Eurozone unemployment hits an 8-year low

Strength in the periphery is driving the decline, further underpinning the recovery of domestic demand.

Eurozone unemployment continued to come down in February, confirming the view that the job market recovery is in full swing and 2017 has started as strongly as 2016 ended. This is driven by the recovery of jobs in the Eurozone's periphery. In February, the unemployment rate in Italy came down by 0.3%, a surprisingly strong reading. In Spain, unemployment dropped by 0.2%, which means that more than 500 thousand fewer people are unemployed than a year ago in the Eurozone's fourth largest economy. Unemployment stalled in Germany and France, but at very different levels. In Germany, full employment has more-or-less been reached at 3.9% unemployment, while in France unemployment has been stuck at 10% for many months.
Job growth could accelerate in the months ahead, as hiring expectations among businesses have increased significantly in recent months and economic growth has been robust for a while now. This could mean that the unemployment rate could fall more quickly than expected, which could result in much needed wage pressures. Businesses are increasingly indicating that finding the right people is difficult, and these labour shortages will result in more upward pressure on labour costs. Still, as unemployment is well above its natural rate, it will be a while before this starts to have any

significant effect on core inflation.