

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.

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 <http://www.ing.com>.