

Eurozone unemployment continues to trend down rapidly

Eurozone unemployment has now almost closed the gap with its best pre-pandemic reading. This strong performance is thanks to furlough scheme support and rapid demand recovery. The low unemployment rate opens the door further for sustained higher medium-term inflation



Spain has seen a big drop in unemployment. Pictured, people in Vendrell, Tarragona

Unemployment continued its rapid decline in November as it fell from 7.3 to 7.2%. Despite restrictions still in place and slowing GDP growth, the labour market continues to boom. All large economies saw declining rates in November, with the most notable drop coming from Spain where unemployment fell from 14.4 to 14.1%. The Netherlands at 2.7 and Germany at 3.2% are among the strongest labour markets in the eurozone at the moment.

Demand for workers remains strong, resulting in vacancy rates breaking pre-pandemic highs. With furlough schemes still supporting – part of – the job market, there remains some concern about what will happen when this support ends. We're not too worried about this anymore as labour demand seems so strong at the moment and take-up of the schemes has already declined dramatically over the course of the pandemic.

That means that the outlook for unemployment remains quite bright. Continued declines over the coming months are likely, although the re-entry of people to the labour market could slow the pace over the course of 2022. Nevertheless, this job market strength is set to feed through to wage negotiations and adds to medium-term expectations of inflation of around 2%. The ECB will take note as it considers the next steps in policy normalisation after its recent announcement of reducing asset purchases.

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 www.ing.com.