

## Eurozone unemployment remains stable despite the second wave

The December unemployment rate was stable at 8.3%, indicating that the impact of the second wave of the pandemic on the labour market remains limited. However, youth unemployment has suffered a bit



Source: Shutterstock

Eurozone unemployment hasn't been massively impacted by the second wave of the pandemic.

In September, the unemployment rate was 8.6% while in December, it was 8.3%. The economic impact of the second wave has in general been milder than expected, with many countries still posting positive growth rates despite sectoral shutdowns happening over the quarter.

The sectoral impact can be seen indirectly in the unemployment figures though youth unemployment has been increasing again and is approaching first wave levels at 18.5%. This relates to more flexible contracts and an uneven amount of young people working in sectors disproportionately impacted by the pandemic like hospitality and non-essential retail.

The modest impact of the second wave on the labour market so far means that the outlook for domestic demand once the economy reopens remains positive. With incomes maintained and savings increasing substantially, a quick recovery in consumption is still on the table.

We saw this in the first wave for consumption of goods and this could happen for services as well once vaccinations take hold and fear of the virus retreats.

Having said that, lockdown extensions increase the risk of higher unemployment through layoffs, but also through bankruptcies. We remain concerned about lagged effects when support schemes end.

Furlough schemes have been extended well into the year for most countries already, providing relief for the H1 outlook, but the question is what impact an increase of bankruptcies will have. For now, the picture looks strong, but increases in unemployment on the back of fading support remains our base case scenario.

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