

# EMEA Labour Market Outlook

April 2026



APRIL 2026

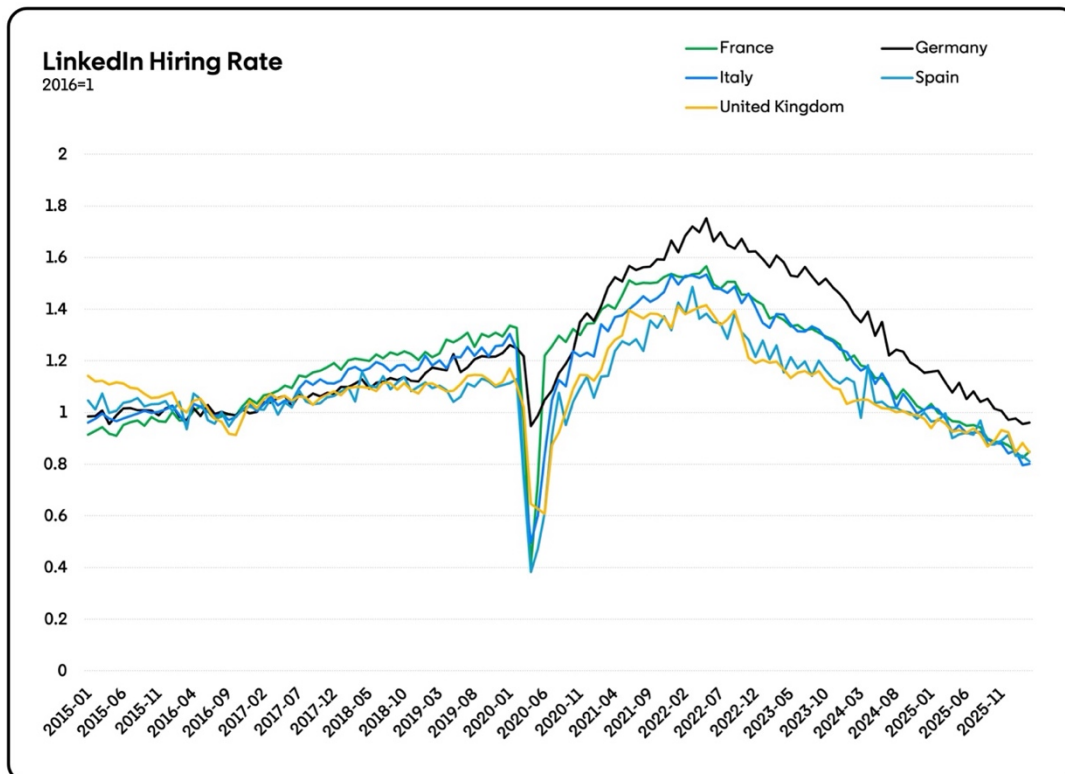
## SUMMARY

March hiring across Europe continued to contract, with only weak growth in Germany and France and a broader softening of labour markets across the region. A multiyear pattern of modest gains followed by persistent declines remains in place. The Iran conflict in March, along with the resulting rise in oil prices, has already weighed on business sentiment across the region and has done little to support hiring activity.

In the Middle East, hiring predictably took the hardest hit from the ongoing Iran war. Hospitality and retail sectors saw around a 40% month - on - month decline in hiring, although overall hiring fell by only single digits. Growth forecasts for the Middle East region have been severely downgraded, suggesting that even if current hiring weakness eases, the region will likely lose its status of one of the global hiring hubs.

Looking at how the current geopolitical upheaval will affect hiring going forward we try to gauge how geopolitical upheavals in the last few years were affecting it. It seems increasingly likely that macroeconomic or financial conditions cannot account for all of the hiring weakness this and last year. Even if not stellar, growth was solid in Europe in 2025 and strong in the Middle East.

Recent episodes of geopolitical risks suggest that the hiring tends to react to them, sometimes sharply, but that the effects are typically short-lived. It took just five months for hiring in the UK to recover from the Brexit shock and just ten to recover from Covid. And as for the Ukraine war and subsequent energy price surge in 2022, hiring markets shrugged the episode completely.



As much as tariff wars of 2025 and Iran war now will certainly increase uncertainty and dampen business sentiment it appears increasingly likely that global hiring weakness may not be primarily cyclical or uncertainty-driven, but instead reflects deeper forces, with AI increasingly seen as a plausible structural factor reshaping hiring behaviour and expectations.

