

## Eurozone labour market: Historically strong ahead of inevitable rise in unemployment

The eurozone unemployment rate fell to 7.3% in February - the lowest rate since the start of the series in 1995. The question now is whether fiscal policy will be enough to limit the impact of Covid-19 on jobs



Source: Shutterstock

The unemployment rate dropped from 7.4 to 7.3% in February, with a decline of 88 thousand in the number of unemployed. Quite a decent number, given the high economic uncertainty and slow economic activity. Over the course of the recent expansion, the unemployment rate has fallen faster than many expected after the rise to above 12% in 2013, at the height of the euro crisis.

Modest wage growth kept labour attractive even as GDP growth remained sluggish over the past few years of recovery. This is likely the lowest rate seen for a while though, given the inevitable impact of the euro crisis.

As weekly initial jobless claims in the US showed last week – almost 3.3 million people filed for

unemployment in a week – the impact of the eurozone lockdown measures on unemployment are likely to be potentially severe. The eurozone job market is more rigid than the one in the US though, thanks to automatic stabilisers and labour market regulation.

Retaining workers has been a key focal point of most eurozone countries in their fiscal measures to counter the economic fallout from the pandemic, which also helps to cushion the initial blow to employment.

Still, a rise in unemployment is inevitable. The real question is will policy be able to successfully limit the increase.

## Author

### Bert Colijn

Senior Economist, Eurozone

[bert.colijn@ing.com](mailto: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 <http://www.ing.com>.