

## Eurozone unemployment falls to new decade low amid hiring uncertainty

November unemployment data suggest that the eurozone labour market continued to perform well in 4Q, but the question is how much longer employment growth can maintain a solid pace



The eurozone unemployment rate fell from 8% to 7.9% in November, with a drop in the number of unemployed of 90,000. After a few months of stagnation in the job market, this is a relief as it indicates that uncertainty about the economic outlook and a slowing pace of growth has not caused employment growth to grind to a halt just yet.

With unemployment under 8%, it is likely that wage growth will continue to pick up. While this is positive from the perspective of consumers, it is looking to be increasingly problematic for businesses. As the economic uncertainty is making businesses cautious to pass on higher wages to the consumer, they will start to see margins squeezed further on the back of continued labour market strength.

The question remains how long the labour market recovery can go on. It could well be that declining unemployment will slow with businesses showing weaker hiring intentions in recent surveys. As 2018 was mostly disappointing in terms of economic growth, businesses seem to be adjusting their employment needs downwards. That could cause the unemployment decline to

slow again in the months ahead, weakening the base for solid consumption growth.

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