

# FACT

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## Lower housing costs keep inflation at 2.0%

In October, retail price inflation was unchanged on the previous month, Office for National Statistics (ONS) figures show.

The annual rate of inflation – as measured by the Retail Prices Index (RPI) which is favoured by union negotiators – was steady at 2.0%. Dearer alcohol was offset by lower housing costs.

Meanwhile, inflation under the Consumer Prices Index (CPI) – the government's preferred measure – was down to 0.9% in October from 1.0% the previous month.

**CPI change** In early November, the ONS announced that as from March 2017 the government's preferred measure for inflation would be CPI. This measure of consumer price inflation includes owner occupier's housing costs. In October, the annual rate of inflation under CPIH was 1.2% – unchanged on September's rate.

CPIH was made an official national statistic in November 2013, only to be dropped the following August, although the ONS continues to publish its inflation rate. Since October 2013, CPIH has for the majority of months been above the CPI inflation rate by 0.2 to 0.3 percentage points.

### Price inflation

	% increase on a year earlier			
	RPI <sup>1</sup>	RPI	RPIX <sup>2</sup>	CPI
Sept 2015	259.6	0.8	0.9	-0.1
October	259.5	0.7	0.8	-0.1
November	259.8	1.1	1.1	0.1
December	260.6	1.2	1.3	0.2
January 2016	258.8	1.3	1.4	0.3
February	260.0	1.3	1.4	0.3
March	261.1	1.6	1.7	0.5
April	261.4	1.3	1.4	0.3
May	262.1	1.4	1.5	0.3
June	263.1	1.6	1.7	0.5
July	263.4	1.9	1.9	0.6
August	264.4	1.8	1.9	0.6
September	264.9	2.0	2.2	1.0
October	264.8	2.0	2.2	0.9

<sup>1</sup> January 1987=100 <sup>2</sup> RPI except mortgage interest payments

Seven of the 14 groups that make up the basket of goods used to calculate the RPI increased by more than the overall 2.0% rise for October.

The 5.4% annual rise in clothing and footwear group included rises of 7.0% in the cost of women's clothing and 6.0% for children's.

The motoring group's rise of 3.8% included a 17.1% rise in car tax and insurance premiums.

**LABOUR RESEARCH DEPARTMENT**

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The housing group's overall increase was 2.8%. However, mortgage interest payments were down by 5.1%.

A 5.2% rise in bus and coach fares contributed to an overall rise of 2.1% in the fares and other travel costs group.

The fuel and light group's 1.1% decrease included a 4.7% decrease for gas.

The food basket's overall decrease of 2.1% saw prices down for most items. Eggs were down by 10.3%, while bacon was down by 9.1%.

Items posting increases included tea – up by 0.2% – and lamb – up by 3.2%.

More than 2%	%	Less than 2.0%	%
Clothing & footwear	5.4	Leisure services	1.7
Tobacco	5.2	Personal goods & services	1.6
Motoring expenditure	3.8	Household goods	1.5
Household services	3.5	Alcoholic drink	1.3
Housing	2.8	Leisure goods	0.1
Catering	2.3	Fuel & light	-1.1
Fares etc	2.1	Food	-2.1

[www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/oct2016](http://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/oct2016)

## Unemployment falls

The UK recorded a fall in unemployment in the third quarter, as the unemployment rate hit an 11-year low.

The overall number of unemployed people under the Labour Force Survey count fell by 37,000 to 1.6 million in the three months to September compared with the previous quarter's figure of 1.64 million.

At 4.8%, the unemployment rate was at its lowest level since the three months to September 2005 when it was 4.7%.

The number of unemployed men fell by 15,000 to 876,000 and their unemployment rate fell to 4.9% from 5.0%, according to the Office for National Statistics (ONS).

The number of unemployed women fell by 22,000 to 728,000, and their unemployment rate was cut to 4.7% from 4.8%.

There was a second consecutive monthly rise in the other main unemployment measure – the claimant count – which only includes claimants of Jobseeker's Allowance and those on the means-tested Universal Credit.

In October, unemployment under the claimant count rose by 9,800 to 803,300 from the revised figure for September of 793,400. The ONS has revised all the monthly claimant count figures – for the most part upwards.

The joblessness rate in October was steady at 2.3%.

