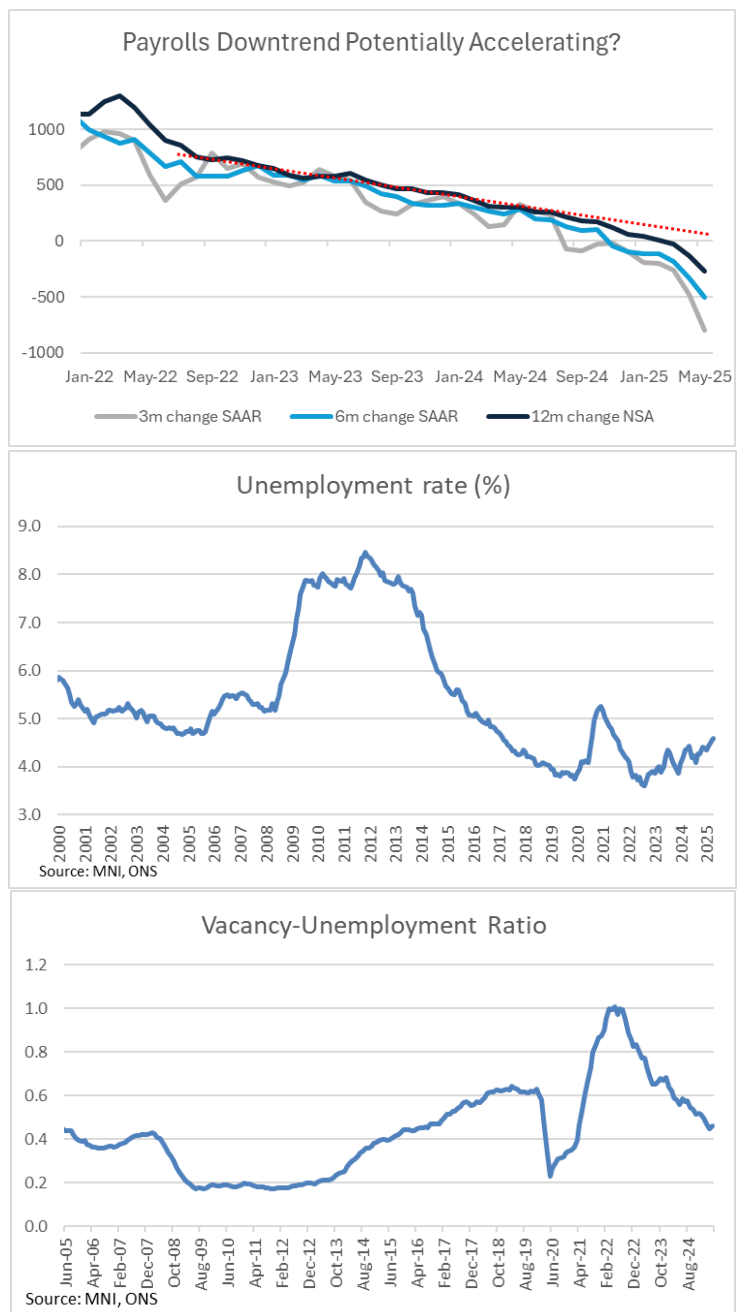
Payrolls downtrend accelerating

So by the second (and definitely by the third) print of the data, we think there is a decent read. What is significant here is that if we exclude the nine months in the peak-pandemic period between March 2020 and November 2020), the April print would be the worst in the series (ignoring flash) and the March print would be the next worst print. So there is a clear trend emerging of a softening labour market here. Note that all of the previews that we read that mentioned the payrolls prints looked for upwards revisions here, not downwards.

Looking at a simple chart, it is also looking increasingly clear that there is an acceleration in the downward trajectory for the payrolls series. There had been a relatively steady decline until last summer with the pace then beginning to pick up and accelerating further into 2025. We don't think that the announcement in the October Budget of the increase in employers' NICs contributions helped an already softening labour market.

Unemployment ticks up and V-U Ratio down

The unemployment rate ticked up further to 4.60% - the highest level since summer 2021.



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.