EMEA Labour Market Outlook

June 2026

JUNE 2026

SUMMARY

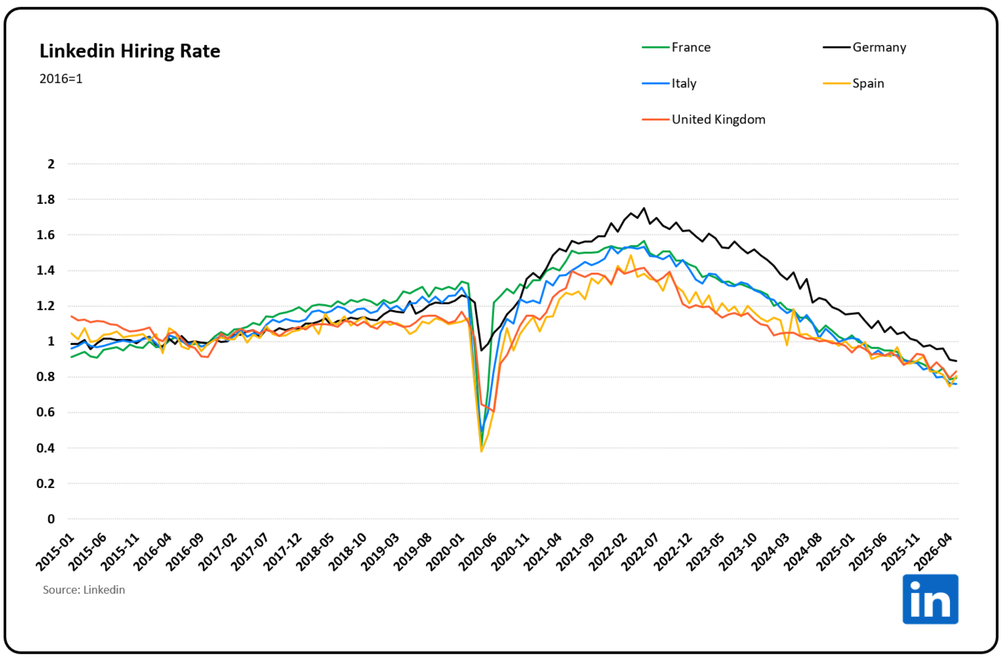
May hiring across the region halted its decline. It is too early to say whether the worst is behind us, but improving growth expectations, lower oil prices and a general recovery in sentiment provide some basis for renewed optimism.

In Europe, the picture is brighter. The UK, France and Spain all saw slightly stronger hiring than a month ago, and the improvement was broad-based: core eurozone countries, the Nordics and Southern European economies also recorded modest gains. Germany and Italy were exceptions, with hiring largely unchanged from a month earlier.

Hiring in the Middle East also mostly stopped deteriorating after two months. Israel and the United Arab Emirates both saw hiring edge up from a month earlier, while Saudi Arabia recorded only slightly weaker hiring in May than a month before but the damage over the previous two months was smaller than in neighbouring countries.

Still, it is still probably too early to declare victory. The improvement in business sentiment in June remains uneven, and although growth expectations are now almost certain to be revised upwards, a quick revival in hiring remains unlikely.

We still do not expect a pronounced rise in unemployment, which remains contained even in countries where it has increased more noticeably, such as France. But a decline in total employment is now a well-established feature in many European economies - a rarity outside a recession. On the positive side, this does imply a boost to labour productivity, but not the kind we would normally welcome. It will take greater stability and predictability for labour markets to settle into a more positive path.



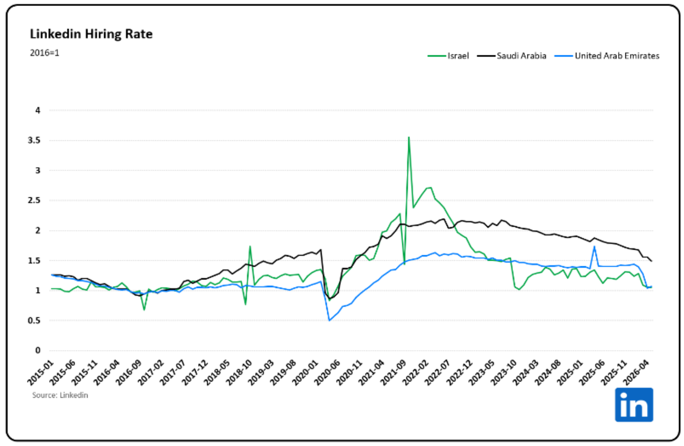
MAY HIRING IN THE REGIONAL MARKETS FINALLY BRINGS A SIGH OF RELIEF

May brought some much-needed respite for regional labour markets. After a sharp contraction in April, almost all markets saw at least some improvement in hiring. Germany and Italy were the exceptions, but even there May was marked more by stability than by renewed weakness, and both had already fared better than other European economies to begin with.

It is too early to call this a definitive turnaround, but improving economic sentiment offers some reason for optimism, especially as the energy price crisis now appears to be easing. Oil prices have not yet returned to pre-energy price crisis levels, but they are much closer than a month ago: Brent Europe spot prices are now around $70, down from a peak of nearly $140 in March and compared with roughly $60 before the energy price crisis. June sentiment indicators have yet to be published, so the current sentiment reports do not fully capture the latest improvement from falling oil prices, but once released they are likely to point to a recovery in sentiment.

Middle Eastern labour markets can also breathe a sigh of relief. A very sharp two-month contraction in hiring in both the United Arab Emirates and Israel now appears to be over, with both markets seeing an uptick in hiring in May. Saudi Arabia is still seeing somewhat weaker hiring than a month ago but, unlike its neighbours, experienced a much smaller contraction in previous months.

