

February 2017 Latest Inflation (RPI) & Average Earnings

	All items (Headline rate) RPI	All items excl mortgage interest RPIX (Underlying rate)	Consumer Prices Index (CPI) (Govt Target = 2%)	Consumer Prices Index CPIH (all items inc housing)
2015				
Jan 2015	1.1 %	1.2 %	0.3 %	0.5 %
Feb 2015	1.0 %	1.0 %	0.0 %	0.3 %
Mar 2015	0.9 %	0.9 %	0.0 %	0.3 %
April 2015	0.9 %	0.9 %	-0.1 %	0.2 %
May 2015	1.0 %	1.1 %	0.1 %	0.4 %
June 2015	1.0 %	1.1 %	0 %	0.3 %
July 2015	1.0 %	1.1 %	0.1 %	0.4 %
Aug 2015	1.1 %	1.2 %	0 %	0.3 %
Sept 2015	0.8 %	0.9 %	-0.1 %	0.2 %
Oct 2015	0.7 %	0.8 %	-0.1 %	0.2 %
Nov 2015	1.1 %	1.1 %	0.1 %	0.4 %
Dec 2015	1.2 %	1.3 %	0.2 %	0.5 %
2016				
Jan 2016	1.3 %	1.4 %	0.3 %	0.6 %
Feb 2016	1.3 %	1.4 %	0.3 %	0.6 %
Mar 2016	1.6 %	1.6 %	0.5 %	0.7 %
Apr 2016	1.3 %	1.3 %	0.3 %	0.6 %
May 2016	1.4 %	1.5 %	0.3 %	0.7 %
June 2016	1.6 %	1.7 %	0.5 %	0.8 %
July 2016	1.9 %	1.9 %	0.6 %	0.9 %
Aug 2016	1.8 %	1.9 %	0.6 %	0.9 %
Sept 2016	2.0 %	2.2 %	1.0 %	1.2 %
Oct 2016	2.0 %	2.2 %	0.9 %	1.2 %
Nov 2016	2.2 %	2.5 %	1.2 %	1.4 %
Dec 2016	2.5 %	2.7%	1.6 %	1.7 %
2017				
Jan 2017	2.6%	2.9%	1.8 %	2.0 %

Source: Consumer Price Indices Statistical Bulletin www.statistics.gov.uk Next month's figures will be published on 21 March 2017

WHAT CAUSED THE CHANGES TO INFLATION THIS MONTH?

Inflation has reached its highest rate since June 2014, mainly as a result of the rising price of fuel.

Annual inflation as measured by the **Consumer Prices Index (CPI)** reached 1.8% last month, the Office for National Statistics (ONS) said, up from a rate of 1.6% in December. It is the fourth consecutive month that the rate has risen and takes inflation to its highest since June 2014.

Fuel prices hit a two-year high in early February, according to the RAC.

As well as fuel, the ONS said food prices also contributed to the rise in inflation, as prices were unchanged between December and January, having fallen a year ago.

Offsetting these factors, the prices of clothing and footwear fell by more than they did 12 months ago.

The increase in the inflation rate takes it closer to the Bank of England's target rate of 2%, which was last seen in December 2013.

Inflation is widely expected to pick up this year as a result of the weaker pound, which is making imported goods more expensive.

Earlier this month, the Bank of England said it expected the inflation rate to hit 2.7% next year.

CPIH to become preferred measure

The Government is to make CPIH its main measure of inflation in its next data release, on 21 March.

The CPI excludes housing costs, however, and as a result the ONS has been developing the CPIH, which includes a measure of housing costs based on rental equivalents.

The CPIH uses the rent paid for equivalent housing as a proxy for the costs faced by owner occupiers.

WHAT ARE THE MAIN CONSUMER PRICE INDICES?

CPI

The CPI is the UK's main domestic measure of consumer price inflation and is an internationally comparable measure. It forms the basis for the Government's target for inflation that the Bank of England's Monetary Policy Committee (MPC) is required to achieve. The official CPI series starts in 1996, but estimates for earlier periods are available back to 1988. The CPI excludes certain housing costs, such as owner-occupied housing and council tax.

