

## Eurozone labour market still going strong with unemployment at 6.5%

The eurozone unemployment rate was unchanged in November despite economic conditions pointing to contraction. This leaves the labour market historically strong, but also makes it a key risk for second-round inflation effects for the ECB



November 2022 was another strong month for eurozone labour markets. Unemployment was unchanged from October at 6.5%, the lowest rate since the data series began in 1998, with many of the larger countries seeing the rate decline, such as France, Italy and Spain, however large increases in Austria and Portugal offset these developments. Overall, the resilient labour market is a positive for Europeans who are already seeing incomes come under pressure due to high inflation. This dampens the negative economic consequences of the inflation shock.

With a mild recession as the most likely economic outcome for this winter, there is some cooling of the labour market to be expected. Still, with a labour market this tight, it is unlikely that unemployment will run up enough to make labour shortages a thing of the past. That makes this a key risk for the ECB at the moment. While inflation expectations are fairly well anchored right now, chances of higher trending wage growth remain an upside risk to inflation for this year. While there is no evidence of a wage-price spiral so far, the ECB has taken a hawkish turn and will remain

worried about wage growth rising further anyway.

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