

## 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.

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