

UK unemployment set for further rise despite extended support

We expect UK unemployment to rise to 6% by year-end, despite unprecedented wage support which probably meant over four million people were furloughed during the November lockdowns



Chancellor of the Exchequer Rishi Sunak holding a digital press conference about the COVID-19 coronavirus, in 10 Downing Street, London

Source: Shutterstock

Unemployment rose as original furlough end-date drew closer

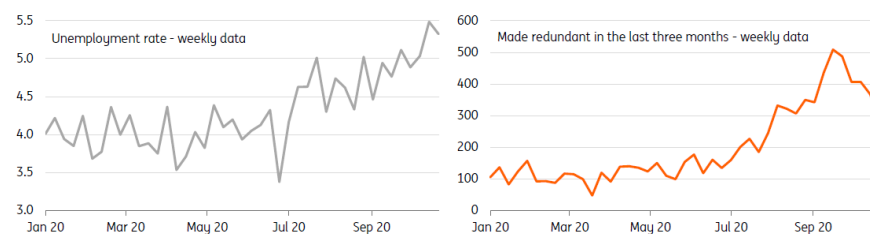
The latest UK jobs data shows us that despite the unprecedented wage support introduced in March 2020, the UK jobs market is showing clear signs of strain. The unemployment rate rose to 4.9% in the three months to October, and in fact, we can see in the experimental weekly data that this went well above 5% towards the latter end of that window.

This follows a significant rise in redundancies over the summer, which appears to reflect the original intention to wrap-up the furlough scheme at the end of October. However, what stands out is that the number of people being made redundant peaked in September and tapered off noticeably through October.

This probably reflects one of two things. Firstly, it could indicate that firms generally put their cost-saving plans into motion well ahead of the planned furlough end-date. It may also reflect the

announcement of the job support scheme in late-September, which offered wage subsidies for firms that brought back staff part-time (albeit the scheme was subsequently mothballed)

Redundancies peaked in September but unemployment climbed through October



Source: ONS experimental weekly data

Furlough support unlikely to fully prevent a further rise in unemployment

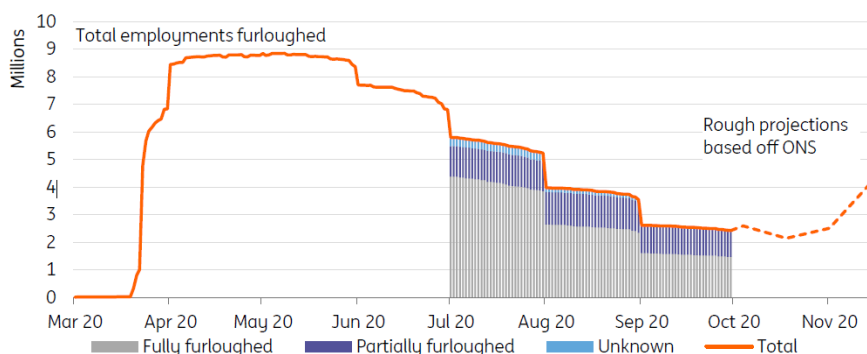
Either way, all of this came before the UK reverted to various forms of lockdown. Importantly, the last-minute extension of so-called 'full-furlough' (80% wage subsidies for workers off work completely) will again have limited the spillover into unemployment.

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According to the [latest ONS Business Impact surveys](#), it's likely that there were around 4-4.5 million workers furloughed during November, around half of the first lockdown peak (8.9m). Unlike the first lockdown, this appears to be much more heavily concentrated in hospitality and arts/recreation, with usage across the rest of the economy much more muted.

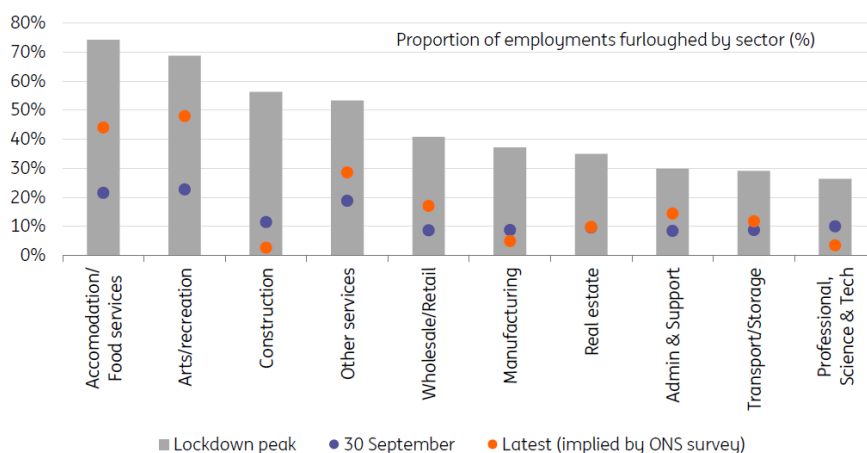
Nevertheless, we think that unemployment will have risen further in the final months of 2020, and could reach 6% by the end of the year. There is a risk of a more pronounced rise in 2021 depending on how/when the current level of wage support is removed - and whether those sectors that have remained fully closed since March (eg nightlife, events etc) are able to reopen at that point.

Around four million workers likely furloughed in November



Source: HMRC, ONS Business Insights and Impact on UK Economy survey, ING

November furlough much more concentrated in 'social sectors'



Source: HMRC, ONS Business Insights and Impact on UK Economy survey, ING
ONS survey data taken from 2-15 November

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