

## Eurozone unemployment falls to new record low in February

Unemployment dropped to 6.8%, showing labour market strength ahead of the war in Ukraine and its weakening economic impact



The unemployment rate in the eurozone is at record lows

The steady decline in unemployment in the eurozone continued in February, with the rate falling to 6.8% – from 6.9% in January – which is now well below pre-pandemic levels. Germany has hit very low levels of unemployment and has seen the pace of decline slow, while France, Italy and Spain are still seeing rapid improvements in people returning to work. This helps boost nominal income growth, somewhat dampening the negative effects of inflation on real household incomes.

At 6.8%, the eurozone unemployment rate is now well below the European Commission's natural rate of unemployment estimate. This is a rate below which wage growth should start to accelerate. We also expect that to be the case for this year given the current high level of inflation and the tight labour market that has emerged since the pandemic. Still, we haven't seen much evidence so far of improving wage growth and the war is likely to dampen wage growth improvements further.

The rapid recovery of the job market is set to slow from here on. The war adds uncertainty to the employment outlook and could result in delayed new hiring. This is especially the case in manufacturing, as the industrial sentiment survey already revealed declining hiring expectations

in March. Still, the labour market remains very robust at current levels of unemployment.

## Author

### Bert Colijn

Chief Economist, Netherlands

[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>.