Client: PwC Corporate
Source: The Times (Main)
Date: 11 August 2008
Page: 43
Circulation: 638651
Size: 197cm2
AVE: 3652.38

Joblessness set to rise for sixth successive month

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Fears over rapidly worsening economic prospects are set to intensify this week with official confirmation that unemployment has risen for a sixth month in succession.

Unemployment is climbing at its fastest pace since the last recession. Two influential surveys to be published today show further signs of bleak trends in the jobs market. They will reinforce expectations that jobless figures for last month, due out on Wednesday, will be higher.

More than a quarter of employers are now planning redundancies during the present quarter, up from just over a fifth in the previous three months, according to the latest quarterly report on the jobs market outlook from the Chartered Institute of Personnel and Development (CIPD) and KPMG, the accounting group.

One in four businesses is still intending to employ more staff during the third quarter, but CIPD's survey concludes that the overall national employment prospects indicated by its findings are the worst for four years.

The deteriorating employment outlook is emphasised by a survey today from the Royal Bank of Scotland, which suggests that numbers in work fell in every region of the UK last month, and at the fastest rate since late 2001, as most parts of the country suffered a fall in economic activity.

The steepest falls in employment levels were in Wales, the North East and the South West, with the jobs market holding up best in the South East, according to the monthly RBS regional purchasing managers' survey.

In the latest symptom of Britain's deepening economic woes, the RBS findings also show that private sector economic activity fell in ten of 12 UK regions last month.

As the Bank of England prepares to unveil its quarterly forecasts and inflation report on Wednesday, today's survey findings will increase pressure on its Monetary Policy Committee to continue to stay its hand on raising interest rates, and to consider rate cuts at the earliest opportunity.

The Bank is expected to revise its forecasts to show headline inflation hitting a peak of 5 per cent later this year. Official figures tomorrow are forecast to show a further rise to a new high of 4 per cent last month.

Yet the dilemma for the Bank from the conflicting pressures of waning growth and accelerating inflation is underlined today as Pricewaterhouse-Coopers (PwC), the accountant, says that the mounting fallout from the credit crunch is set to have a severe effect on consumer spending well into next year. PwC's estimates suggest that the impact of the credit crunch in undercutting house prices and share values over the past 12 months has helped to wipe £600 billion off Britons' combined household wealth.

In findings that underline grim prospects for consumer demand and the high street, PwC calculates that the resulting effect on households' ability and willingness to spend and borrow will subtract between £12 billion and £16 billion from total consumer spending over the next 12 to 18 months.

This could cut consumer spending growth to a meagre pace of 0.5 per cent next year, compared with an average rise of 3 per cent a year over the past decade, with repercussions for the economy's growth, PwC says.

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Regions with less economic activity

Source: RBS survey of 12 UK regions in July