

## 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.

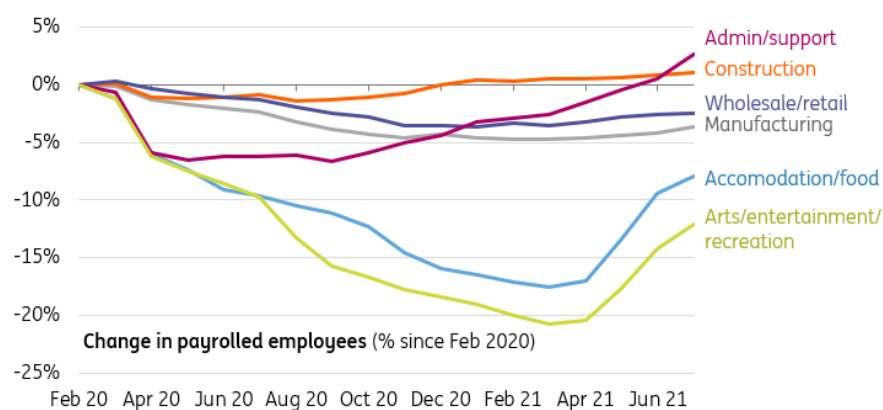


The hospitality industry still has a lot of workers on furlough

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.

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