

## A note summarising recent earnings data

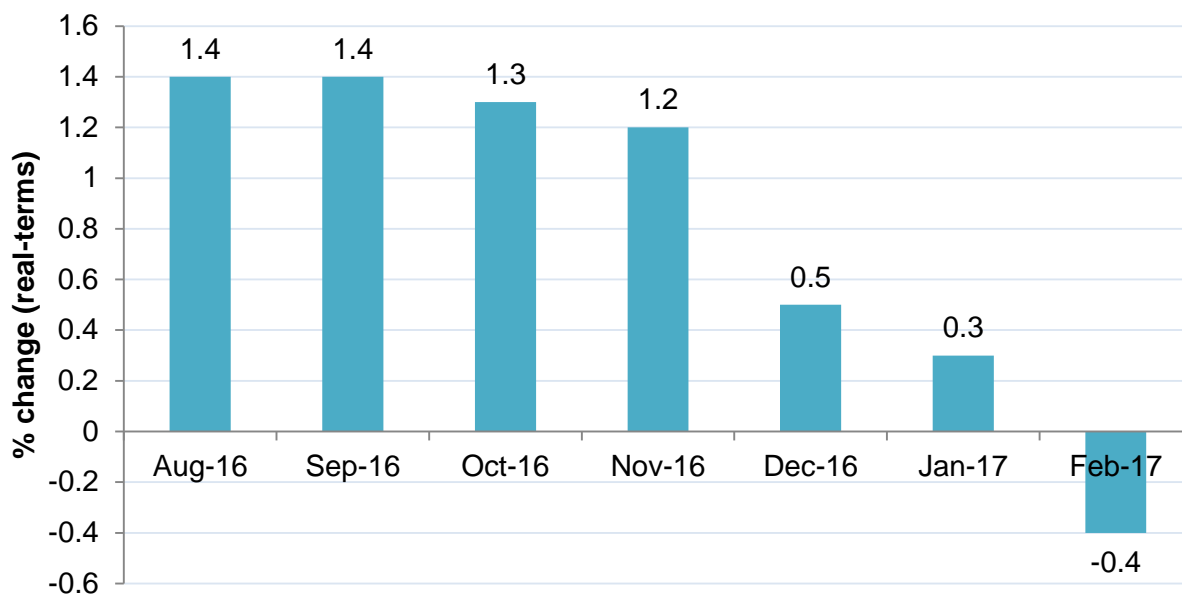
### Earnings in the UK economy

- Across the economy, following a period of increasing real-terms earnings during a period of low inflation, inflation has now surpassed increases in average earnings and is expected to do so in the near term – Table 1.
- Price inflation is rising primarily due to an increase in the costs of imports, particularly oil, as a result of the devaluation of the pound since the result of the Brexit referendum last June. Prices for materials and fuels paid by UK manufacturers for processing (input prices) rose 19.1% on the year with an 89.3% rise in crude oil – Table 2.
- There is also evidence that uncertainty is dampening pay awards across the UK with Bank of England agents reporting a 0.5 percentage point drop on average by the end of the year while the increase in average earnings in the year to January fell to 2.2% (from 2.7% in the year to November 2016) with a further fall to 1.9% in February.
- XpertHR notes that with inflation rising “most employees are facing the prospect of a below-inflation pay award this year.” Pay and Benefits editor Sheila Attwood says that: “Despite upwards pressures from a number of areas, employers are so far remaining cautious about their pay increases.”

**Table 1: Earnings and inflation, last six months**

Month	Single month (%)	3 month average (%)	Inflation (CPIH)	Real-terms increase (single month)
Aug 16	2.4	2.3	1.0	1.4
Sep 16	2.7	2.4	1.3	1.4
Oct 16	2.6	2.6	1.3	1.3
Nov 16	2.7	2.7	1.5	1.2
Dec 16	2.3	2.6	1.8	0.5
Jan 17	2.2	2.4	1.9	0.3
Feb 17	1.9	2.2	2.3	-0.4

**Figure 1: Real-terms increase in average earnings (regular pay), August 2016 to February 2017**



**Table 2: Input prices: 1 and 12 month percentage change to February 2017**

Product group	Percentage change	
	1 month	12 month
Fuel including Climate Change Levy	-0.3	5.6
Crude oil	-0.6	89.3
Home food materials	0.2	19.6
Imported food materials	-2.7	10.4
Other home-produced materials	0.3	0.3
Imported metals	0.7	35.2
Imported chemicals	-0.1	7.3
Imported parts and equipment	-0.6	6.8
Other imported materials	-0.3	8.5
All manufacturing	-0.4	19.1

Updated 27 April 2017