

NIESR

Monthly Wage Tracker

UK Wage Growth Continues To Be Outstripped By Soaring Inflation

Kemar Whyte

16th August 2022

“Today’s ONS estimates indicate real regular wages have fallen by a record 3.0 per cent on the year. Including bonuses, growth in average earnings, which was 5.1 per cent, failed to keep pace with the soaring cost-of-living as households continue to take hits from surging energy bills and higher food and fuel costs. The figures today also point to a marked difference between public and private sector wage growth, with private sector wages growing by 5.9 per cent while workers in the public sector saw pay growth of 1.8 per cent.”

Dr Kemar Whyte
Principal Economist, NIESR

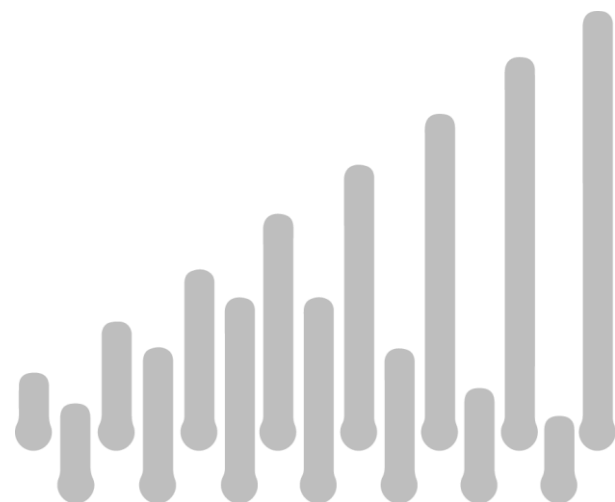
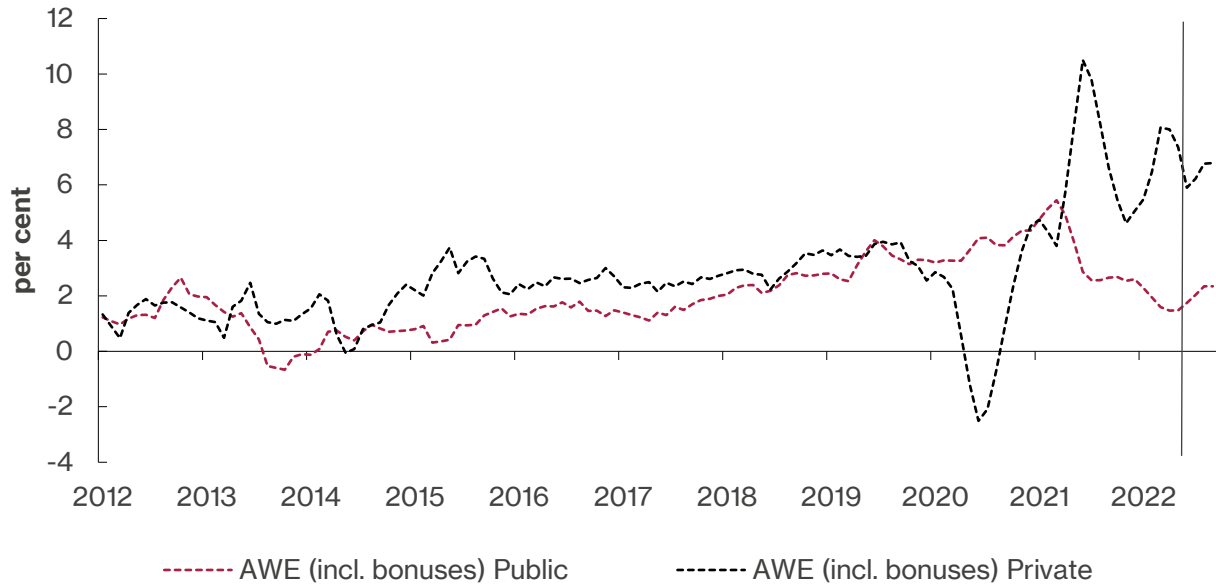


Figure 1 - Average weekly earnings in public and private sectors



Main Points

- The latest ONS estimates suggest the annual growth rate of average weekly earnings was 5.1 per cent in the second quarter of 2022, marginally higher than our tracker predicted last month.
- Today's estimates also suggest that real regular pay in the UK fell by 3.0 per cent, a record fall.
- NIESR's wage tracker now predicts that average weekly earnings will grow at 6.1 per cent in the third quarter of this year.
- The unemployment rate held at 3.8 per cent in the second quarter, but there were signs of a slowdown in hiring as the number of job vacancies fell for the first time since August 2020.
- The labour market figures indicate that the weakening economy is leading to a slightly less tight labour market.

