

## UK Pay Growth Stalls at 3% as Real Wages Come Under Pressure

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UK private—sector pay settlements remained at a median of 3 percent in the three months to June, according to data from HR analytics company Brightmine. This marks the seventh consecutive rolling quarter at that level, highlighting wage stagnation as inflation continues to outpace pay increases.

The stagnant wage growth comes as the annual consumer price index (CPI) rose to 3.6 percent in June. Brightmine's HR insights lead, Sheila Attwood, noted that while the headline pay figures have stabilised, they are now lagging behind cost-of-living increases, effectively eroding real earnings for many workers. She described it as a "return of real-term pay cuts" in the private sector.

Data release also highlighted a widening gulf between sectors. While private-sector pay has remained subdued, public-sector pay deals averaged 4.3 percent, partly driven by industrial action and union pressure in services like healthcare and education. The divergence points to mounting fiscal pressure on the government, which must manage public-sector wage demands without fueling inflation or derailing fiscal targets.

The cooling wage trend comes amid broader signs of a slowing labour market. Surveys show that 15 percent of employers are awarding pay rises of just 2.5 percent or less, reflecting growing caution in wage-setting. Job vacancies have declined by about 5 percent since March and are now below pre-pandemic levels, with sectors like graduate hiring and hospitality among the most affected. These indicators are essential to the Bank of England's decision-making, as it weighs the pace of interest-rate adjustments against inflation and wage momentum.

Financial authorities are interpreting the subdued pay growth as evidence of dissipating inflationary pressure within the labour market, which could justify a continued loosening of monetary policy. Bank of England Governor Andrew Bailey has pointed to wage trends as a key factor when considering future rate cuts.

Employers cite rising costs, from National Insurance and the national living wage to utility bills and business rates, as drivers behind wage restraint. With a record minimum wage rise of nearly 7 percent effective from April, many companies are reassessing their compensation budgets. Brightmine data covering February to April indicated that nearly 50 percent of pay awards were below 3 percent.

For workers, the result is diminished real income growth, especially in the private sector, even as headline inflation remains stubbornly high. The tension between wage restraint and cost-of-living pressures is likely to persist, placing the government and businesses in a delicate balancing act.

As the UK navigates inflation control and economic recovery, the challenge ahead will be maintaining labour market stability without undermining consumer spending or public finances.