Flash Economics

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The labour market remains tight in the United States and the Euro zone, for very different reasons

The labour market remains tight in the United States due to the departure of a significant number of immigrants as a result of the Trump administration's anti-immigration policy.

In the Euro zone, the labour market remains tight due to the lack of productivity gains, which means that even in periods of weak growth, job creation will continue.

In both regions (the United States and the Euro zone), persistent pressure on the labour market implies persistent inflationary pressures. These are reduced by the decline in corporate profit margins in the Euro zone.

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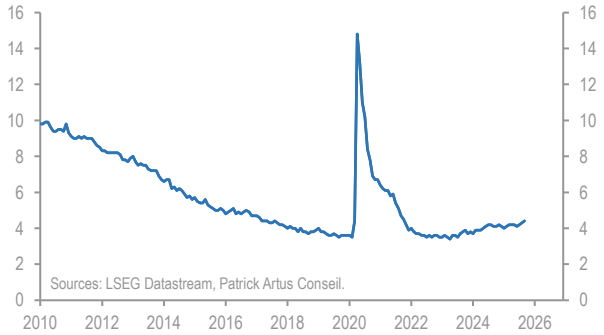
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The labour market remains tight in the United States

Tension in the US labor market remains quite high, as shown by:

- The **continued low unemployment rate** (**Chart 1**);

Chart 1
United States: Unemployment rate (as %)



- **The continued relatively high ratio of job vacancies to unemployment** (**Chart 2**).

Chart 2
United States: Ratio between number of job vacancies and number of job seekers



Despite weaker growth (1.6% year-on-year in the first half of 2025) and virtually zero job creation (**Charts 3A/3B**), pressure on the labor market persists due to the **decline in the number of immigrants in employment** (**Chart 4**), with the Trump administration's anti-immigration policy.

Chart 3A
United States: Change in payroll employment (M/M, thousands of person)

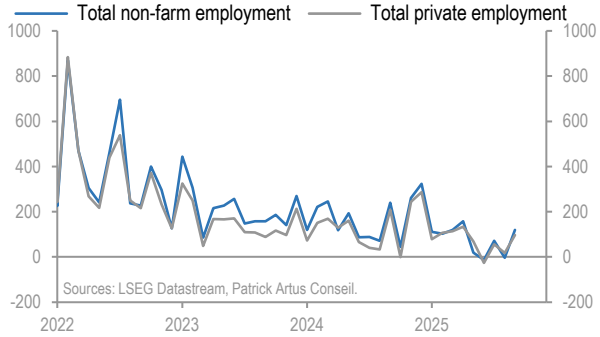


Chart 3B
United States: Change in total non-farm private employment (M/M, thousands of person)

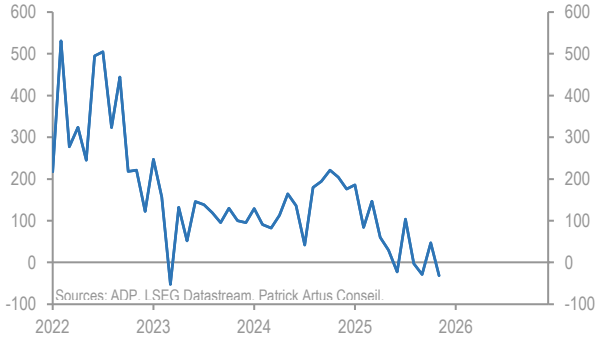


Chart 4
United States: Foreign-born labour force
(in millions of persons)

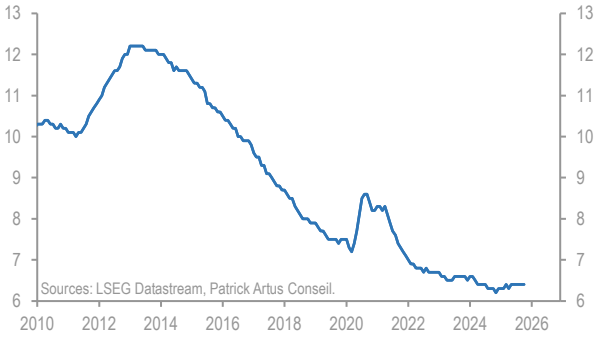


The labour market remains tight in the Euro zone

The labor market in the Euro zone also remains tight, as shown by:

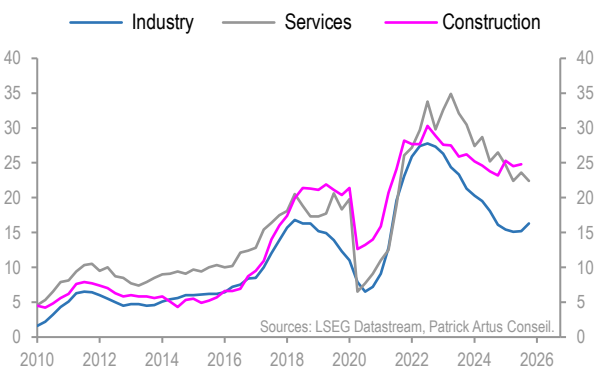
- The **low unemployment rate** compared to the past (**Chart 5**);

Chart 5
Euro zone: Unemployment rate (as %)



- The **continuing high level of recruitment difficulties** faced by companies (**Chart 6**).

