

BCC: Labour market remains strong but skills shortages start to bite

Commenting on the labour market figures for January 2018, published today by the ONS, Suren Thiru, Head of Economics at the British Chambers of Commerce (BCC), said:

“The rise in employment and continued decline in unemployment is further evidence that the UK labour market remains a key source of strength for the UK economy.

“It is possible that UK labour market conditions may cool over the next year, as sluggish economic growth and Brexit uncertainty take their toll on firm’s recruitment intentions. However, we expect that while the UK unemployment rate will drift up to a peak of 4.7% this year, it will remain significantly below the long-run average.

“The continued rise in the number of vacancies to a new record high is further evidence that skills shortages are at critical levels. The BCC’s own Quarterly Economic Survey confirms that the growing skills gap is a major drag on business activity, hitting investment and productivity.

“While it is encouraging that regular earnings growth picked up slightly, subdued economic conditions are likely to weigh on wage growth over the next year. As a consequence, pay growth is likely to remain stubbornly below price growth over the near term, dampening consumer spending, a key driver of UK GDP growth.

“More must be done to close the UK’s skills gap, including easing upfront business costs to help firms recruit and train staff, and deliver a future immigration regime that supports the needs of the UK economy.”

Ends

Notes to editors:

The British Chambers of Commerce (BCC) sits at the heart of a powerful network of 52 Accredited Chambers of Commerce across the UK, representing thousands of businesses of all sizes and within all sectors. Our Global Business Network connects exporters with nearly 40 markets around the world. For more information, visit: www.britishchambers.org.uk

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