

UK jobs data improves despite fresh lockdown

After a volatile autumn, the UK jobs market stabilised through the winter, helped of course by the extended furlough scheme. Unfortunately though, unemployment is likely to rise as this support is unwound, which we think could take the jobless rate to 6-6.5%



Signs of stability in the jobs market

Despite the tumultuous start to the year in the UK, the jobs market remained fairly stable, and if anything showed some modest signs of improvement through the first few weeks of 2021.

The unemployment rate unexpectedly fell by a tenth of a percentage point to 5%, and in fact experimental weekly data shows that it may have been a little lower than that in January (the headline numbers cover three months). Real-time payrolls data also shows a small pick-up in employment since the start of the year.

Of course, none of this should come as a particular surprise. Many sectors are now tentatively getting back on their feet, and outside of consumer services employment has been improving. Admin and support for example, has made more-or-less a full recovery, according to the payroll data. Those sectors that aren't operating are covered by the furlough scheme.

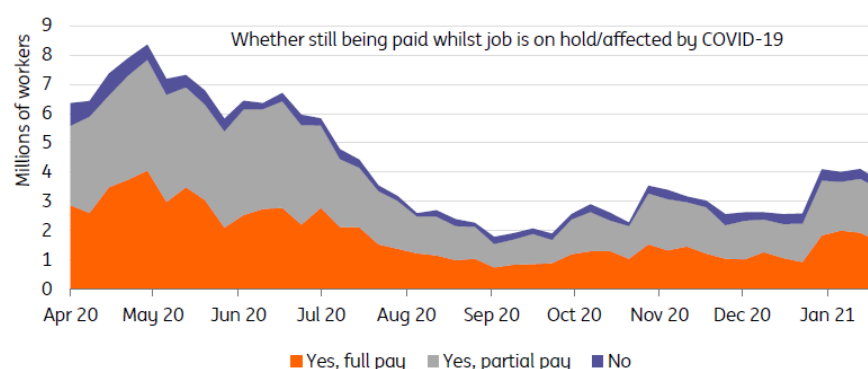
Unemployment rate set to hit 6% or above

So what next? It is a fairly consensus view that the unemployment rate will tick higher later this year as the furlough support is removed (scheduled for September). How much depends on how many so-called viable jobs can be saved, and in principle, the fact that the scheme has been extended for a few months beyond the April/May reopening dates should give cash-strapped hospitality/service-sector firms time to get back on their feet.

There will inevitably though be some jobs that are no longer viable, either because the firms are fighting for survival or because business models have changed. The ONS data gives us a hint of how many jobs this might be. The weekly data asks people if their job is on hold due to Covid-19, and if so are they being paid. Most are either being paid in full or partially (presumably via furlough), but around 300k have consistently reported not being paid. This may be because they believe their employer will rehire them later, though in many cases their role may no longer exist once the pandemic ends.

So while it's hard to estimate, we think the unemployment rate could reach 6-6.5% later this year. However unlike previous jobs crises, the peak may not last for long and we'd expect a gradual improvement through 2022.

Whether still being paid while job is on hold due to Covid-19



Source: ONS weekly employment data

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