

## Eurozone unemployment ticked down again in August

Eurozone unemployment returned to the historic low of 6.4% in August, once more proving the incredible resilience of the labour market. There are signs of weakening ahead but we don't expect unemployment to run up much in our base case as shortages remain



La Défense, a major business district in France

The unemployment rate in the eurozone continues to hover around 6.5%. In August, it ticked down from 6.5 to 6.4%, indicating that the labour market remains very strong despite economic headwinds. Spain, France and Italy all saw unemployment tick down, while countries with very low unemployment rates like Germany and Netherlands experienced a stable unemployment rate in August.

Developments in the labour market have been somewhat puzzling. Economic growth has broadly stalled for about a year now, but the job market has continued to thrive. This seems to be the case for a variety of reasons like strong performance in several sectors, labour hoarding, sick leave and a preference for shorter work hours. Some of these factors do not necessarily behave cyclically, which makes it difficult to get a good handle on how unemployment will develop in the coming quarters.

Looking at surveys though, we see that demand for employment has been slowing for some time now. In services, employment demand still seems to be slightly positive, but in manufacturing, it has fallen to levels that usually indicate stagnation or perhaps declines in employment. Therefore, we do expect more weakening in the job market in the months ahead. Still, given current shortages don't expect a significant turnaround either.

## Author

### Bert Colijn

Senior Economist, Eurozone

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

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