**MARCH HIRING IN EUROPEAN MARKETS DISSAPOINTS, AGAIN**

March data point to further weakening in European labour markets. Germany and France are the only major markets where hiring picked up in March, but even there gains are very modest and the broader weakening trend looks uninterrupted.

This is not surprising given the upheaval brought by the Iran war and the spike in oil prices, which now hover around \$100 per barrel (up from roughly \$60-\$70 over the past year). Energy prices are especially important for Europe, which is not only a net importer of oil and gas but is also doubly exposed through energy-intensive industrial production (notably in Germany) and high household sensitivity to energy - especially gas - prices (notably in the UK).

Growth forecasts for key European economies this year have already been revised downwards. While there is a recurring pattern of overreaction to initial shocks (as seen during Covid and, more recently, the 2025 tariff wars), some negative impact on growth and an uptick in inflation now appears all but unavoidable.

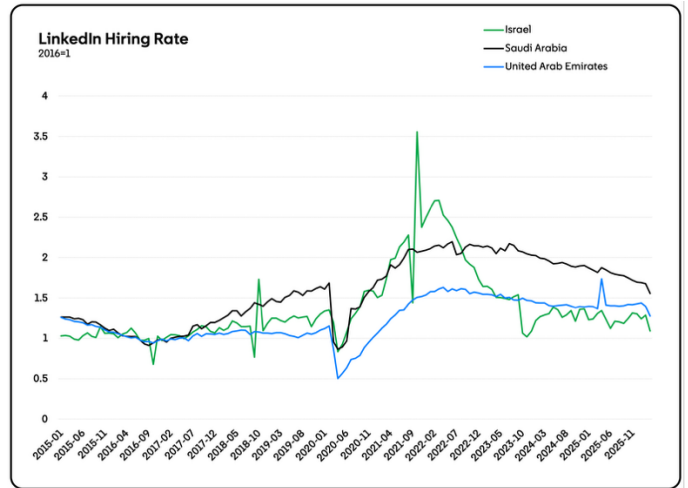
This makes it increasingly likely that any recovery in European hiring will be delayed until there is greater clarity not only on security conditions in the Middle East, but also on energy supply and price stability.

**MIDDLE EAST EXPECTADLY PAYS THE HIGHEST PRICE TO THE IRAN WAR**

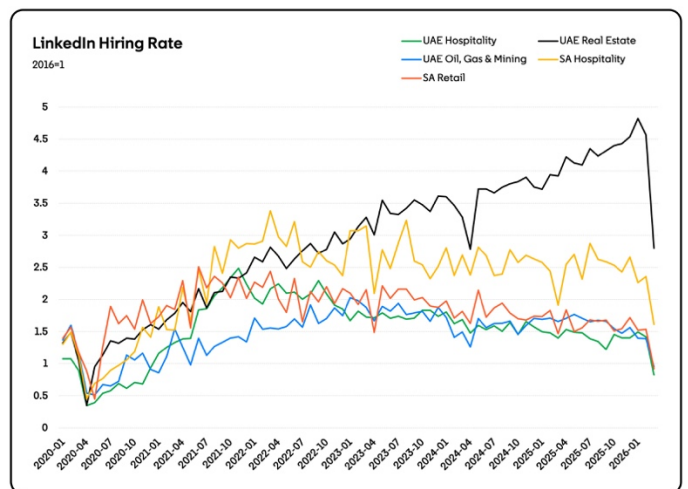
In the Middle East, hiring took a beating as one would expect. Some of the sectors suffered significant losses, The hospitality sector in the United Arab Emirates was hit the hardest, falling 42% compared to February, followed by real estate (down 39%) and the oil industry (down 32%).

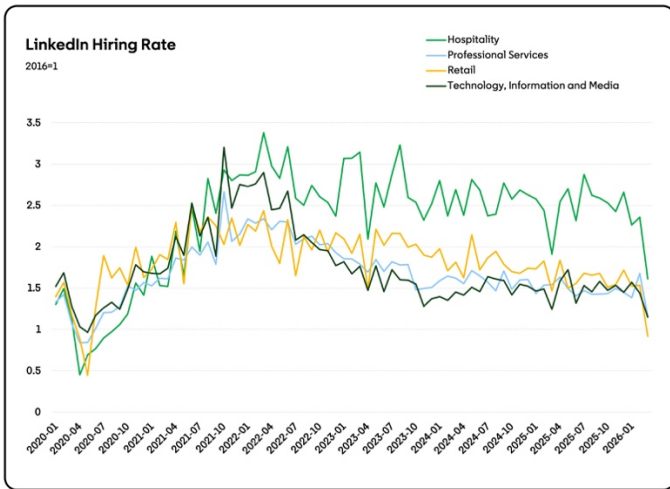
Saudi Arabia showed a similar pattern, with retail experiencing the largest decline (down 40% month-on-month), followed by hospitality (down 32%) and, interestingly, professional services (down 31%). Financial services suffered relatively less though still significantly, falling 24% compared to a month before.

