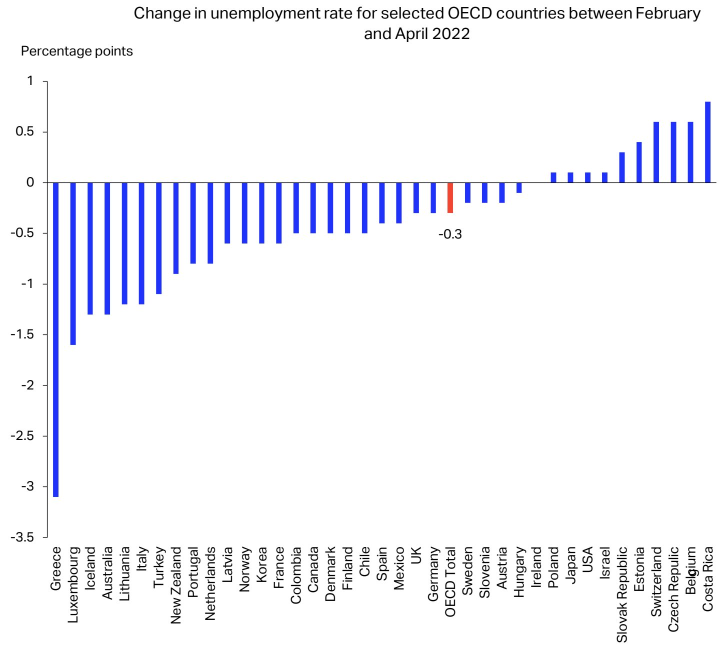
IATA Economics' Chart of the Week

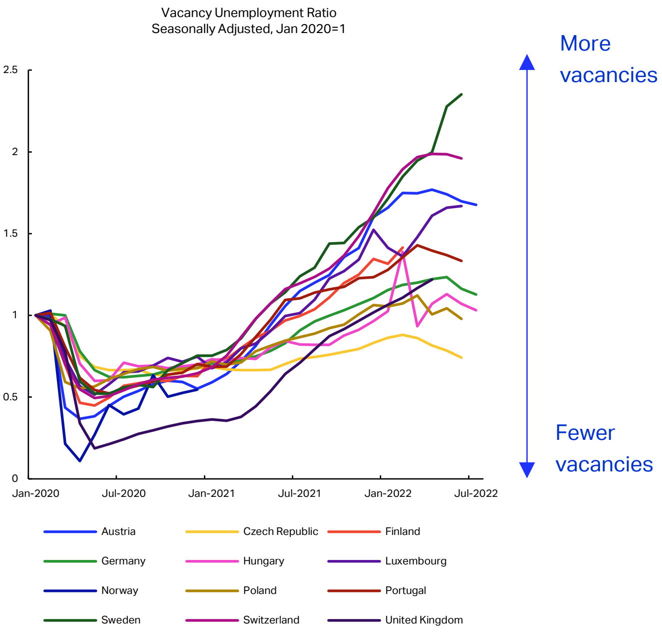
2 September 2022

The job-rich economic slowdown

Panel A. Unemployment rate



Panel B. Vacancy – Unemployment Ratio



Source: OECD Stat.

- After the "jobless recovery" that followed the Global Financial Crisis, we now have the curious case of a "job-rich economic slowdown". Labor markets are tight and getting tighter globally. In the US, the 3.5% unemployment rate recorded in July matched the January 2020 low, a rate previously not seen since 1969. The unemployment rate inched up to 3.7% in August, while new jobs continued to be created, and the vacancy-to-unemployment ratio remain elevated at its highest level since at least 2007. This is in spite of the slowdown in US GDP growth which contracted on a quarterly basis in the first half of this year.

- Unemployment has continued to fall in the majority of the OECD member countries, by 0.3 percentage points on average between February and April, to 4.9% in June, the lowest level since 2001 (see Panel A). Some countries have recently recorded the lowest unemployment rate in their history, such as Germany's 2.8% and Slovenia's 3.8%.

- Tightness in labor markets is also evident in the vacancy-to-unemployment ratio (vacancies available per unemployed population).

- This ratio has surpassed its pre-pandemic level in a majority of the 12 countries shown in Panel B, including the United Kingdom and Portugal, while in Sweden it stands at more than double its pre-pandemic level. The former two countries saw GDP contract in the second quarter of this year compared to the first. In Sweden, however, GDP growth is accelerating.

- More people working and earning is unambiguously good news for both the global economy and the air transport sector.

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