

MNI Labour Market Review: August 2025 Release

12 August, Emil Lundh

- The August UK labour market release was on balance stronger-than-expected, with 3m/3m employment growth surprising to the upside and the unemployment rate holding steady despite some risks of a one tenth increase.
- However, private sector regular pay data remains consistent with the idea that wage growth is slowing. Meanwhile, data such as vacancies, RTI-PAY payrolls and other labour market metrics/surveys point to more subdued developments than the headline LFS figures suggest.
- We have argued that a continually softening labour market is a necessity for another quarterly cut in November. The August release was worth a modest hawkish reaction in BOE implied pricing, but there's still far too much data (on both inflation and the labour market) to come before excluding a November cut. OIS markets currently price ~11bps of easing through that meeting.

Labour Market Summary						mni
	Latest Apr-Jun	MNI Median	MNI Mean	Bloomberg Consensus	Prior (Mar-May)	Unrevised (Mar-May)
Total AWE	4.62	4.7	4.66	4.7	5.02	4.99
AWE ex bonus	4.97	5.0	4.98	5.0	5.02	5.00
Private sector AWE	4.66				4.99	4.94
Private AWE ex bonus	4.79	4.8	4.80	4.8	4.90	4.88
Public sector AWE	5.26				5.30	5.32
Public AWE ex bonus	5.69				5.49	5.51
Unemployment rate	4.66	4.8	4.76	4.7	4.67	4.67
Economic activity rate	79.03				78.99	78.99
Employment rate	75.27				75.24	75.24

	May-Jul	Apr-Jun	Apr-Jun (unrevised)	Mar-May	Unrevised (Mar-May)
Vacancies (000s)	718	725	727	738	738
V-U Ratio	0.43	0.43	0.43	0.44	0.44

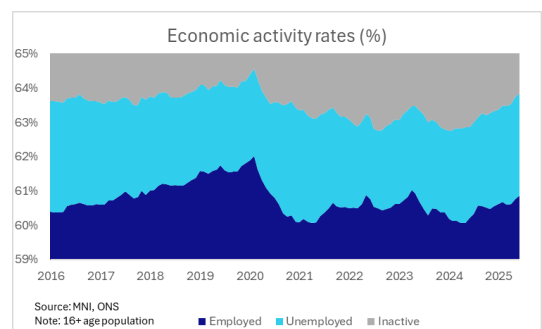
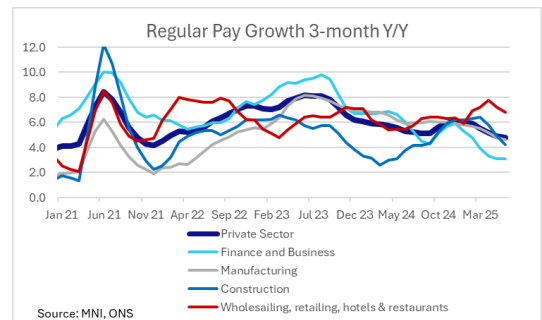
	July (flash)	June	Jun (Unrevised)	May	May (Unrevised)	April
Payrolled employees (000s) SA	30,286	30,294	30,266	30,321	30,307	30,342
Net revisions		29		14		10
M/M Change SA	-8.4	-26.4	-41.4	-21.6	-25.5	-17.4
M/M Change SA (MNI Median)	-22.5	-15				
M/M Change SA (MNI Mean)	-24	-17				
3M Change SA	-56.3	-65.4	-89.7	-64.1	-75.1	-67.5
Payrolled employees (Y/Y) NSA	-164.7	-149.9	-179.7	-119.9	-133.2	-77.3
PAYE median pay (Y/Y) SA	5.67%	5.78%	5.57%	5.67%	5.71%	6.12%

Source: MNI, ONS

Pay Growth Remains On A Downward Trend

Private sector regular pay growth was 4.79% 3m Y/Y in the three months to June, in line with the 4.8% consensus and versus 4.90% prior. The single month reading for June was 4.52% Y/Y compared to a March 2025 Y/Y reading of 4.86% - so almost a four tenth moderation in wage growth for the same cohort. A reminder that the April and May single month Y/Y readings saw more notable decelerations of 0.9pp based on the same cohort. Relative to the July release, there was an upward revision of 8bps to the single-month measure for May 2025 (now 4.91% Y/Y). Meanwhile, April 2024 was revised down 1bp, May 2024 was revised down 5bps and June 2024 was revised down 1bp.