The number of male claimants increased by 4,500 to 515,600, but their joblessness rate remained at 2.8%.

For women, there was a 5,300 increase in numbers to 287,700, and their joblessness rate increased to 1.8% from 1.7%.

	Unemployment seasonally adjusted			
	Claimants <sup>1</sup>		LFS <sup>3</sup>	
	(000s)	% <sup>2</sup>	(000s)	%
Oct 2015 (r)	793	2.3	1,718	5.2
November (r)	786	2.3	1,685	5.1
December (r)	771	2.2	1,694	5.1
January 2016 (r)	742	2.1	1,691	5.1
February (r)	736	2.1	1,700	5.1
March (r)	754	2.2	1,692	5.1
April (r)	763	2.2	1,671	5.0
May (r)	776	2.2	1,646	4.9
June (r)	779	2.2	1,641	4.9
July (r)	778	2.2	1,632	4.9
August (r)	788	2.3	1,656	4.9
September (r)	793	2.3	1,604	4.8
October (p)	803	2.3		

<sup>1</sup> Jobseeker's Allowance and Universal Credit claimants <sup>2</sup> Percentage of working population – the employees, unemployed, self-employed and the armed forces.  
<sup>3</sup> The Labour Force Survey definition of unemployment – the number of unemployed people who want a job and are ready to start work in two weeks, and have looked for work in the past four weeks. Each figure is the average of the past three months – a rolling average. (p) provisional (r) revised

**Regions** Unemployment was down in eight of the UK's 12 regions/countries in the three-months to September and increased in the other four.

The largest falls were 22,000 in the West Midlands and 20,000 in the North East.

However, there was a 29,000 increase in the East region and a 15,000 increase in the North West.

The unemployment rate was above the UK average of 4.8% in six of the 12 regions/countries. The highest rate was 6.1% in the North East.

In October, the claimant count increased in 10 of the 12 region/countries, was unchanged in one (Wales) and fell in one (Northern Ireland)

The claimant count rate was above the UK average of 2.3% in seven regions/countries. The highest rates were 4.1% in the North East and 3.8% in Northern Ireland.

Region	Oct claimants		LFS July – Sept	
	Number	%	Number	%
North East	51,900	4.1	79,000	6.1
North West	108,700	3.0	187,000	5.3
Yorkshire & the Humber	78,300	2.9	151,000	5.6
East Midlands	45,800	1.9	108,000	4.5
West Midlands	87,500	3.0	151,000	5.2
East	49,200	1.6	135,000	4.3
London	115,800	2.0	266,000	5.6
South East	62,900	1.3	170,000	3.6
South West	42,600	1.5	109,000	3.9
Wales	43,400	2.9	67,000	4.4
Scotland	83,100	3.0	129,000	4.7
Northern Ireland	34,000	3.8	50,000	5.6

[www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/november2016](http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/november2016)

## September boost for average earnings

In September, growth in average weekly earnings was up to 2.5% from the previous month's revised rise of 2.1%.

However, if retail price inflation is taken into account, there was a real-terms increase of just 0.5 percentage point in September against 0.3 percentage points the previous month.

Manufacturing earnings growth edged higher to 2.8% from 2.6%, while in services, growth was up to 2.4% from 2.0%.

In the private sector as a whole, growth rebounded to 2.8% from 2.1%.

The public sector, excluding financial services, saw growth cut to 1.0% from 2.3%.

Headline earnings growth (the rolling three-month average) for the whole economy was steady at 2.3%.

Manufacturing growth was back up to 2.6% from 2.3%, but in services growth was steady at 2.2%.

In the private sector as a whole, earnings growth edged up to 2.5% from 2.4%, while in the public sector, excluding financial services, growth was cut to 1.5% from 1.8%.

