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.