

## Eurozone: unemployment still declining in November despite second wave

The eurozone labour market performance continues to surprise, with November unemployment dropping despite harsher lockdown measures in place



The unemployment rate fell from 8.4 to 8.3% in November, including a sharp decrease in the number of unemployed. Even though many economies had significant lockdown measures in place in November, including France, Belgium and Ireland with non-essential retail shut down, this has not led to a sizeable increase in unemployment yet. Those countries did see small increases in the rate, but Italy and the Netherlands saw declines. Don't count out the effect of people simply giving up looking for work, which positively affects the unemployment numbers though it doesn't look like that would cause a radically different picture to emerge for this November's rate (data on active population are not provided in this release, so back-of-the-envelope estimates have to be made).

Over recent months, the eurozone labour market has recovered surprisingly well from the economic shock in the spring. The unemployment rate peaked in July and has been declining ever since, which has been in part helped by short-time schemes supporting businesses to keep people on the payroll. The amount of people on these schemes has been declining rapidly, but still around

5% of eurozone employment was covered by them in October. The quick recovery does make the labour market more resilient to second wave effects, but don't expect unemployment to remain low from here on.

Policy has massively suppressed unemployment over the course of 2020, in part avoiding joblessness, but also in part delaying it. Bankruptcies are a very uncertain factor for this year, but are likely to increase, which will increase unemployment. The end of short-time work schemes and the negative impact from the second wave will likely do the same. So while unemployment developments are very encouraging up to November, it is still likely to run up again this year, setting the stage for an M-shaped unemployment pattern.

## Author

### Bert Colijn

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

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