Last week saw jobs and wages rise whilst inflation and interest rates stayed flat. Economists fret about slow productivty growth and the damage that does in the long term. But right now conditions could be much worse.

Record highs and lows. The UK labour market continues to go from strength to strength. Total employment climbed by 55,000 to another fresh high during the three months to April. The employment rate at 74.2% has never been higher. Record highs in some quarters, notably the private sector, are matched by all-time-lows in others. Public sector employment, now at 5.35 million, accounts for just 16.9% of total employment – its lowest share since comparable records began in 1999. Unemployment continues its downward trajectory, with 5% its lowest level since 2005. Meanwhile youth unemployment eased below 12% for the first time since Q4 2007. All encouraging stuff. Just don't mention productivity.

A well-earned recovery. The pace of earnings growth has picked-up in recent months with regular pay now growing at an average rate of 2.3% y/y. The introduction of the National Living Wage gave a boost to low-paid employees over the age of 25, who now receive a minimum of £7.20 an hour, up from £6.70. Wages have been rising at a faster rate than inflation since the autumn of 2014 and boosting disposable incomes in the process. But not at a fast enough pace to trouble the Monetary Policy Committee.

NICs, BIKs and automobiles. From an employer's perspective, wages are only one part of the overall cost of labour. A true measure includes pension contributions, National Insurance Contributions, benefits in kind and a number of social payments. And overall, the cost of employing a typical worker rose by 2.7% in the year to Q1 2016. In other words, on average, an extra worker had to boost a firm's top-line by least 2.7% to post a net profit. Yet total turnover for UK firms fell in the year to Q1, suggesting profitability is under pressure and confirming a sense of a slight slowdown in UK growth. The UK needs a productivity shake. But on this evidence, it's yet to happen.

Still low. UK households continue to bask in low inflation. Prices rose a mere 0.3%y/y in May, unchanged from April. Even stripping out more volatile items like energy and food reveals little by way of underlying inflationary pressures – the core inflation reading was 1.2%y/y, also unchanged from April. The expectation is a slow grind higher back toward 2% as the big falls in oil price fade from the figures. But there's little for the Bank of England to be worried about. Market forces are keeping a lid on inflation.

Emphatic. We won't see any 9-0 scorelines at the Euros but that's what the MPC delivered last week, its members voting unanimously to hold Bank Rate and asset purchases where they were. The Bank continues to balance the drag on inflation from imports against gently rising domestic costs. Nothing significant had changed in this equation since last month's detailed Inflation Report. Put these two together and a rate rise remains a distant prospect.

Deep passions. Forget the football, the UK's real passion is shopping. And while the high street's fine, increasingly we mean online. The total volume of retail sales rose by a hefty 6% in the year to May. It's fun shopping too, with department stores are doing especially well (sales up +10%y/y). Overall, we spend over £7bn a week on shopping, just under £1bn of which is online. And year-on-year growth in online spend accelerated again, to 22% in May – so it’s doubling every four years or so. With annual online sales growth of c.27% for department stores and 18% for the supermarkets, the battle for wallet share is increasingly fought in the digital world. But that doesn’t make it any less real.

Is the Grand Old Duke of York a Fed rate-setter? Since December’s first post-crisis hike the Fed has marched us some way up the hill of expecting another one just to march us back again. It was more of the same last week when they left rates on hold. They are convinced that the US economy is on the right track but the data, especially on jobs, made them pause. A return to strong employment growth in the next few months will probably bring us to a new peak of rate rise expectation.

Murky. Getting to the bottom of what’s happening in China’s economy can be a tricky task. But what’s clear is that credit growth continues to outpace GDP growth and problem loans continue to mount. What’s more, it appears that banks and financial institutions are taking on more debt to chase higher returns on investment. That’s been a bad sign in the past. Another layer of concern around China’s financial system isn’t exactly what the global economy needs.