

Labor Market

29 December 2020

Unemployment rate below expectation

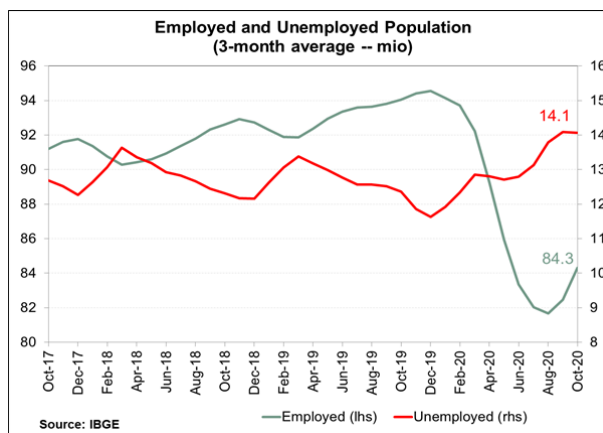
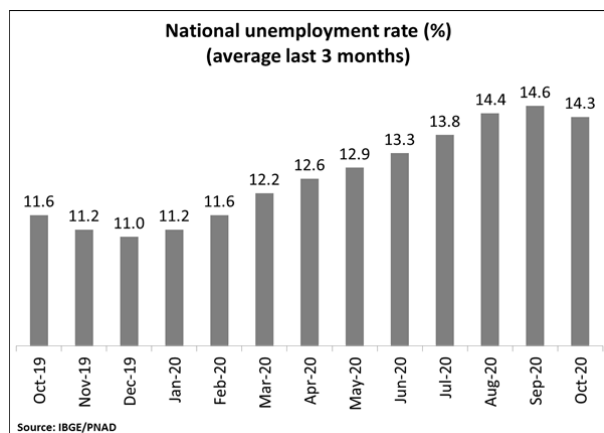
What happened

Average unemployment rate came at 14.3% in the average from August to October, coming below market expectation of 14.7%, according to Broadcast survey.

The employed population of 84.3 million people increased by 2.8% versus the previous 3 months, and the unemployed population increased by 7.1% (at 14.1 million). The compound rate of underutilization of the work force (unemployed + part-time workers + discouraged) is at 32.5 million.

The non-economically active population (number of people out of the labor force) increased 19% compared to the same period last year and decreased 2.2% compared to the previous 3 months, and it now comprises 77.2 million people..

Average real income at BRL 2,529 and Real payroll at BRL 207.9 billion were statistically stable when compared to previous 3 months.



Our expectation

Despite the CAGED dataset that has been showing net registered jobs creation for 5 months in a row and some seasonal hiring of temporary workers especially in some services segments, the expectation is for a slowdown in overall job opening in the coming months influenced by the more moderate pace of activity expected ahead, especially with the resurgence of Covid-19 requiring more restriction measures to curb the pandemic. In the short-run the seasonal hiring might lead to additional decrease on unemployment rate (at least for November), but we might see a steady increase of unemployment rate during the first half of 2021.

Even considering the gradual control of pandemic with vaccine roll-outs during next year, there will be a big wave of people who were dependent on the monthly aid stipend this year and will look for jobs next year. This demand for jobs surpasses the level of job creation, and we expect unemployment rate to reach a peak of around 16% by mid next year. From the second half of 2021 onwards, there is room for a gradual reduction of unemployment rate assuming more consolidated GDP growth that leads to higher and more widespread job creation.

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Banco MUFG Brasil S.A.

Av. Paulista, 1.274
São Paulo - SP - Brazil
Ombudsman Toll-free (and DDG): 0800 770 4060
Email: ouvidoria@br.mufg.jp

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