UK unemployment rate dips despite winter lockdown

The UK jobless rate is likely to climb to 6% or above later this year as wage support is unwound. Yet as we argued in a more detailed piece yesterday, the subsequent recovery may be a little quicker than after past recessions

The UK jobs market has proved fairly resilient through the latest lockdowns. The latest unemployment rate covering the three-month period to February dipped to 4.9% - and new weekly data suggests it has gone as low as 4.6% during that time. More timely payroll data dipped back slightly in March but also suggests that – outside of the hard-hit consumer services sector – other parts of the jobs market are beginning to turn a corner.

Nevertheless, like most economists, we expect the unemployment rate to rise this year. A combination of the end of the furlough scheme, and to a lesser extent a potential increase in inbound UK migration later this year (partly reversing last year's population fall) are both likely to trigger a temporary spike in the jobless rate to 6-6.5%.

Yet we think the keyword there is temporary. We wrote in more detail yesterday about how we think the jobs market recovery from the Covid-19 crisis could be quicker than after past recessions, given how unusually concentrated last year's job losses were in the consumer services industry. Past jobs recessions have shown that these sectors tend to bounce back faster, perhaps because jobs are created more quickly than elsewhere, while employee turnover is also typically much higher in normal times than other industries.

We'd still expect it to take some time for employment to totally recover, and it's worth remembering that the upheaval caused by the new EU-UK relationship will also add pressure over time. But barring any more Covid surprises, it's possible that the jobless rate will gradually fall again by the end of the year.

For more details, see our article *UK jobs: Why this recovery may be different*

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