

Buoyant UK hiring appetite helps takes jobless rate lower

Rising optimism through the spring helped boost employment in the hardest-hit sectors. We still expect a rise in unemployment later this year, though the peak is likely to be much lower than looked possible a few months ago.

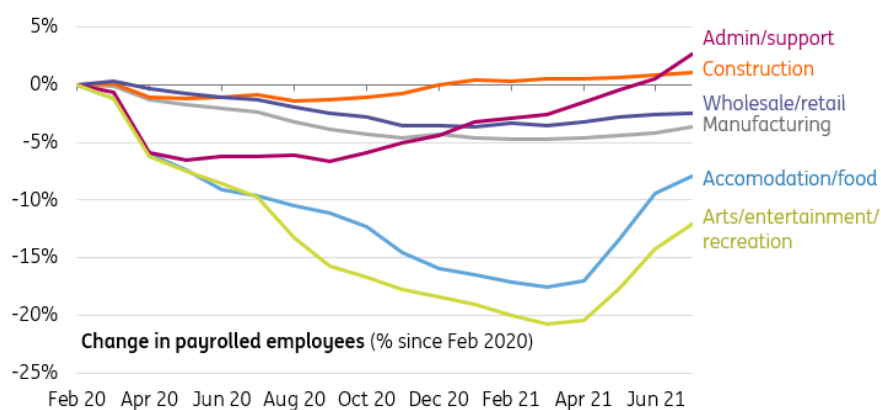


The hospitality industry still has a lot of workers on furlough

Like the wider UK economy, the jobs market appeared to be on fire through the second quarter. Optimism from the vaccine rollout had succeeded in taking online job adverts in some of the hardest-hit sectors above pre-virus levels through the spring, and that's translated into a fast rebound in payrolled employees in the likes of hospitality and entertainment. Indeed, this turnaround has prompted staff shortages in some sectors and regions of the UK (as any holidaymaker to Cornwall recently can probably attest).

All of this has helped take the unemployment rate another notch lower to 4.7% - and in fact, if you look at the more experimental weekly data, it may have reached a low of 4.1% at the tail-end of the second quarter (though admittedly this data is highly volatile).

Hospitality jobs are rebounding quickly



Source: ONS

However, it's important not to get too carried away with the strength of this latest data.

Unlike the Bank of England, we think that the unemployment rate will still increase later this year when the furlough scheme finally ends. In contrast to the headlines about staff shortages, the number of people on the furlough scheme remains fairly high. And what's interesting is that this is no longer primarily a consumer services story – a number of sectors have non-negligible levels of staff on furlough. Usage is now also much more heavily concentrated in smaller businesses, which perhaps signals a reduced ability to bring staff back to work while finances are rebuilt.

It's worth saying that this doesn't mean stories of worker shortages are unfounded. Instead, there appears to be a degree of mismatch between those receiving wage subsidies and the types of roles in the shortest supply.

We expect the UK unemployment rate to increase to roughly 5.5% later this year, though clearly this is much lower than many (ourselves included) were expecting only a few months ago. The extension of the furlough scheme until well after most firms were able to reopen has given many the breathing space they need to bring most workers back. And indeed the overall rebound in hiring appetite suggests that any peak in unemployment may not last long.

Author

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s).

as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.