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Eurozone unemployment hits record high

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By Joshua Chaffin in Brussels

Unemployment in the 17-member eurozone jumped to a record high of 10.7 per cent in January, underlining the challenge facing European leaders as they gathered in Brussels for a summit dedicated to restarting the continent's economy.

The news was particularly dire for Spain, where the jobless rate hit 23.3 per cent, according to the European Union's statistics arm. Youth unemployment – measuring workers under the age of 25 – was just shy of 50 per cent.

The job woes were compounded by an unexpected increase in eurozone inflation, with the consumer price index edging up to 2.7 per cent in February as a result of high oil prices brought on by a cold winter.

Howard Archer, an economist at IHS Global Insight, called the reports a "double whammy".

"This is particularly bad news for consumers as they are not only facing high and rising unemployment but also still squeezed purchasing power," Mr Archer said. "The data reinforce our belief that the eurozone is headed for further gross domestic product contraction in the first quarter of 2012 at least."

The jobs picture laid bare the diverging fortunes of the currency union's northern core and struggling periphery members. While Spain, Greece, Ireland and Portugal all continue to suffer double-digit unemployment, the jobless rate was just 4 per cent in Austria, 5 per cent in the Netherlands and 5.8 per cent in Germany.

Meanwhile, in Greece, the epicentre of the crisis, the manufacturing sector suffered its sharpest decline in nearly 13 years, according to a survey. The Markit Manufacturing Purchasing Managers' Index (PMI) fell to a survey low of 37.7 points in February compared to 41.0 in January, staying far below the 50 mark that divides expansion from contraction.

"There's a huge divergence between the feel-good factor in the stock market and what's happening in the real economy," said Steen Jakobsen, an economist at Saxobank. "For all the money the [European central bank] is printing, there isn't yet a big boost for companies in terms of credit."

The data will sharpen a debate among member states about whether the austerity measures taken so far to shore up public finances and combat the crisis have proved self-defeating by weakening growth.

Speaking at a conference before the summit, José Manuel Barroso, the European Commission president, acknowledged that the debt crisis had forced leaders to focus almost exclusively over the last two years on belt-tightening measures.

But Mr Barroso argued that a recent lull had created breathing space to embark on deeper reforms to their economies that would eventually pay off in jobs and growth.

"Let's be quite clear: We are not out of the woods yet. But now we have more time to focus on growth and employment again," Mr Barroso said.

Interactive graphic:
Youth unemployment

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