RPI

The all-items RPI is the oldest measure of UK inflation, with data going back to 1947. Unlike the CPI, the RPI includes housing costs, such as mortgage interest payments, buildings insurance and council tax. Spending by pensioner households is not included in the sample used nor is that of the top 4% of households by income. While it is used for a wide variety of purposes, the ONS has recently declared that the RPI does not meet international statistical standards because of a formula used in its calculation, called the Carli formula. Its status as a national statistic was removed on 14 March 2013, but the ONS has stated that it will continue to publish it in an annex to the official figures because of its uses in long-term indexation, such as for index-linked gilts and bonds.

RPIX

The RPIX is the same as the all-items RPI except that it excludes mortgage interest payments. It was used as the Government's inflation target prior to the switch to CPI in 2003. It provides a guide to underlying inflation because it ignores the effect of changes in mortgage costs when interest rates rise or fall. Like the RPI, it was stripped of its "national statistic" status on 14 March 2013 as it does not meet international standards.

NEW INFLATION MEASURES INTRODUCED IN MARCH 2013

CPIH (see note above)

A new measure of inflation called CPIH was first published by the ONS on 19 March 2013, initially on an experimental basis. CPIH is the same as CPI except that it includes owner-occupier housing costs, an important omission from the CPI as these costs account for around 10% of total UK household expenditure. They are calculated using a "rental equivalence" approach, using the rent paid for an equivalent house in the private sector as a proxy for the costs faced by an owner-occupier.

Inflation forecasts

Forecast: Our panel's expectations for RPI have risen, with the measure now expected to rise to 3.5% by the fourth quarter of the year.

Forecast of annual rate of change in retail prices, 2017

	2017				
	Q1 (%)	Q2 (%)	Q3 (%)	Q4 (%)	Year (%)
Capital Economics	2.9	3.3	3.3	3.4	3.2
CBI	2.5	2.8	2.6	2.8	2.7
EY ITEM Club	3.0	3.6	3.7	3.7	3.5
Goldman Sachs	2.1	2.2	2.2	2.5	2.3
HSBC	3.0	3.5	3.9	4.3	3.7
JP Morgan	2.8	3.4	3.4	3.8	3.3
Oxford Economics	3.0	3.4	3.1	3.2	3.2
Royal Bank of Scotland	3.0	3.7	4.0	4.3	3.7
Société Générale	2.8	3.1	3.3	3.6	3.2
XpertHR average²	2.8	3.2	3.3	3.5	3.4
Range of forecasts	2.1 to 3.0	2.2 to 3.7	2.2 to 4.0	2.5 to 4.3	2.3 to 5.1

¹Based on the latest figures available as at 19 February 2017. ²XpertHR average: unweighted average of the analysts' predictions.

Treasury forecasts, 2016/17

Source	Time period	Measure	Forecast	Updated
HM Treasury	Q4 2016	RPI inflation	2.2%	Monthly
HM Treasury	Q4 2016	CPI inflation	1.2%	Monthly
HM Treasury	Q4 2017	RPI inflation	3.5%	Monthly
HM Treasury	Q4 2017	CPI inflation	2.8%	Monthly

The average of independent forecasts made over the past three months is used.

Source	Time period	Measure	Forecast	Updated
Source: HM Treasury - Forecasts for the UK Economy, January 2017 . Next release date: 15 February 2016.				

KEY FIGURES FOR EMPLOYMENT

Estimates from the Labour Force Survey show that, between July to September 2016 and October to December 2016, the number of people in work increased, the number of unemployed people was little changed, and the number of people aged from 16 to 64 not working and not seeking or available to work (economically inactive) decreased.

