

Expert warns no-change in interest rates isn't all good news

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UK's economic prospects remain on tenterhooks as skills shortages continue to prevail and the potential of a further wage/price spiral is still in sight

With the Bank of England confirming no movement in interest rates, specialist recruitment firm, Robert Half, has warned that while no immediate rate increases may be good news for now, it's still a concern for the longer-term strength of the UK economy, as this decision also factors in a skills short, tight labour market.

Matt Weston, Senior Managing Director UK & Ireland, at Robert Half, commented:

"It's understandably good news to learn that interest rates aren't increasing, but they are also not declining as per today's BoE decision, and that's what is perhaps more concerning given the current macroeconomic challenges facing the UK. Despite showing signs of loosening, the UK labour market remains relatively tight and still squeezed by chronic skills shortages. This has the potential to add to further inflationary pressures in both the long and short term unless addressed soon. And our data suggests that this issue is far from over. According to our latest Candidate Sentiment survey, 40% of staff plan to move jobs this year and one in six are already on the hunt for work, largely driven by a desire for better pay.

"The UK workforce remains confident in their prospects. People know their worth and recognise that they can still call the shots. With the cost of living still a concern, they want better pay or they'll happily move on, which puts further pressure on businesses and the economy.

"From a labour market perspective, there are two main issues to be tackled. In the short term, business leaders could focus their attention on holistic, overarching non-financial retention strategies, addressing employees' pain points and preventing flight-risk talent from leaving in the first place. On a larger scale, such an approach has the potential to slow the inflation-fuelling wage/price spiral that has persisted for so long.

"In the longer term, labour market tightness needs to be addressed through a strong skills strategy in

the UK that brings together industry, academia and government to resolve.”

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