

Snap | 30 September 2021

## Eurozone unemployment declines further, opening door to higher wage growth

Unemployment fell from 7.6 to 7.5% in August, closing in on the all-time low of 7.1%. Wage growth is set to increase on the back of this, but don't expect anything like a wage-price spiral



The rapid decline in unemployment on the back of reopening economies is extraordinary given the double dip in GDP over the course of the pandemic. It shows once more that this is no ordinary recession and opens the door to a modest recovery in wage growth as the vacancy rate has already recovered to pre-crisis levels.

The 0.1 percentage point drop in unemployment was mainly thanks to a rapid labour market recovery in Spain. Spain saw its unemployment rate decrease from 14.5 to 14%, while Germany, France and Italy had stable unemployment rates compared to June.

Furlough schemes are coming to an end in the coming months for many countries, or will persist in a reduced form. This means that some delayed restructuring among businesses could cause the rapid labour market recovery to pause or temporarily reverse a bit. Still, with unemployment this

low and hiring expectations still strong, we don't expect a strong effect from furlough schemes ending at this point.

The relatively low unemployment rate combined with higher vacancy rates puts moderate pressure on wages. We expect wages to have the potential to return to growth rates seen in 2019 or slightly higher. It's important to keep in mind that this is far from a wage-price spiral. Still, it does add to modestly higher medium-term inflation expectations, which only adds to the importance of the coming European Central Bank meetings.

## Author

### Bert Colijn

Senior Economist, Eurozone

[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>.