- There were 31.84 million people in work, 37,000 more than for July to September 2016 and 302,000 more than for a year earlier.
- There were 23.29 million people working full-time, 218,000 more than for a year earlier. There were 8.55 million people working part-time, 84,000 more than for a year earlier.
- The employment rate (the proportion of people aged from 16 to 64 who were in work) was 74.6%, the highest since comparable records began in 1971.
- There were 1.60 million unemployed people (people not in work but seeking and available to work), little changed compared with July to September 2016 but 97,000 fewer than for a year earlier.
- There were 877,000 unemployed men, little changed compared with July to September 2016 but 48,000 fewer than for a year earlier.
- There were 720,000 unemployed women, little changed compared with July to September 2016 but 50,000 fewer than for a year earlier.
- The unemployment rate was 4.8%, down from 5.1% for a year earlier. It has not been lower since July to September 2005. The unemployment rate is the proportion of the labour force (those in work plus those unemployed) that were unemployed.
- There were 8.86 million people aged from 16 to 64 who were economically inactive (not working and not seeking or available to work), 31,000 fewer than for July to September 2016 and 61,000 fewer than for a year earlier.
- The inactivity rate (the proportion of people aged from 16 to 64 who were economically inactive) was 21.6%, slightly lower than for July to September 2016 (21.7%) and lower than for a year earlier (21.8%).
- Latest estimates show that average weekly earnings for employees in Great Britain in nominal terms (that is, not adjusted for price inflation) increased by 2.6%, both including and excluding bonuses, compared with a year earlier

Average weekly earnings

For December 2016 in nominal terms (that is, not adjusted for price inflation):

- average regular pay (excluding bonuses) for employees in Great Britain was £477 per week before tax and other deductions from pay, up from £466 per week for a year earlier
- average total pay (including bonuses) for employees in Great Britain was £507 per week before tax and other deductions from pay, up from £498 per week for a year earlier

Between October to December 2015 and October to December 2016, in nominal terms, regular pay increased by 2.6%, slightly lower than the growth rate between September to November 2015 and September to November 2016 (2.7%).

Between October to December 2015 and October to December 2016, in nominal terms, total pay increased by 2.6%, lower than the growth rate between September to November 2015 and September to November 2016 (2.8%).

Average Weekly Earnings (Great Britain)	Average weekly pay (£ sterling)	Annual growth rate: percentage change
Total pay (including bonuses)	£507	2.7 %
Regular pay (excluding bonuses)	£477	2.6 %

Source: Labour Market Statistics: First Release 15 February 2017

YOUNG PEOPLE

For October to December 2016, for people aged from 16 to 24, there were:

- 3.95 million people in work (including 928,000 full-time students with part-time jobs)
- 568,000 unemployed people (including 199,000 full-time students looking for part-time work)
- 2.65 million economically inactive people, most of whom (2.01 million) were full-time students

YOUTH UNEMPLOYMENT

For October to December 2016, the unemployment rate for 16 to 24 year olds was 12.6%, lower than for a year earlier (13.6%). It has not been lower since May to July 2005.

The unemployment rate for those aged from 16 to 24 has been consistently higher than that for older age groups.

Since comparable records began in 1992:

- the lowest youth unemployment rate was 11.6% for March to May 2001
- the highest youth unemployment rate was 22.5% for late 2011

Between March to May 1992 (when comparable records began) and October to December 2016 the proportion of people aged from 16 to 24 who were in full-time education increased substantially from 26.2% to 43.8%. This increase in the number of young people going into full-time education has reduced the size of the economically active population (those in work plus those seeking and available to work) and therefore increased the unemployment rate (because the unemployment rate is the proportion of the economically active population who are unemployed).

UNEMPLOYMENT

For October to December 2016:

- the unemployment rate for people was 4.8%; it has not been lower since July to September 2005
- the unemployment rate for men was 4.9%, it has not been lower since July to September 1979
- the unemployment rate for women was 4.6%; it has not been lower since August to October 2005

For October to December 2016, there were:

- 1.60 million unemployed people, little changed compared with July to September 2016 but 97,000 fewer than for a year earlier
- 877,000 unemployed men, little changed compared with July to September 2016 but 48,000 fewer than for a year earlier
- 720,000 unemployed women, little changed compared with July to September 2016 but 50,000 fewer than for a year earlier

- Looking at unemployment by how long people have been out of work and seeking work, for October to December 2016, there were:
- 946,000 people who had been unemployed for up to 6 months, little changed compared with a year earlier
- 247,000 people who had been unemployed for between 6 and 12 months, little changed compared with a year earlier
- 404,000 people who had been unemployed for over 12 months, 86,000 fewer than for a year earlier

BY SECTORS

Royal Mail plc is in the private sector from December 2013 but in the public sector for earlier time periods.

