

## Eurozone unemployment hits new historic low in January despite economic weakness

The eurozone's unemployment rate ticked down to 6.4% in January from 6.5% in December. This is the lowest level seen since the start of the eurozone in 1999. The strength of the labour market remains surprising as the economy has been stagnant since late 2022 and adds to continued wage pressures



La Défense, a major business district in France

Weren't we already at 6.4%? Eurostat revised recent monthly data up so that the decline in January marks a new low. It's remarkable that the labour market continues to run so hot despite the economy showing persistent weakness since late 2022. The stagnant economy while jobs continue to be added marks a worrying productivity loss, but at the same time it does boost incomes and helps consumption at a time when a real wage decline limits spending growth.

The outlook for the job market has moderated, with businesses indicating that hiring has become much more muted. Still, the service sector has performed well in recent months and continues to hire. That fuels muted job growth at the moment, which is set to keep unemployment around the

current level for the months ahead.

For wages, which are key for ECB policy, this means that while inflation is fading as a driver of high wage demands, labour shortages continue to allow for some elevated wage pressures. We do expect wage growth to decline further in the quarters ahead, though. But with a labour market still so strong, there is not much pressure on the European Central Bank to cut rates imminently, which means that we expect it to skip next week's meeting and the one in April before cutting interest rates.

## Author

**Bert Colijn**

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

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