

Wages growing faster than inflation

Latest figures released by the Office for National Statistics (ONS) show that average wages are continuing to grow faster than inflation. After adjusting for consumer price inflation (CPI), wages rose 3.4% between October and December 2024 when compared with the same period in 2023.

Unemployment figures also appear to be encouraging, with the UK's unemployment rate remaining at 4.4%. However, the ONS has cautioned that the response rate to its survey was low. So, these figures may not reflect the true position.

What will happen over coming months?

With the upcoming increases to national minimum wage and employers national insurance, it seems likely that pay growth will reduce over coming months. Many businesses are reporting that they plan to reduce their workforce due to the increased costs.

Increasing wages can also affect the Bank of England's decision when they set the base rate. When wages grow this means more disposable income in the economy which tends to increase demand and therefore prices. These figures may therefore make the Bank cautious of making another rate cut too soon.

If you need help with budgeting increased wage costs from April, or to look at how your pricing could be adjusted to cover the increases, please get in touch. We would be happy to help you negotiate these changes so that your business continues to grow and thrive.

See: <https://www.bbc.co.uk/news/articles/c4gwgpgl5zo>