

Brussels, 22 September 2008

## **Employment expansion appears to be moderating further following economic slowdown, but remains positive**

***An analysis of recent data – released by the European Commission today – shows a moderation in overall labour market performance in the EU following the recent slowdown in economic activity. Quarterly employment growth fell to 0.2% in the second quarter of 2008, while the unemployment rate stabilised at 6.8%. Despite the slowdown, by the second quarter overall employment had still increased by 2.9 million from a year earlier. However, recent labour market performances vary substantially across Member States.***

After an unexpectedly good first quarter, economic output for the EU declined marginally (by 0.1%) in the second quarter of 2008. Due to the continuing turmoil in financial markets, soaring commodity prices and widening effects of the downturns in several housing markets, economic activity has moderated markedly since 2007.

Following the slowdown in economic activity, employment growth appears to have moderated further. Year-on-year growth in the EU dropped to 1.3%, reflecting slightly weaker employment expansion in the second quarter of 0.2% (seasonally adjusted). Nevertheless, by the second quarter of 2008 total employment had increased by 2.9 million from a year earlier to reach almost 227 million

Sustained employment growth at EU level was the result of mixed performances in larger Member States: from a continuation of the recent strong employment performance in Poland to a marked slowdown in Spain (mainly due to contraction in the construction sector) and easing in the other large Member States. With the exception of Hungary and Lithuania, other Member States experienced continuing year-on-year employment growth.

The fall in the unemployment rate witnessed over recent years appears to have come to an end, with the EU average stabilising at 6.8% and a risk that it may bottom out during 2008. In Spain, the rise in the unemployment rate appears to be gaining momentum and is now the highest in the EU.

Year-on-year growth in hourly labour costs decelerated slightly to 3.4% in the second quarter in nominal terms, reflecting strong wage increases in the new Member States, but continued modest wage growth in Germany. The overall job vacancy rate remained constant at around 2.1%, indicating a continuing demand for new workers in the first half of the year.

Recent developments such as continuing turmoil in financial markets, rising energy and commodity prices and falling business and consumer confidence may result in the macroeconomic outlook deteriorating further. Economic activity is expected to weaken further in the second half of 2008 and the outlook for employment and unemployment can be expected to turn more unfavourable.

**Quarterly EU Labour Market Review – Autumn 2008:**

<http://ec.europa.eu/social/main.jsp?langId=en&catId=113&newsId=394&furtherNews=yes>