Employment

The latest [Labour Force survey \(LFS\)](#) estimates suggest the employment rate decreased marginally by 0.1 percentage points on the quarter to 75.5 per cent and remains below pre-pandemic levels. The unemployment rate was estimated at 3.8 per cent, 0.1 percentage points higher than the previous three-month period. The economic inactivity rate was estimated at 21.4 per cent, which is largely unchanged relative to the previous three-month period.

Pay

The annual growth rate in average weekly earnings including bonuses (AWE) in Great Britain was 5.1 per cent in the three months to June 2022. In real terms, total pay fell by 2.5 per cent in the three months to June 2022 relative to the three months to June 2021, according to latest ONS estimates.

Pay pressures continue amid a rising cost of living and greater competition for scarce staff.

The latest [KPMG and REC report on Jobs](#) suggests the rate of starting salary continued to rise sharply for both permanent and short-term workers in July. The availability of candidates fell at a softer, but still sharp rate. The latest ONS estimates suggest that job vacancies were 1,274,400 in May 2022 to July 2022, lower than the previous quarter and represents an increase of 478,800 on pre-pandemic levels in January to March 2020.

Private-sector regular AWE annual growth was 5.4 per cent in the 3 months to June 2022, and 5.9 per cent if we include bonuses. We now forecast regular AWE growth to be 5.9 per cent in the third quarter of 2022. Including bonuses, the forecast for AWE growth is 6.8 per cent in the private sector.

Public-sector total AWE annual growth declined from a peak of 5.5 per cent in the first quarter of 2021 to 1.8 per cent in the second quarter of 2022. Our forecast for the third quarter of this year is for public-sector total growth to be around 2.0 per cent.

