

Snap | 2 December 2020

Big changes to Eurozone unemployment numbers paint favorable picture

Big revisions to Eurozone jobs data show that unemployment peaked in July and has since been trending downwards. At 8.4% in October, the unemployment rate points to a very mild labour market impact from the crisis so far, which brings upside risk to the GDP outlook for next year



It's really not easy being a statistician in these extraordinary times.

Today's Eurozone unemployment data show massive revisions for the last few months which reveals a declining unemployment rate since July, instead of an upward inclining trend. The peak was seen in July at 8.7%, moving down to 8.4% in October.

The largest changes to the data came from France where the July rate was revised up from 6.6% in September to 9.4% now. German data remained unchanged, while Spain and Italy also saw a change in trend for recent months, although smaller than France. The differences may relate to definition issues related to short-time work, which muddies the waters about who is employed and who isn't.

The unemployment rate remains a crucial unknown in the outlook for 2021

While October actually saw more restrictions to battle the second wave of the virus, this has not yet resulted in higher unemployment.

Italy saw a small increase in the rate from 9.7 to 9.8%, but countries that ramped up restrictive measures in September like the Netherlands and Belgium showed declining rates too. While November gives a better picture of the second wave impact on the labour market, this is an indication that the increase in unemployment will likely remain mild with short-time work schemes still in place.

The unemployment rate remains a crucial unknown in the outlook for 2021. While the harm done so far seems to be incredibly mild given the scale of the crisis, short-time work schemes still mask some of the harsh labour market realities. Therefore, it seems unlikely that eurozone unemployment will hit double-digits with the start of the recovery around the corner thanks to the quick progress made on vaccines.

That brings some upside risk to the economic recovery for 2021 for the job market.

Author

Bert Colijn

Chief Economist, Netherlands

bert.colijn@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 www.ing.com.