

## Eurozone unemployment dips under 7% for the first time ever

The unemployment rate fell to 6.8% in January, down from 7% in December. Labour demand continues to boom at the moment, putting further pressure on wage growth



The eurozone unemployment rate is rapidly falling

The unemployment rate remains on a trend of rapid decline as the economy did not slow as much as expected from the Omicron wave and employers continued to hire. All major eurozone economies saw dropping unemployment rates, so the decline in joblessness was broad-based in January.

The tight labour market means that wage pressures continued to mount at the start of the year. Businesses indicate that they are looking to continue to hire in the months ahead as well, which corresponds with a further declining unemployment rate and further labour shortages emerging.

Wage growth has not moved in tandem so far as negotiated wages in the eurozone grew by just 1.5% in the fourth quarter of last year, up from 1.4% in the third quarter. If the economy maintains decent speed over the course of the year, we do expect wage growth to trend up faster, especially as high current inflation rates will be used as an input to collective agreement negotiations over

the course of the year.

The question is of course how the current war in Ukraine will affect the eurozone economy and whether that will result in a cooling of the labour market. It is very early to draw any meaningful conclusions around this, but for the European Central Bank (ECB) it is clear that besides wage-price spiral risk, a stagflationary scenario has also quickly emerged on the radar as a key risk to its outlook.

This means that the ECB will not commit to a clear path of tightening next week before knowing more about the economic impact of the crisis. That will be key to see whether the strong labour market at the start of the year will indeed ultimately be converted into higher wages. As said before though, it is still far too early to tell.

## 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 [www.ing.com](http://www.ing.com).