PUBLIC SECTOR

There were 5.44 million people employed in the public sector for September 2016. This was:

- 12,000 more than for June 2016
- 10,000 fewer than for a year earlier

The increase in public sector employment between June and September 2016 was mainly due to more people employed in the National Health Service and in the education sector. Although public sector employment increased between June and September 2016, it has been generally falling since March 2010.

PRIVATE SECTOR

There were 26.32 million people employed in the private sector for September 2016. This was 17,000 fewer than for June 2016 but 352,000 more than for a year earlier.

For September 2016, 17.1% of people in employment worked in the public sector and the remaining 82.9% worked in the private sector.

Hours

Total hours worked per week were 1.02 billion for October to December 2016. This was 3.2 million more than for July to September 2016 and 7.1 million more than for a year earlier. The increase in total hours worked per week between July to September 2016 and October to December 2016 reflects an increase in the number of people in work (as explained at Section 4 of this statistical bulletin) and a small increase in average hours worked per week.

For October to December 2016:

- people worked, on average, 32.1 hours per week, up slightly compared with July to September 2016 but down slightly compared with a year earlier
- people working full-time worked, on average, 37.6 hours per week in their main job, up slightly compared with July to September 2016 but unchanged compared with a year earlier
- people working part-time worked, on average, 16.2 hours per week in their main job, unchanged compared with July to September 2016 but down slightly compared with a year earlier

Labour disputes (not seasonally adjusted)

Labour disputes estimates measure strikes connected with terms and conditions of employment.

For December 2016:

- there were 19,000 working days lost from 11 stoppages
- 4,000 people took strike action

The number of working days lost are at historically low levels when looking at the long-run monthly time series back to the 1930s.

Since monthly records began in December 1931:

- the highest cumulative 12 month estimate for working days lost was 32.2 million for the 12 months to April 1980
- the lowest cumulative 12 month estimate for working days lost was 143,000 for the 12 months to March 2011

For the 12 months ending December 2016:

- there were 322,000 working days lost from 99 stoppages
- 154,000 people took strike action

Workforce jobs (first published on 14 September 2016)

Introduction

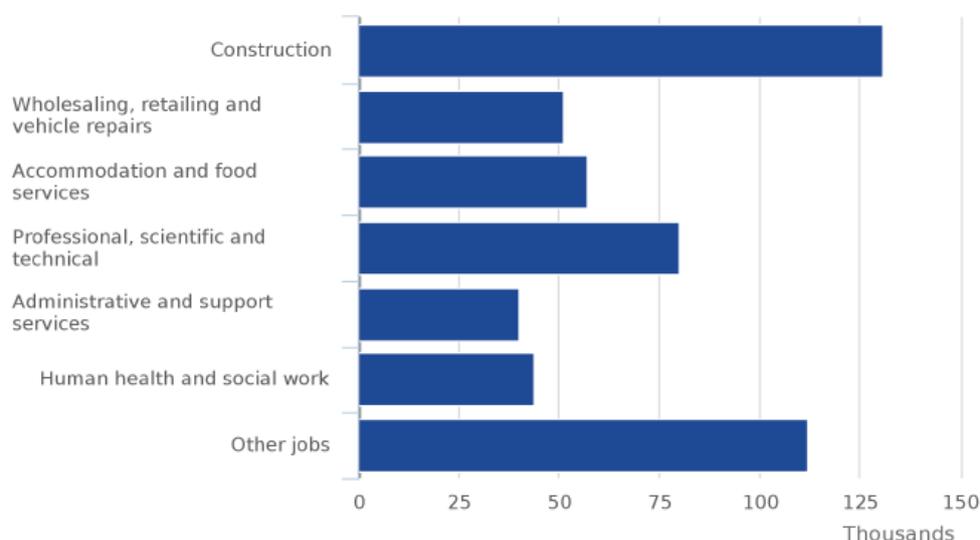
Workforce jobs measures the number of filled jobs in the economy. The estimates are mainly sourced from employer surveys. Workforce jobs is a different concept from employment, which is sourced from the Labour Force Survey, as employment is an estimate of people and some people have more than one job.

