

Funding the Future

It's small, local businesses that create jobs, and they...

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The [Office for National Statistics has reported](#) this morning that:

Annual growth in employees' average regular earnings (excluding bonuses) in Great Britain was 4.9% in June to August 2024, and annual growth in total earnings (including bonuses) was 3.8%. This total annual growth is affected by the NHS and civil service one-off payments made in June, July and August 2023.

Annual growth in real terms (adjusted for inflation using the Consumer Prices Index including owner occupiers' housing costs (CPIH)) for regular pay was 1.9% in June to August 2024, and for total pay was 0.9%.

Both of these represent declines, and that is after the one-off impact of the NHS settlement. These charts aren't great, but the downturns are obvious:

Nominal Earnings

Average Weekly Earnings annual growth rates - nominal pay

In June to August 2024, regular and total annual growth rates are lower than the previous three-month.

Note: The total annual growth rate is affected by the NHS and civil service one-off payments made in June, July and August 2023.

Source: MWSS from ONS

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Real Earnings

Average Weekly Earnings annual growth rates - real pay (using CPIH)

In June to August 2024, regular and total annual growth rates are lower than the previous three-month.

Note: The total annual growth rate is affected by the NHS and civil service one-off payments made in June, July and August 2023.

Source: MWSS from ONS

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In other words, as I long predicted, the wage correction that necessarily lagged inflation and which has been happening to restore the purchasing power of working people is now running out of steam.

It was obvious that this was what was happening many months ago - obvious, that is, to everyone but the Bank of England, which kept declaring itself worried about the rise in wages - as if restoring the value of the wages for working people was something they would really rather not have happened. As a result, they wholly unnecessarily kept interest rates high, based solely on these short-term adjustments to wage rates going on. But now they're not.

So what excuse will they have for keeping interest rates high now?

And there is in all this morning's data a note for Rachel Reeves: the employment market is not looking at all robust. The number of people at work fell between July and August and the overall rise in the last year was small. Big ticket investment that create few jobs are going to do nothing about that. It's small, local businesses that create jobs, and they don't seem to be on Labour's agenda. A cut in borrowing costs is what they need.