£ a week	Average weekly earnings <sup>1</sup>				
	Whole economy	Manufacturing	Services	Private sector	Public sector <sup>2</sup>
July 2015 (r)	493	574	477	493	492
August (r)	494	573	478	494	493
September (r)	493	573	477	491	495
October	494	574	478	493	494
November	495	575	479	494	495
December	496	578	479	494	494
January 2016	497	577	481	496	497
February	494	574	478	491	498
March	500	581	484	500	499
April	503	583	486	502	500
May	502	586	485	502	499
June	502	586	486	502	501
July	505	587	488	506	498
August (r)	504	588	488	504	504
September (p)	505	589	488	505	500
<b>% annual change</b>					
Single month	2.5	2.8	2.4	2.8	1.0
3-month average <sup>3</sup>	2.3	2.6	2.2	2.5	1.5

<sup>1</sup> Average weekly earnings in Great Britain, seasonally adjusted, including bonuses, but excluding arrears. <sup>2</sup> Excludes financial services. <sup>3</sup> Average of the seasonally adjusted data for the latest three months compared with three months a year earlier. (p) provisional (r) revised

The regular pay figures, which strip out bonuses, showed a 2.7% rise in September against a 2.4% rise in August.

The rises in the year to September for various sectors, along with the previous month's rises in brackets, were: manufacturing 2.5% (2.5%); services 2.6% (2.3%); the private sector 3.1% (2.5%); and the public sector, excluding financial services, 1.2% (1.8%).

The average rise for regular pay in the whole economy for the three-month period ending September edged up to 2.4% from 2.3% for the August period.

The sectoral increases were: manufacturing 2.6% (2.5%); services 2.3% (2.1%); the private sector 2.7%

(2.4%); and the public sector, excluding financial services, 1.5% (1.7%).

The table below is based on the median average earnings figures published in the Annual Survey of Hours and Earnings (ASHE) 2016. This is a departure, as in the past *Fact Service* has used the mean average figures.

The original median figures have been updated by the 0.4% increase in average weekly earnings for the whole economy between April 2016 and September 2016 to give a rough estimate of earnings now in the various occupational groups.

Full-time average weekly earnings by occupation	
	£ a week
All employees	540.90
All male	580.10
All female	482.40
Managers	800.80
Professionals	728.70
Associate professionals	596.10
Admin & secretarial	425.00
Skilled/craft	500.00
Services	354.30
Sales	356.30
Operatives	469.40
Other manual jobs	357.80

[www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/november2016](http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/november2016)

## UK worst in OECD for investment in transport

The UK ranks towards the bottom of OECD countries for capital investment in important areas of economic development, according to a recent TUC analysis.

Worst of all is transport. As a percentage of 2014 GDP (the latest figures), UK investment was the lowest in the OECD group of market economy countries, ranking in last place out of 34 countries.

The UK also ranks second to last (20th out of 21 countries for which data is available) in the critical area of information and communications technology (ICT) equipment; and 23rd out of 27 countries for investment in other machinery and equipment.

The UK performs a little less badly in dwellings investment and other buildings and structures, but is still well below the OECD average.

The only area where the UK is ahead of the OECD average is in intellectual property, ranking 13th of 34 countries.

In total, UK capital investment was 16.6% of GDP in 2014, while the average across all OECD countries was 20.8%. On this basis the UK is in third to last place, ranking 33rd out of 35 countries, with only Greece and Portugal investing less.

TUC general secretary Frances O'Grady said: "We can't just waltz into Brexit with our fingers crossed. If the government doesn't invest in Britain it could go very badly wrong. And working people will pay the price with fewer jobs, lower wages and higher prices.

"But if the government invests in Britain, we can build an economy strong enough to thrive.

"We need investment in rail and roads. We need investment in new homes and clean energy. And we need investment in skills, education and fair pay for a world-class workforce."

The TUC in its submission on the chancellor's Autumn Statement on 23 November makes a number of demands.

It sets out a plan for a post-Brexit deal that protects workers jobs and rights. The TUC believes this would best be achieved by remaining within the single market.

And it calls for investment to keep the economy moving. It said chancellor Philip Hammond should announce a significant and sustained programme of infrastructure spending, with a focus on regional investment. Thirdly, there must be economic reform for the long-term. The government should set out its plans to give workers the right to representation on company boards. And bring forward an industrial strategy to deliver better jobs across the country.

Finally, Britain should be given a pay boost. The public sector pay cap should be scrapped, and there should be an announcement on an increase in the National Living Wage that keeps it on course to hit 60% of median earnings by 2020.

[www.tuc.org.uk/economic-issues/public-spending/budget/labour-market-and-economic-reports/uk-languishing-near-bottom](http://www.tuc.org.uk/economic-issues/public-spending/budget/labour-market-and-economic-reports/uk-languishing-near-bottom)  
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