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KPMG and REC, UK Report on Jobs: South of England

Temp billings increase for the first time in two years in January

Key findings

Permanent staff appointments fall at softer, but still solid rate

Candidate availability improves at notably weaker pace

Starting pay increases for the third month in a row

Data collected 12-26 January 2026

Summary

The latest KPMG and REC, UK Report on Jobs: South of England survey signalled a further solid reduction in permanent staff appointments at the start of 2026, which was generally linked to low market confidence and a slowdown in hiring conditions. However, temp billings rose for the first time in two years as activity levels at some employers were reportedly higher than expected.

Nevertheless, vacancies remained on a downward trend, particularly for permanent positions. Growth in candidate supply meanwhile eased notably, though staff availability continued to improve sharply overall. Recruiters signalled further increases in rates of starting pay for both permanent and temporary workers, with the latter rising at the fastest pace in eight months.

The KPMG and REC, UK Report on Jobs: South of England is compiled by S&P Global from responses to questionnaires sent to around 150 recruitment and employment consultancies in the South of England.

Permanent placements continue to decline solidly in January

Recruitment consultancies based in the South of England signalled a reduction in permanent staff appointments for the thirty-fourth successive month in January. Though solid, the rate of decline eased since December and was softer than the 2025 average. Relatively low business confidence and a general slowdown in staff hiring was linked to the latest drop in placements.

The South recorded a faster decline in permanent staff

appointments than seen at the UK level, with the latter seeing the softest contraction for 18 months. While the Midlands recorded a further marginal rise in placements, rates of reduction slowed across the three other English areas monitored by the survey.

Adjusted for seasonal influences, the Temporary Billings Index posted above the neutral 50.0 mark in January to signal the first upturn in billings across the South of England for two years. Though modest, the rate of expansion was quicker than the UK-wide average. Some recruiters noted that higher than anticipated activity levels at clients had supported the renewed upturn.

Temp billings also rose in the Midlands and at a solid pace. However, a sharp decline was seen in the North of England while billings fell solidly in the capital.

Latest data signalled further falls in demand for both permanent and temporary staff across the South of England at the start of 2026. Permanent vacancies fell at a fractionally quicker pace that was the most pronounced in three months. Short-term vacancies across the region meanwhile declined at an accelerated and solid rate.

Demand for both permanent and temporary staff also fell again at the UK level, albeit at slightly softer rates than those seen in the South of England.

Softest rise in permanent candidate supply for a year

The availability of candidates for permanent positions in the South of England continued to rise in January. Though sharp, the rate of growth eased markedly since the end of 2025, and was the slowest seen in 12 months. While redundancies were widely cited as having pushed up candidate numbers, there were also some reports that people were hesitant to switch roles in the current economic climate. Permanent labour supply also expanded at a slower rate at the UK level, but one that was quicker than that seen locally.

On a regional basis, London recorded the steepest increase in permanent candidate availability, while the softest was seen in the South of England.

Latest survey data signalled that growth of temp candidate numbers in Southern England eased to an 11-

month low in January. Nevertheless, the respective seasonally adjusted index remained consistent with a marked rate of expansion, with recruiters often noting that fewer work opportunities had led to greater temp availability. The upturn was not as pronounced as the UK average, however, despite growth in temp staff supply also cooling across the three other monitored English regions.

The Midlands saw the slowest upturn in short-term staff availability, while the most pronounced expansion was seen in London.

Starting salaries increase modestly in January

Recruitment consultancies based in Southern England signalled a sustained but softer increase in starting pay for permanent joiners in January. Though modest, the pace of inflation was quicker than the 2025 trend, with recruiters often noting that greater competition for highly skilled candidates had placed upward pressure on pay. Starting salaries have now risen for three successive months.

At the UK level, permanent pay rose at the greatest extent for nearly one-and-a-half years, with the rate of growth solid overall. The North of England registered the steepest increase in starting salaries, while the Midlands saw the softest.

The seasonally adjusted Temporary Wages Index signalled an increase in short-term rates of pay in the South of England for the third straight month in January. The rate of wage inflation was the best recorded since last May and solid overall. That said, a stronger pace of pay growth was seen at the national level.

Stronger wage inflation was also seen in the North of England, while London registered a renewed and sharp increase in temp pay. The Midlands saw a slower, but nevertheless solid pace of wage growth.

Comments

David Williams, Bristol Office Senior Partner at KPMG UK, said:

"When it comes to temporary billings, January marks a turning point for the South, with this index rising into growth territory for the first time in two years. While modest, this shift may be a signal that businesses are beginning to rebuild capacity after an extended period of caution. That being said, with permanent placements still declining, albeit at a slightly softer pace, businesses are still finding it difficult to look beyond short-term planning as they step into 2026."

"Amid a mixed picture, changes in labour market dynamics are tentatively encouraging. Candidate availability is still rising, but at the slowest pace in a year – indicating that more people are successfully moving into roles rather than remaining in the talent pool and that redundancies may be slowing. Reinforcing this, starting salaries are now on their third consecutive month of growth. For Southern businesses pursuing growth plans, this environment offers an opportunity to secure necessary skills before competition intensifies and wage pressures build further as confidence returns."

Neil Carberry, REC Chief Executive, said:

"There have been increasing signs from businesses as we enter 2026 that uncertainty on hiring plans is giving way to action. That does not mean a general hiring upswing, but the "wait-and-see" period seems to be ending in the UK. We have the first upturn in billings across the South of England for two years, for example."

"The decisions firms are now making involve lots of trade-offs, such as whether to create jobs in the UK or elsewhere, or which jobs need the human touch as opposed to an automated solution. A growing, inclusive economy requires high levels of employment – a focus on encouraging firms to create jobs rather than discouraging that investment is more important than ever. So far, the Government has struggled to convince businesses it wants them to hire. That must change in the decisions that are made this year if we are to avoid a continued rise in unemployment."

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Methodology

The KPMG and REC, UK Report on Jobs: South of England is compiled by S&P Global from responses to questionnaires sent to around 150 recruitment and employment consultancies in the South of England (defined as NUTS1 regions South East England, East of England and South West England).

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the survey methodology, please contact economics@spglobal.com.

Full reports and historical data from the KPMG and REC, UK Report on Jobs are available by subscription. Please contact economics@spglobal.com.

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