



Information for Negotiators – May 2006

Inflation

CPI annual inflation (the Government's target measure) rose to **2.0%** in April.

The largest upward pressure came from transport. Air fares rose this year but fell a year ago for international and domestic flights. This reflects the timing of the price collection period in relation to Easter, which fell in April this year but March a year ago. Partially offsetting this, a large downward effect came from bus travel with average fares falling following the introduction this April of free off-peak local bus travel in England for people aged 60 and over and for disabled people.

RPI inflation rose in April to **2.6%** up from 2.4% in March. The factors influencing it were similar to those affecting the CPI. Although differences in weights for some components, particularly air fares, meant that the contributions were smaller in the RPI. Housing costs excluded from the CPI had little effect on the RPI this month, other than council tax and rates which had a small upward effect with average bills rising by more than a year ago.

RPIX inflation – the all items RPI excluding mortgage interest payments – is **2.4%** in April, up from 2.1% in March.

As an internationally comparable measure of inflation, the CPI shows that the UK inflation rate is slightly below the average for the European Union as a whole. The provisional inflation rate for the enlarged EU 25 in March was 2.1%, compared with the UK figure for the same month of 1.8%.

	RPI	RPIX	CPI
Jan 06	2.4	2.3	1.9
Feb 06	2.4	2.3	2.0
Mar 06	2.4	2.1	1.8
April 06	2.6	2.4	2.0

Jan 05	3.2	2.1	1.6
Feb 05	3.2	2.1	1.6
Mar 05	3.2	2.4	1.9
April 05	3.2	2.3	1.9
May 05	2.9	2.1	1.9
Jun 05	2.9	2.2	2.0
July 05	2.9	2.4	2.3
Aug 05	2.8	2.3	2.4
Sep 05	2.7	2.5	2.5
Oct 05	2.5	2.4	2.3
Nov 05	2.4	2.3	2.1
Dec 05	2.2	2.0	1.9

Labour Market

The employment rate for people of working age was 74.7% for the three months ending in March 2006. This is up 0.2 over the quarter but down 0.2 over the year.

The number of people in employment for the three months ending in March 2006 was 28.90 million, the highest figure since comparable records began in 1971. Employment increased by 127,000 over the quarter and by 217,000 over the year. The quarterly increase in employment was mainly due to more women workers.

The unemployment rate was 5.2%, up 0.1 over the quarter and up 0.5 over the year. The number of unemployed people increased by 44,000 over the quarter and by 177,000 over the year, to reach 1.59 million.

The redundancy rate for the three months to March 2006 was 5.8 per 1,000 employees, up from 5.7 from the previous quarter.

Average Earnings

Average earnings including bonuses rose by 4.2% in the year to March, up slightly from 4.1% in February. The increase (in the including bonuses rate) is due to higher growth in the private sector services sector only partially offset by weaker growth in the public sector and in manufacturing. Average earnings excluding bonuses, or regular pay, rose by 3.8% in the year to March 2006. This is unchanged from February.

In the year to March 2006, pay growth (excluding bonuses) in the private sector was 3.8%, compared with 4.0% for the public sector. Including bonus payments, private sector growth stood at 4.3% compared with 4.2% for the public sector.

Full-time average weekly earnings by occupation			
	£pw		£pw
All workers	£540.90	Admin & Secretarial	£368.60
All Male	£595.20	Skilled/craft	£452.10
All Female	£456.20	Services	£314.20
Managers	£813.60	Sales	£297.10
Professionals	£740.10	Operatives	£413.80
Associate Professionals	£573.30	Other manual jobs	£328.50

Interest Rate

The Base Lending Rate continues to remain at **4.5%** (the previous change in interest rates was a reduction of 0.25 percentage points in August 2005).

The next meeting the Monetary Policy Committee is on the 8th June.

Economic Information on the Amicus website

For detailed information on the UK Economy including analysis of Labour Market Trends, Interest Rates & Economic Growth with an explanation of key economic terminology [click here](#).

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