Table 1: Summary table of earnings growth

Average Weekly Earnings						
	Whole economy		Private sector		Public sector	
Latest weights	100		82		18	
	Regular	Total	Regular	Total	Regular	Total
Jan-21	533	570	523	568	577	578
Feb-21	535	568	525	565	579	583
Mar-21	536	559	527	555	578	581
Apr-21	540	575	531	573	579	581
May-21	540	580	531	578	579	584
Jun-21	540	576	532	576	579	581
Jul-21	542	579	534	580	578	580
Aug-21	544	582	536	583	579	582
Sep-21	546	584	537	583	581	584
Oct-21	548	586	540	586	583	586
Nov-21	550	590	541	590	585	587
Dec-21	553	600	545	602	586	589
Jan-22	556	600	549	602	588	589
Feb-22	557	601	550	604	589	590
Mar-22	559	614	553	618	589	590
Apr-22	562	604	556	607	589	590
May-22	567	605	562	606	590	592
Jun-22	568	611	563	616	590	594
Jul-22	570	614	565	619	592	594
Aug-22	572	617	567	622	593	595
Sep-22	574	619	570	624	595	597
% change 3 month average year on year						
Jan-21	4.2	4.9	4.0	4.7	4.7	4.8
Feb-21	4.4	4.5	4.1	4.3	5.2	5.1
Mar-21	4.6	3.9	4.3	3.8	5.5	5.4
Apr-21	5.7	5.5	5.8	5.7	4.9	4.9
May-21	6.6	7.4	7.2	8.1	3.7	4.0
Jun-21	7.3	9.2	8.3	10.5	2.8	2.9
Jul-21	6.8	8.6	7.8	9.8	2.5	2.6
Aug-21	6.0	7.2	6.7	8.2	2.7	2.6
Sep-21	5.0	5.9	5.5	6.6	2.6	2.7
Oct-21	4.3	4.9	4.7	5.5	2.7	2.7
Nov-21	3.8	4.2	4.1	4.6	2.6	2.5
Dec-21	3.7	4.6	3.9	5.1	2.7	2.6
Jan-22	3.8	4.9	4.2	5.5	2.4	2.3
Feb-22	4.1	5.6	4.6	6.5	2.1	1.9
Mar-22	4.2	7.0	4.9	8.1	1.8	1.6
Apr-22	4.2	6.9	4.8	8.0	1.7	1.5
May-22	4.4	6.4	5.1	7.4	1.8	1.5
Jun-22	4.7	5.1	5.4	5.9	1.8	1.8
Jul-22	5.0	5.5	5.8	6.2	2.0	2.0
Aug-22	5.1	6.1	5.8	6.8	2.2	2.3
Sep-22	5.2	6.1	5.9	6.8	2.4	2.3
% change month on same month of previous year						
Jan-21	4.2	4.5	3.8	4.4	5.5	5.3
Feb-21	4.5	4.1	4.2	3.9	5.6	5.7
Mar-21	5.1	3.2	4.8	3.1	5.3	5.4
Apr-21	7.5	9.2	8.4	10.3	3.7	3.7
May-21	7.3	9.8	8.6	11.0	2.2	2.8
Jun-21	7.0	8.7	8.1	10.2	2.4	2.1
Jul-21	5.9	7.2	6.7	8.2	2.8	2.8
Aug-21	5.0	5.7	5.5	6.3	2.8	2.8
Sep-21	4.1	4.7	4.5	5.3	2.3	2.3
Oct-21	3.9	4.3	4.1	4.7	2.9	2.9
Nov-21	3.5	3.6	3.7	3.8	2.6	2.4
Dec-21	3.7	5.8	3.9	6.6	2.6	2.5
Jan-22	4.3	5.2	5.0	6.0	1.8	1.9
Feb-22	4.2	5.8	4.8	6.8	1.8	1.3
Mar-22	4.3	9.9	4.9	11.5	1.8	1.5
Apr-22	4.0	5.0	4.7	5.8	1.6	1.6
May-22	5.0	4.3	5.8	4.9	1.9	1.4
Jun-22	5.0	6.0	5.8	6.9	1.9	2.3
Jul-22	5.1	6.2	5.7	6.8	2.3	2.4
Aug-22	5.2	6.0	5.8	6.6	2.4	2.3
Sep-22	5.3	6.1	6.1	7.0	2.4	2.3

Caveat

NIESR's Wage Tracker includes predictions for regular pay and bonus payments for the whole economy, as well as forecasts for private and public sector wages. The Wage Tracker exploits information from key macroeconomic indicators, including labour market trends, building also on information from monthly GDP nowcasts produced by NIESR's GDP Tracker and survey evidence, such as labour costs in the manufacturing and service sectors from the Bank of England Agents Scores. The wage models also capture the interaction between private and public pay, shown to be relevant in work done by NIESR.

To check how our methodology would work in real time we have produced judgement-free forecasts of earnings growth for the period between July 2010 and October 2018. For whole economy earnings, the root mean square error is 0.2 percentage points for the measure excluding bonuses and 0.4 percentage points for the measure including bonuses. So, on average, our projections are likely to have an error of 0.2/0.4 percentage points above or below the forecasts we publish. These numbers indicate the degree of uncertainty around the point forecasts produced by the models at each point in time. The errors are greater for the measure of earnings including bonuses because bonus payments, particularly in the private sector, are subject to short-term volatility. In practice, we add residuals reflecting our judgement so the error bands may be larger or smaller.

Forecast schedule

The NIESR Wage Tracker provides a rolling monthly forecast for earnings growth. The ONS produces an estimate of Average Weekly Earnings (AWE) for any particular quarter some 40 days after the end of the quarter. The NIESR Wage Tracker will publish AWE forecasts 5 months ahead of the ONS release for the reference quarter, updating that forecast four times before the official data is out, similar to the monthly GDP Tracker schedule.

Notes for editors: For further information please contact the NIESR Press Office: press@niesr.ac.uk or Luca Pieri on 020 3948 4488 / l.pieri@niesr.ac.uk

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