A comparison between estimates of employment and jobs is available on our website.

Commentary

For June 2016 there were 34.41 million workforce jobs, 194,000 more than for March 2016 and 515,000 more than for a year earlier. Figure 8 shows changes in the number of jobs by industrial sector between June 2015 and June 2016.

Figure 8: Changes in the number of jobs in the UK between June 2015 and June 2016, seasonally adjusted



Source: Office for National Statistics

Looking at a longer term comparison, between June 1978 (when comparable records began) and June 2016:

- the proportion of jobs accounted for by the manufacturing and mining and quarrying sectors fell from 26.3% to 8.0%
- the proportion of jobs accounted for by the services sector increased from 63.2% to 83.2%

While comparable estimates for workforce jobs by industry begin in 1978, some historical information back to 1841, not comparable with the latest estimates, are available from 2011 Census Analysis, 170 years of industry.

Provisional Annual Survey of Hours and Earnings (ASHE) APRIL 2016 (as published on ONS website in October 2016)

ASHE provides official figures on annual, weekly and hourly pay and overtime pay, broken down by sector, standard industrial classification, occupation, gender, geographical region (workplace location). This is valuable benchmarking information for pay practitioners.

Headline pay figures are based on the median value - the midpoint in the range - rather than the statistical mean (average), which means they are less influenced by extreme values at either end of the range.

The key ASHE findings on gross earnings for adult full-time employees in April 2016 are:

- In April 2016 median gross weekly earnings for full-time employees were £539, up 2.2% from £527 in 2015. The 2.2% growth seen this year is the joint highest growth in earnings seen since the economic downturn in 2008 (matching that seen in 2013).
- Adjusted for inflation, weekly earnings increased by 1.9% compared with 2015. This repeats the trend seen in 2015, which exhibited the first increase since 2008, and is due to a combination of growth in average earnings and a low level of inflation at that time.
- Weekly earnings grew by 2.2% for full-time workers compared with 6.6% for part-time workers. The bottom of the distribution has grown fastest this year, with the fifth percentile growing by 6.2% and the 95th percentile growing by 2.5%.
- In April 2016 the gender pay gap (for median hourly earnings) for full-time employees decreased to 9.4%, from 9.6% in 2015. This is the lowest since the survey began in 1997, although the gap has changed relatively little over the last six years.
- Median weekly earnings for full-time employees in the private sector were £517 (up 3.4% on 2015) compared with £594 (up 0.7%) for the public sector. While private sector median earnings have been around 85% of public sector earnings between 2010 and 2015, the proportion has risen to 87% this year.

BY REGION

Median full-time gross weekly earnings and percentage change from previous year, by region, UK, April 2016

In April 2016, London topped the regional list for median earnings for full-time employees by place of work, at £671 per week. Employees here earned £105 more per week than the next highest, the South East (£566) and £132 more than the median for the whole of the UK (£539). The high pay in London is largely due to a high proportion of its labour force being employed in high-paying industries and occupations, and also because many employees are entitled to allowances for working in the capital.

	£ per week	% change from previous year
UK	538.7	2.2
North East	494.0	0.7
North West	503.2	3.0
Yorkshire and The	498.3	2.5

Humber		
East Midlands	483.2	0.9
West Midlands	510.2	3.7
East	528.8	2.3
London	670.8	1.7
South East	566.0	2.5
South West	505.0	2.6
Wales	492.4	2.9
Scotland	535.0	1.5
Northern Ireland	495.2	2.1

Source ONS Government Website October 2016

1. Employees on adult rates, pay unaffected by absence
2. Full-time defined as employees working more than 30 paid hours per week (or 25 or more for the teaching professions)

Source: [Annual Survey of Hours and Earnings 2016](#), on the National Statistics website.

