

## 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.

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