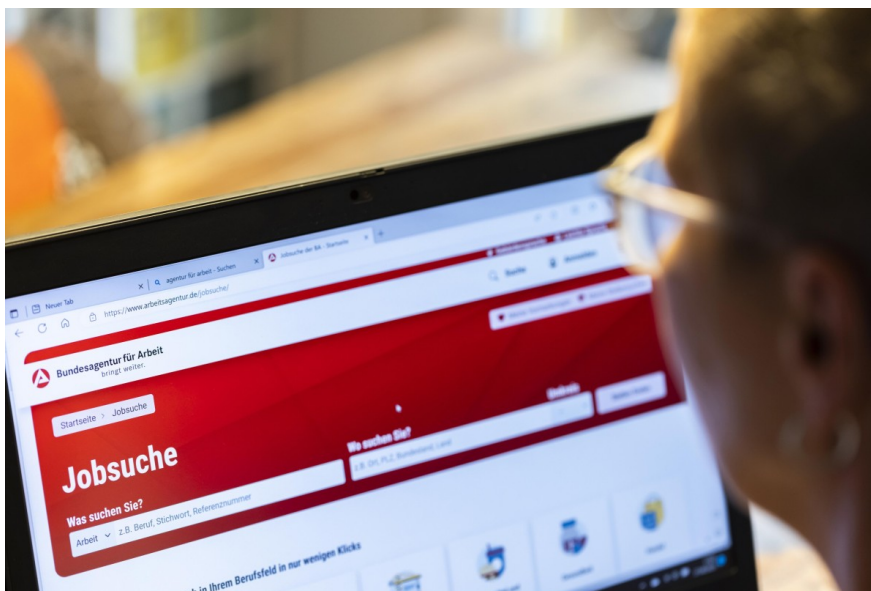


## Eurozone unemployment rate falls to historic low in November

Even though eurozone GDP was virtually stagnant over the year to the third quarter of 2023, the eurozone unemployment rate fell to a new historic low of 6.4% in November. With employment expectations rising again, a significant increase in unemployment looks very unlikely over the coming quarters



### Labour market remains historically tight

The eurozone unemployment rate fell to a new low of 6.4% in November. Compared with October 2023, the number of unemployed decreased by 99,000. Although the eurozone has been going through a soft patch with year-on-year GDP growth in the third quarter, and likely also in the fourth quarter, close to zero, this has not had any impact on the unemployment rate, which has fallen over the year. There have been several explanations for this. The economic weakness has been predominantly in the manufacturing sector, while the more labour-intensive services sector has fared better. On top of that, there has been a preference for shorter work hours, negatively affecting productivity growth per employee and exacerbating the demographically-induced tightness in the labour market.

## ECB will be eying upcoming wage agreements

It doesn't look as if a significant increase in the unemployment rate is in the offing. While the job vacancy rate has come down a bit since the peak in 3Q 2022, it remains historically high at 2.9%.

The employment expectations index in the European Commission's survey slightly increased in December, though there are some differences across sectors. While expected employment increased in both services and construction, it stagnated in retail trade and fell back in manufacturing. So, labour market weakness remains essentially concentrated in industry, but that is only a small part of total employment.

While this relatively tight labour market will continue to support consumption, it also raises some crucial questions for the European Central Bank. To what extent has the speed limit for the eurozone economy been lowered by a dwindling labour supply? And what will be the impact on inflation? No wonder several members of the Governing Council have stated that the ECB will first want to have a good view of the wage agreements in the first half of 2024 before it can give the all-clear on inflation.

### Author

#### **Peter Vanden Houte**

Chief Economist, Belgium, Luxembourg, Eurozone

[peter.vandenhoute@ing.com](mailto:peter.vandenhoute@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 <http://www.ing.com>.