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Royal Bank of Scotland Report on Jobs

Permanent placements decline at faster rate in October

- Permanent placements fall for fourth consecutive month
- Vacancy growth continues to ease
- Pay pressures remain robust

According to the latest Royal Bank of Scotland Report on Jobs, the Scottish labour market weakened during October. Permanent placements fell for the fourth consecutive month and at the quickest rate since January 2017. Temp billings growth continued, but softened to the slowest since June 2016.

Elsewhere, vacancy growth eased further, with demand for permanent staff rising at the softest rate for nearly eight years. Meanwhile, the uptick in temporary vacancies weakened to a 38-month low. Pay pressures remained robust in October as candidate availability deteriorated further.

Permanent staff appointments continued to fall during October, stretching the current sequence of decline which began in July. Moreover, the reduction gathered momentum, surpassing September's record to become the fastest since January 2017. The decline also outpaced that seen at the national level for the second month running.

Meanwhile, temporary staff billings continued to rise, albeit to the softest extent in four months. This trend was mirrored across the UK, with temp billings growth also easing at the national level. The pace of expansion remained stronger in Scotland, however.

Recruitment agencies across Scotland signalled an increase in permanent vacancies in October – a trend which has existed each month for the last nine years. However, the rise was the softest for over seven-and-a-half years and only marginal overall. Growth of temporary vacancies also softened during October. The improvement in temporary staff demand was the slowest since August 2016 and below the series long-run average.

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By historical standards, pay pressures across Scotland remained elevated during October. Starting salaries awarded to permanent joiners increased sharply, with the rate of salary inflation quickening from September's recent low.

Wages for temporary workers rose further during the latest survey period. Despite easing to the slowest since July, the increase was robust and above the series long-run average.

Permanent staff availability declined further in October. The fall quickened from September and was steep overall, with the deterioration in Scotland notably faster than that seen at the UK level.

Short-term staff supply also contracted. The reduction was sharp, despite easing slightly, and outpaced the UK average for the fifth consecutive month.

COMMENT

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

“October survey data highlighted further signs of weakness in the Scottish labour market, with permanent placements declining for the fourth successive month and at the quickest pace since January 2017. Furthermore, the reduction in Scotland outpaced the UK-wide trend for the second month running. Meanwhile, temporary billings rose at the slowest pace in the current four-month sequence of expansion. Vacancy growth also weakened for both permanent and temporary staff.

“Lingering Brexit related uncertainty was a key factor cited by recruiters weighing on hiring in October. A clearer outlook is needed for the Scottish labour market to regain momentum.”

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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