Gender pay differences, UK, April 2016

In April 2016 the gender pay gap (for median earnings) for full-time employees decreased to 9.4%, from 9.6% in 2015 (Figure 6). This is the lowest since the survey began in 1997, although the gender pay gap has changed relatively little in recent years. When part-time employees are included, the gap decreased from 19.3% in 2015 to 18.1% in 2016, the largest year-on-year drop since 2010. This is also the lowest gender pay gap since the survey began in 1997, when the gap for all employees was 27.5%.

For part-time employees separately, women are paid more on average, resulting in a “negative” gender pay gap. Although the part-time gender pay gap has decreased from minus 6.8% in April 2015 to minus 6.0% in April 2016, there is evidence that the part-time gender pay gap has widened in the long-term.

Median gross weekly earnings and percentage change from previous year, by sex and work pattern, UK, April 2016			
	2015 (£)	2016 (£)	Change (%)
All	425.1	438.6	3.2
Male	517.5	530.8	2.6
Female	337.1	349.1	3.6
Full-Time	527.1	538.7	2.2
Full-Time Male	567.2	577.8	1.9
Full-Time Female	470.2	480.5	2.2
Part-Time	166.5	177.4	6.6
Part-Time Male	155.5	167.4	7.7
Part-Time Female	171.2	181.4	6.0

Source: Annual Survey of Hours and Earnings (ASHE) - Office for National Statistics

Notes:

1. Employees on adult rates, pay unaffected by absence.
2. Full-time defined as employees working more than 30 paid hours per week (or 25 or more for the teaching professions).
3. 2016 data are provisional.

Median weekly pay by public/private sector, April 2016

	2016, £pw	2015, £pw
Public sector	£594	£588.90
Private sector	£517	£501.20
Total gross pay, UK, adult full-time employees.		

While private sector median earnings have been approximately 85% of public sector earnings between 2010 to 2015, there has been a large rise in private sector earnings (increased by £17, 3.4%) this year compared with public sector earnings (increased by £4, 0.7%).

This has resulted in the proportion rising to 87%, showing that private and public sector earnings have closed in the past year (Figure 10). A similar effect occurs at the bottom decile; this is likely to be due to the introduction of the National Living Wage, with a larger proportion of private sector workers in the occupations affected. At the top decile, earnings in the private sector have remained just under 110% of public sector earnings, a trend that has continued since the economic downturn in 2009

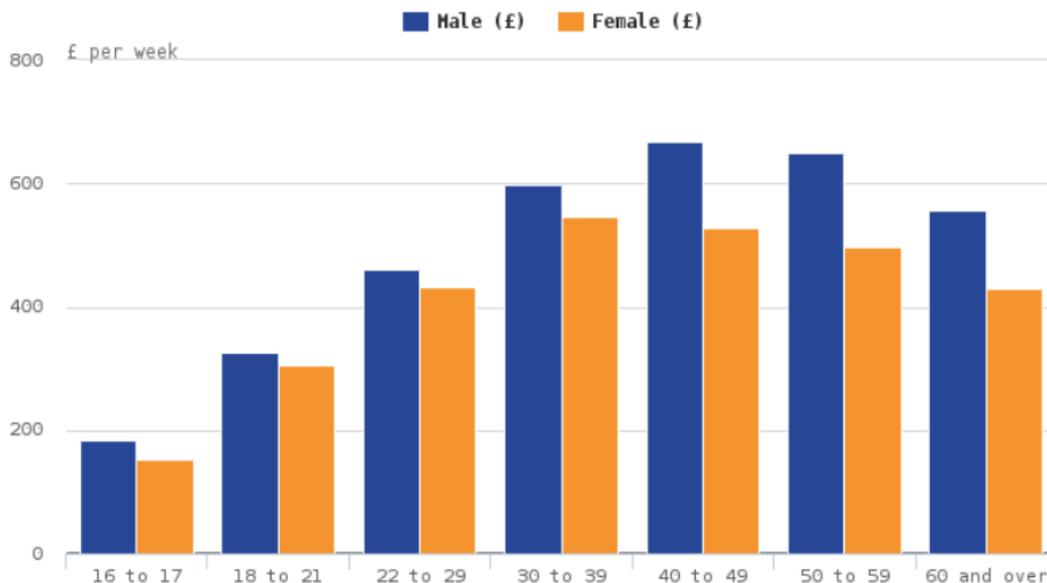
Median weekly earnings for full-time employees in the public sector have been higher than for the private sector since the start of the series in 1997. Private sector earnings were £501 in April 2015, compared with £589 for the public sector.

