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Eurozone: easing labour shortages yet to impact unemployment rates

The eurozone unemployment rate stood at 6.4% in August, stable compared to July and still at a historic low. While the economy is weakening, it is not yet causing job losses

The unemployment rate remains at the lowest level recorded since the eurozone began in 1999. The low rate remains remarkable given the sluggish economic environment that the eurozone has been in since late 2022. But labour demand remains high despite a weak economic environment. That results in worrisome productivity developments, but also boosts household income growth and confidence in the short-term.

Job vacancy rates in the eurozone have fallen as new vacancies drop. The rate currently stands at 2.6%, down from 2.9% in the first quarter. But despite vacancies coming down, the vacancy rate remains elevated and businesses still report labour shortages as a top concern. That means that unemployment remains low despite economic sluggishness.

The trend is towards further loosening in the job market though. With economic growth falling short, an increase in bankruptcies, and a decline in job vacancies, a slight rise in unemployment is likely to become noticeable. However, given the still substantial demand for labour, we expect that the upward pressure on unemployment will remain limited in the coming months.

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