

UK nears potential turning point in cost of living crisis – as wages grow at record rate

Private sector wages and total pay, including bonuses, surpassed inflation despite a surprise rise in the rate of UK unemployment.

Economists thought the unemployment rate would remain at the 4% level recorded last month but it has now gone up to 4.2% as the number of jobs vacancies fell by 66,000 to 1.02 million.

Wages have also risen again with private sector wage growth increasing to 8.2%, more than a key measure of inflation. It's nearly two years since private sector wages rose above inflation – not since September 2021.

Pay, including bonuses, also reached 8.2%, the largest annual growth outside of the COVID pandemic as the [NHS one-off bonus](#) was paid.

Average weekly earnings, excluding bonuses, hit an annual growth rate of 7.8% during the three months to June, surpassing the highest level on record – the [7.3% confirmed](#) in last month's release.

The growth, however, was outpaced by the rate of price rises, meaning an effective pay cut for workers.

The key measure of inflation (the consumer price index) [stood at 7.9%](#) in the year to June. Not since October 2021 has wage growth outpaced inflation.

Public sector wages increased by 6.2%, the highest since September to November 2001 when public sector pay increased by

5.7%.

Some sectors saw even higher rises.

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Living standards no longer battered as they once were – but it's not all good news



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Today's labour market figures are a double-edged sword.

Wages are rising at a record pace and are on the cusp of outpacing inflation.

It means our living standards are no longer taking the battering they once were.

That should give ordinary households something to celebrate but it will cause consternation at the Bank of England.

Policymakers have been keeping a close eye on wage growth because they fear that robust pay rises could fuel inflation.

To read more analysis, [click here](#).

Wages in finance and business services had the largest annual growth rate of 9.4%, followed by the manufacturing sector at 8.2%; it's the highest annual growth rate for the sector since comparable records began in 2001.

Wage rises had been said to be "unsustainable" by the governor of the [Bank of England](#) who has been attempting to bring down

inflation to 2% via [14 consecutive interest rate rises](#).

On wages, [Mr Bailey has said](#) they are “not consistent currently with the 2% target, because we’re not at the 2% target at the moment”.

“It’s going to need to come down.”

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Biggest rise in wages on record

Latest figures will pile pressure on the Bank to continue its rate rising programme, making borrowing more expensive as a result and the market is now expecting interest rates to reach a high of 6%, up from pre-data release forecasts of 5.75%.

The ONS also said there were 160,000 working days lost due to strike action in June. More than half the days were due to

industrial action in the health and social work sectors.
[Junior doctors staged walkouts](#) in the month.

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Responding to the data, Chancellor Jeremy Hunt said: “Thanks to the action we’ve taken in the jobs market, it’s great to see a record number of employees.

“Our ambitious reforms will make work pay and help even more people into work – including by expanding free childcare next year – helping to deliver on our priority to grow the economy.”