

## 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.

## Author

### Bert Colijn

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto: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 <http://www.ing.com>.