3 July 2017

Snap

Eurozone unemployment stable in May, weakest month this year

This is the weakest month in terms of unemployment declines this year, however, outlook remains favourable for the labour market.

Eurozone unemployment improved marginally in May 2017, with just 5,000 fewer people unemployed. After a strong start to the year, this may come as a slight disappointment. Given the strength in survey data on employment expectations from businesses in both industry and services, there is no reason to assume that job growth will slow over the coming months. This means that job market strength will remain an important pillar of the current spell of strong growth in the Eurozone economy.

9.3%

Eurozone unemployment rate

Down 10.2% YoY

Worse than expected

While the labour market has gained importance for monetary policy in the Eurozone, the disappointing unemployment rate for May will not make a big difference for the ECB. In fact, even recent recovery in employment has not been enough to make a compelling case for tightening. This means that a possible upcoming tapering decision will not be motivated by price pressures from the job market, but more by the faded deflationary risks and strength in the economy.

> Find the latest data here

> If anything, this month's disappointing unemployment numbers stress that normalisation of monetary policy is still far away as it will be a long time before the job market starts to show the long-awaited price pressures that ECB hawks are hoping for.

Bert Colijn

Senior Economist, Eurozone

+31 20 563 4926

bert.colijn@ing.com