Overall, the private sector regular pay figures seem consistent with the view that wage growth is easing, albeit slowly. The BOE did not provide an updated forecast for private sector regular pay in the August MPR, but the May MPR projection was 5.20% - notably above the 4.79% 3m Y/Y actual outcome. Looking ahead, the BOE projects private sector pay to ease to 4.62% in Q3 and 3.66% in Q4.



Stronger LFS Employment Growth Keeps Unemployment Rate Steady

The unemployment rate was 4.66% in the three months to June (vs 4.67% prior). While in line with Bloomberg consensus on a rounded basis, it's still somewhat notable given seven of the sellside previews we had seen looked for an increase to a rounded 4.8%.

Whereas recent increases in the unemployment rate have been largely driven by rising participation rates (and not falling employment rates), the three months to June saw marginal increases in both participation and employment rates. The bulk of the initial market reaction was likely driven by 3m/3m employment growth, which surprised significantly to the upside at 238k (vs 185k cons, 134k prior). **The LFS employment growth reading presents some tension with other indicators. The bulk of the surveys/metrics we track (including RTI-PAYE payrolls, more on that below) continue to point to slowing employment growth in contrast to the LFS.**



There was a 44k Q/Q fall in vacancies in the three months to July according to preliminary data. This was the 37th consecutive negative sequential reading, and represented a 5.8% fall compared to the three months to April 2025. Assuming the number of unemployed persons is constant in the three months to July compared to June, this implies another marginal fall in the V/U ratio on a third decimal. The ratio was 0.43 in the three months to June, in line with the BOE's Q2 forecast. The BOE also estimates that equilibrium is at 0.54 – showing that there is slack in the labour market.

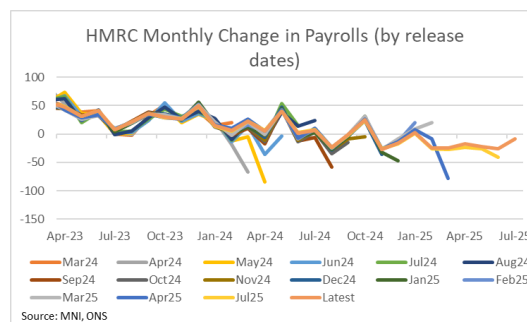
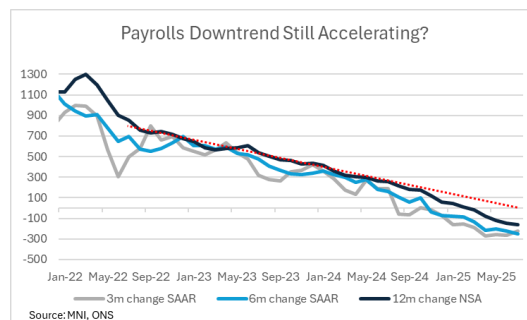


Less Evidence Of An Accelerating Payrolls Downtrend

PAYE-RTI flash payrolls data for July was not as bad as feared, falling 8k compared to a median of around -20k. Meanwhile, the revision for June was broadly in line with the range of expectations we had seen. The flash reading of -41k was revised up to -26k in the current vintage. **There were also smaller upward revisions going back to December 2024, so while sequential payrolls growth is still negative, there doesn't seem to be as much evidence that the payrolls downtrend is still accelerating.**

Briefly taking a look at the PAYE-RTI median pay series (which should be taken with plenty of salt, like the payrolls reading, due to revisions), the July flash reading implied growth of 5.67% Y/Y. However, June was revised up to 5.78% Y/Y from 5.57% Y/Y initial.

Looking instead at median pay growth (rather than growth calculated from median nominal pay), the single month print for July eased to 4.76% Y/Y (vs 4.86% prior). This implied a 3m Y/Y average of 4.82% (vs 4.87% prior). However, note that there were upward revisions of 10bp and 15bp to the May and June single month readings respectively, with smaller upward revisions seen back to November 2024.



Light Hawkish Repricing In GBP STIRs Following Release

There was light hawkish repricing in GBP STIRs following the labour market data, with 2bps of cuts removed over the next 12 months. We have argued that a continually softening labour market is a necessity for another quarterly cut in November. The reports released today did not present enough of a surprise to question the hawkish reaction to last week's BOE decision, but equally keep a November cut on the table.

SONIA dated OIS still assign virtually no implied probability of a cut in September, while there are 11bps of easing priced through November. The next full 25bp cut is not priced until February 2026 (27bps of easing priced at the time of writing).

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