Chart 6
Euro zone: Companies experiencing recruitment difficulties (as %)



Tension in the labour market persists in the Euro zone, despite weak growth (expected growth of 1.2% in 2025, mainly due to strong expected growth in Spain, 2.7%) due to the **lack of productivity gains** (**Chart 7**). Despite weak growth, low productivity gains mean that job creation will continue (**Chart 8**).

Chart 7
Euro zone: Productivity per head (2010.Q1 = 100)

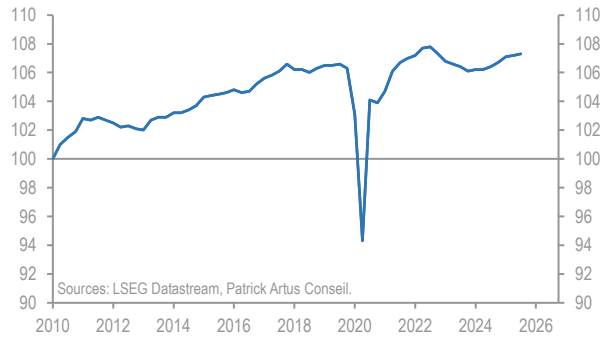
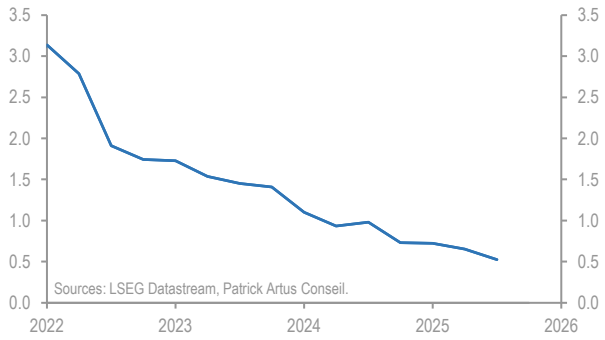


Chart 8
Euro zone: Employment (Y/Y as %)



Consequently, inflationary pressures persist in the United States and the Euro zone

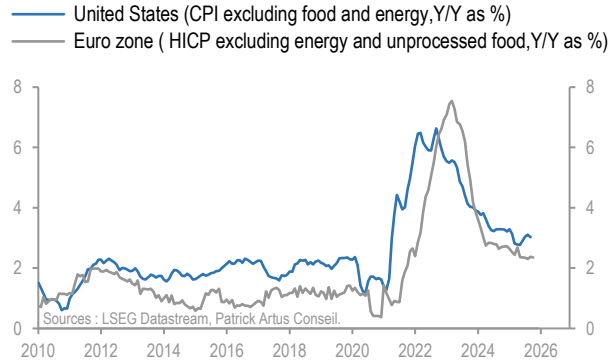
The fact that the labour market remains fairly tight in the United States and the Euro zone explains why **nominal wages per capita continue to rise** (**Chart 9**).

The result is **persistent underlying inflation** above the Central Bank's target (**Chart 10**), at 3% in September 2025 in the United States and 2.4% in the Euro zone in November 2025.

Chart 9
Nominal per capita wage (Y/Y as%)



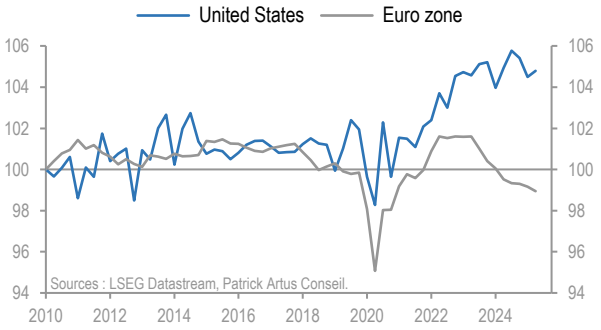
Chart 10
Core inflation (as %)



The role of changing profit margins

Chart 11 shows the evolution of corporate profit margins (represented by the ratio between GDP price and unit labor cost).

Chart 11
Ratio between GDP deflator and unit labour cost
(2010.Q1 = 100)



We can see that corporate profit margins:

- Rose significantly between 2020 and 2023 but have remained relatively stable since 2023 in the United States;
- Have fallen sharply since 2023 and continue to decline today in the Euro zone.

We can see that without the decline in the rate of profit margins, underlying inflation in the Euro zone would be slightly above 3%.

Summary: for various reasons, inflation remains above the target inflation rate set by central banks in the Euro zone and the United States

The reason for inflationary pressures in the United States is tension in the labour market resulting from a decline in the immigrant workforce; in the Euro zone, it is the lack of productivity gains, which is partially offset by lower corporate profit margins.

In both cases, given their current governance, central banks will remain cautious: limited cuts in key interest rates in the United States as long as Jerome Powell is Chairman of the Federal Reserve and Donald Trump has not succeeded in taking control of the FOMC; stability of key interest rates at their current level (2%) in the Euro zone.

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