

Eurozone unemployment reaches new record low despite slowing economy

The unemployment rate dropped from 6.6% to 6.5% in October, showing that the labour market remains resilient despite the slowing economy. This will keep the European Central Bank on high alert in its fight against inflation



Unemployment in the eurozone is at a record low

Another upside surprise from the labour market. Despite an economy moving into recession, unemployment continues to trend down to new records. While German unemployment seems to have bottomed, southern Europe is still experiencing declining unemployment. Spain, Greece and Italy all saw the rate drop in October. The current rate of 6.5% is a new historic low since the series began in 1998 and is consistent with rising nominal wages.

From here on, the labour market is set for a slowdown given our expectations of a winter recession. Surveys indeed suggest that the pace of hiring is slowing at the moment, which is set to come with a modest runup in unemployment. Given labour shortages, however, we don't expect unemployment to increase much.

When we hear ECB president Christine Lagarde say that a mild recession will not be enough to sustainably bring inflation down, this is likely a large part of the mechanism she is referring to. The

question is whether that is the case when many supply-side factors are turning disinflationary – but that's another matter. Expect the ECB to remain on high alert in its fight against inflation, although we do believe that it will opt for a slower pace of rate hikes in the coming months: we're expecting a 50 basis point rise for December.

Author

Bert Colijn

Chief Economist, Netherlands

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.