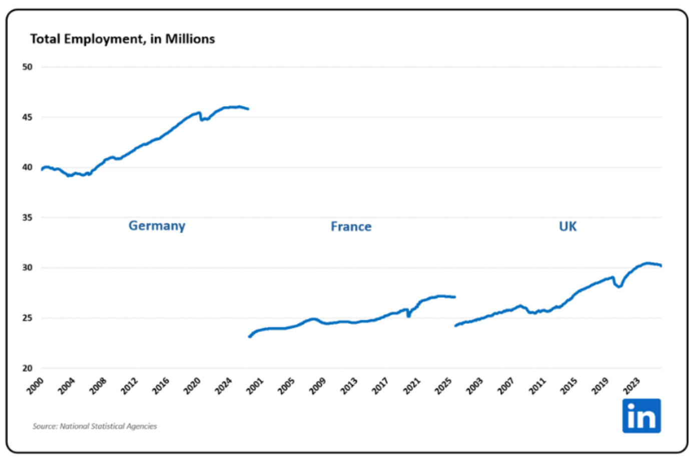
How lasting might this respite be? The energy price crisis is still not fully resolved. Oil prices are now considerably lower than a month ago, but a full recovery in sentiment will require not only time for the improved news to feed through, but also a return of traffic through the Strait of Hormuz to pre-energy price crisis levels. The consensus is that this will take several months. Energy infrastructure will also need to be repaired and rebuilt (which may take longer) and oil reserves replenished.



All of this will take time, but absent new shocks, it should happen. Can we then expect growth, and with it hiring, to return to what we anticipated at the start of the year? Perhaps.

TAKING STOCK OF THE KEY EUROPEAN LABOUR MARKETS

Hiring has been so weak in Europe over the past couple of years that total employment is now falling in key markets such as Germany, the UK and France. Outside a recession, this is highly unusual: in core European economies, population growth typically means that total employment continues to rise even when economic growth is very weak. This time, however, employment has begun to shrink even though growth remained within expected, if modest, bounds and population growth, while slowing, was still positive.



However, the underlying drivers are not uniform. Across Germany, the UK and France, the pattern differs significantly by age group and sector.

In the UK, the decline is most pronounced among younger workers, particularly those aged 25-34, who have seen the largest fall in payroll employment. This is also occurring alongside rising unit labour costs in lower-paid segments of the labour market, which may be weighing on hiring.

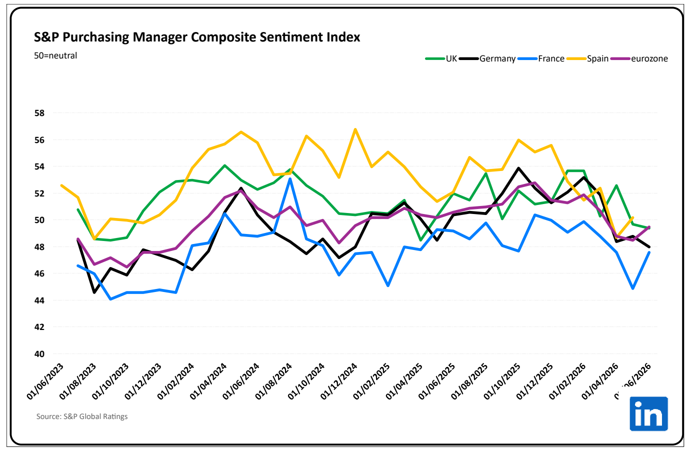
In Germany, weakness is concentrated in industry, where older prime-age workers aged 50 and above are most affected, consistent with signs of an industrial downturn. In France, workers aged 50 and above – including those aged 65 and over – are exiting the workforce at the highest rates.

Taken together, this points to a fragmented set of labour market pressures rather than a single shared explanation. This suggests that idiosyncratic risks – including an industrial recession in Germany and rising unit labour costs for the lowest-paid workers in the UK – are pushing an otherwise very sluggish labour market into negative growth territory, a pattern typically seen only in a recession.

Thanks to supportive demographic trends, unemployment rates remain low. However, a turnaround increasingly depends on a significant decline in uncertainty and a more favourable macroeconomic outlook – and we do seem to be moving in that direction.

Brent oil, a key European benchmark, is trading at around $70 at the time of writing, not quite back to pre-crisis level but almost there. It is however too early to call the oil-price shock over, and some of the damage, in the form of higher inflation, has already been done. But inflation is now likely to peak lower than previously expected, which could mean no further policy-rate hikes from the European Central Bank, or from other regional central banks, this year. The outlook now looks decidedly brighter, and upward revisions to this year's growth forecasts are highly likely.

Business sentiment has also shown signs of improvement across the global economy, although the picture remains mixed in Europe.



Countries such as France saw a significant improvement in sentiment, albeit from a very low starting point. Spain, for example, remains in positive sentiment territory, while the UK and Germany have yet to see a clear improvement in business sentiment from lower oil prices and the resulting improvement in the outlook. The eurozone as a whole has improved, but overall sentiment remains weak. More is needed before the outlook can be called positive.

Where might further support come from? Regional industry hiring trends barely changed in May: healthcare, education and energy remain strong, and government hiring continues to outperform the private sector. But both services and manufacturing remain weak. The summer season should bring some respite for tourism centres, although adverse weather could put this at risk. For a stronger turnaround in professional services, ICT and financial services, we will likely need to wait longer for improved sentiment to take hold.

In the meantime, a low-and-slow labour market looks set to persist.

To read more about the global labour markets and the AI go to:

[State of the Labor Market]