

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.

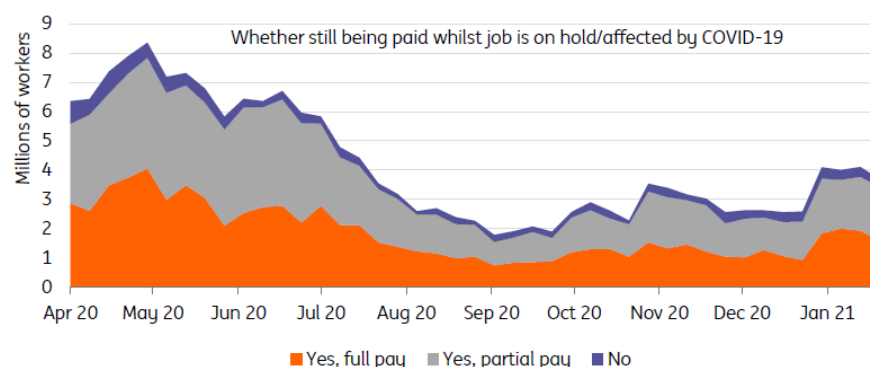
Unemployment rate set to hit 6% or above

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

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>.