

## Eurozone unemployment at 8.6% in January

Eurozone unemployment was stable at 8.6%, as December's unemployment rate was revised down. This shows that the labour market recovery remains in full swing. Some cautious improvements in wage growth should be around the corner, but not enough to cause upside surprises to inflation



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Unemployment fell further in January, which was no surprise given the strong economic environment. Businesses have seen labour shortages increase markedly over recent quarters as capacity constraints are forcing businesses to hire. As expectations for hiring continue to be at elevated levels, the outlook for unemployment continues to be positive for the months ahead and the natural rate of unemployment is in sight.

This means that wage growth should accelerate somewhat over the course of the year, but given the broader slack in the labour market, it seems premature to expect pre-crisis growth rates for wages in 2018. We think that 2019 could see more significant wage improvements, which would then translate into stronger core inflation. For now, declining unemployment seems to be a healthy sign for consumption, but more is needed for wage pressures to cause core inflation to

move markedly.

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