Private sector earnings have remained consistently at around 85% of public sector earnings since 2009.

Earnings by age group

Median weekly earnings for full-time employees reach a maximum in the 40 to 49 age group for men (£668 in April 2016) and in the 30 to 39 age group for women (£547).

Median full time gross weekly earnings by age and sex, April 2016



Gender pay gap for median gross hourly earnings by age group, April 2016

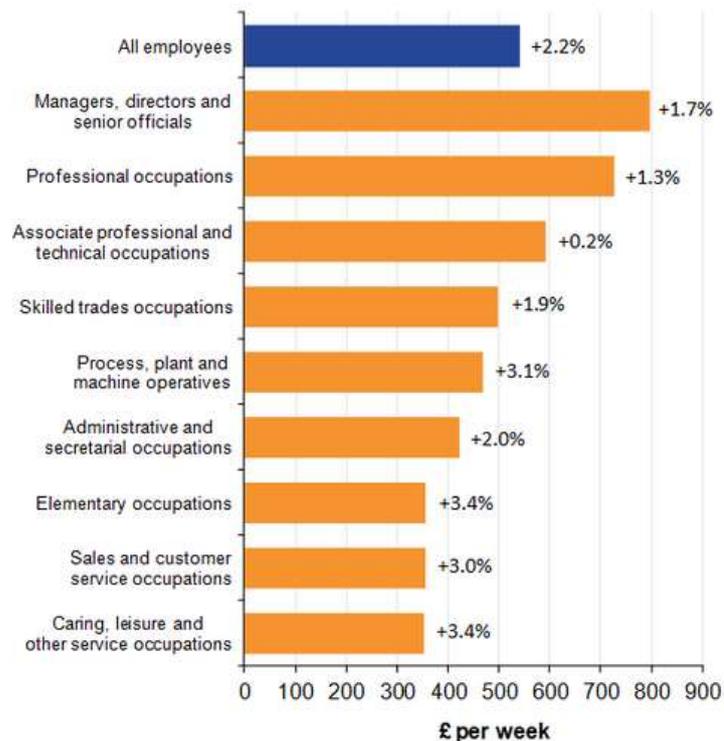


When looking at the differences for full-time employees, the gap is relatively small up to and including those aged 30 to 39 (with the exception of the 16 to 17 age group). From 40 to 49 and upwards, the gap is much wider, with men being paid substantially more on average than women. This is likely to be connected with the fact that women who have children often take time out of the labour market. Taking full-time and part-time employees together, again men are paid more on average than women for all age groups (except those aged 16 to 17, where the gender pay gap is 0%). Also, for age groups from 22 to 29 upwards, the gap is wider than for full-time employees alone. This indicates that, in these age groups, more women are working part-time in jobs that tend to be lower paid.

Earnings by occupation

The occupation group with the highest median weekly earnings for full-time employees was managers, directors and senior officials, at £798. Caring, leisure and other service occupations were the lowest paid group, at £353 per week (Figure 16). At this broad level, the lowest paid occupations have seen the largest percentage increases, with caring, leisure and other service occupations and elementary occupations both growing by 3.4% compared with 2015. These occupations, along with sales and customer service occupations, and process, plant and machine operative occupations were those whose first deciles (tenth percentile) for hourly earnings (excluding overtime) were below the new National Living Wage rate (£7.20) in 2015.

Median full-time gross weekly earnings and percentage change from previous year, by major occupation group, UK, April 2016



LATEST FROM LRD

The latest pay figures from LRD Payline show a 2.0% median (mid-point) increase for the three months to march

Payline contains over 2,000 agreements, including over 300 GMB agreements. If your agreement is not amongst them then please send details of the settlement to pay@lrd.org.uk so we can improve the service to GMB members.

To access the service go to www.lrd.org.uk/payline (username **gmb**, password **wtem89**)

15 February 2017/ Ida Clemo/ National Office