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Royal Bank of Scotland Report on Jobs

Permanent placements growth eases to three-month low in June

- Slower rise in permanent staff appointments, temp billings decline
- Vacancy growth loses further momentum
- Pay pressures remain strong

According to the latest Royal Bank of Scotland Report on Jobs, labour market trends in Scotland continued to improve in June, but there were signs that hiring conditions were cooling as permanent placements growth eased and temp billings declined for the first time in 18 months.

Meanwhile, job vacancies in Scotland rose at weaker rates. Permanent staff demand increased at the slowest pace since January 2017, while growth in temporary job openings was below its 12-month average. Pay pressures were little-changed since May, but nonetheless marked overall.

Permanent staff appointments increased in Scotland during June, continuing the growth sequence which started nearly two-and-a-half years ago. On a positive note, the trend in Scotland contrasted with the UK overall, where permanent placements declined for the fourth month running. However, momentum was lost north of the border, with the expansion modest and easing to a three-month low.

For the first time since December 2017, temp billings in Scotland fell during June. Although the decline was only mild, it was a stark contrast to some of the sharp increases seen earlier in the year. Marginal growth in short-term staff billings was recorded for the UK on average.

Further signs of a cooling labour market were seen in job vacancies. Demand for permanent staff in Scotland increased in June, however the rate of growth slowed for a third month in succession to the weakest in nearly two-and-a-half years. Nevertheless, permanent vacancies rose at a faster pace than for the UK as a whole. Temporary job openings also rose at a softer rate during the latest survey period.

A broad-based increase in pay was observed across both types of employment in Scotland during June. Starting salaries awarded to new permanent joiners rose strongly, but the rate of inflation was little-changed when compared to the preceding two months and in line with the average across 2019 so far. A similar

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trend was recorded for temporary pay rates, which grew markedly and at a similar pace to May.

As has been the case since March 2012, permanent candidate availability in Scotland deteriorated in June. The rate of decline, albeit still marked, was the weakest in just over two years. On the other hand, temporary labour supply contracted at the fastest pace since April 2015.

COMMENT

Sebastian Burnside, Chief Economist at Royal Bank of Scotland, commented:

“Latest survey data revealed some signs that, although labour market conditions are improving, hiring activity has started to cool. Permanent placements growth eased to a three-month low and was only modest in June, while temp billings, which have grown sharply in recent months, declined for the first time in 18 months.

“Growth of permanent staff demand eased for a third month running to the slowest in nearly two-and-a-half years, while temporary job vacancies also grew at a weaker pace. Softer trends for job placements and vacancies led to little movement in pay pressures during June, which remained marked.”

ENDS

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Notes to Editors

This report, compiled by IHS Markit, is based on a monthly survey of around 100 recruitment and employment consultants, and provides up-to-date information on Scottish labour market trends and is seasonally adjusted.

The information in this report is directly comparable with the KPMG and REC, Report on Jobs survey for the UK, which uses an identical methodology. The KPMG and REC index for the UK has a strong track record of accurately anticipating changes in unemployment, employment and average earnings.

All index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline. These indices vary between 0 and 100 with reading of exactly 50.0 signalling no change on the previous month. Readings above 50 signal an increase or improvement; readings below 50 signal a decline or deterioration. Reasons given by survey respondents for any changes are analysed to provide insight into the causes of movements in the indices and are also used to adjust for expected seasonal variations.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

A regional Report on Jobs series is now available comprising five regional reports tracking labour market trends across the Midlands, the North of England, the South of England, Scotland and London. The reports are designed to provide a comprehensive and up-to-date guide to labour market trends and the data are directly comparable with the UK Report on Jobs.

About the Recruitment & Employment Confederation

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