In Israel, hiring also took a severe hit in March – more pronounced than at any point in the past couple of years. Retail hiring fell 40%, hospitality 32%, and professional services 31%.



One shouldn't draw overly strong conclusions from this data. Hiring reflects flows rather than stocks, and conditions can reverse quickly. Still, a drop this abrupt was last seen during Covid - and we can recall how long the recovery took, and the scale of intervention (both from central banks and government budgets) required to achieve it.





**HIRING AND UNCERTAINTY**

Now is a good time to reflect on how geopolitical and, more broadly, policy uncertainty influences business sentiment and, in particular, hiring decisions.

Moving forward, it will be important to understand whether the hiring weakness we have witnessed throughout 2025 is driven by uncertainty around policy and politics, or by other factors.

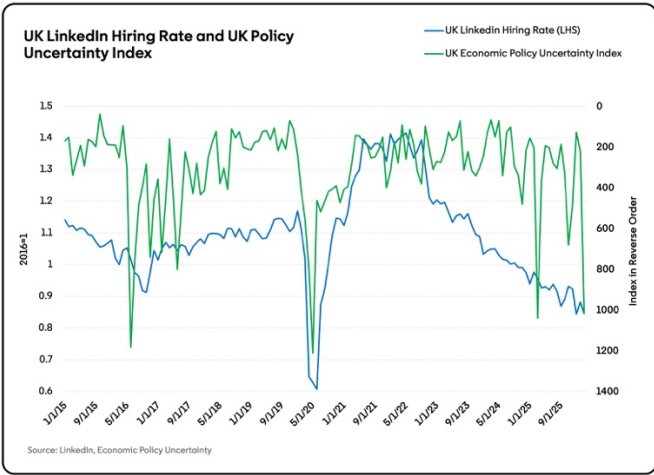
Macroeconomic and financial drivers can no longer explain all of the hiring weakness. After all, 2025 was a relatively calm - if not outright successful - year in terms of economic growth in Europe, and especially in the Middle East. While hiring was indeed strong in the Middle East, it continued to weaken in Europe despite an ongoing economic recovery, even in its weakest growing major economy - Germany.

Although tariff tensions that began in April 2024 initially justified greater caution in the first half of the year, it became increasingly clear as the year progressed that trade continued to flow relatively uninterrupted and economies continued to expand.

The Iran conflict episode offers a new opportunity to assess the extent to which geopolitical and policy uncertainty can disrupt hiring plans.

We look at past episodes of pronounced geopolitical and policy uncertainty to better understand how such shocks have influenced business confidence and hiring behaviour.

The UK stands out as a useful case study, having experienced five major economic and geopolitical shocks over the past decade: Brexit in 2016, Covid in 2020, Ukraine war and a subsequent energy price surge in 2022, tariff tensions in 2025 and Iran war alongside a renewed spike in oil prices. While uncertainty peaked during Covid, the Brexit shock and the most recent episodes in 2025 and 2026 were of comparable magnitude.



Hiring however did not respond as extremely in more recent episodes of economic upheaval.

Both the Brexit referendum and Covid significantly increased the Political Uncertainty Index from levels around 200 to levels around 1200, a 500% increase, and resulted in sizable but temporary losses in hiring. The Brexit-related decline amounted to roughly a 12% fall in hiring, lasting about five months before returning to pre-Brexit levels. The Covid shock was more pronounced, with hiring falling by as much as 45% at its peak, but recovering to pre-pandemic levels in under ten months.

The Ukraine war represents a more nuanced episode of uncertainty. While uncertainty rose by around 80% initially, it stabilised relatively quickly, and hiring proved resilient, showing little sustained slowdown despite a sharp rise in energy prices and broader inflationary pressures. Brent crude oil (a European benchmark), for example, surged above \$120 per barrel at its peak, well above the \$100 it now stands at.

The tariff wars of 2025 triggered a substantial spike in economic uncertainty index quite - nearly 400% - but appeared to have blended into a broader multi-year

slowdown in hiring, without a clear isolated effect attributable solely to the tariff shock itself.

Which then leaves us with gauging how much of the current hiring weakness is due to geopolitical and economic uncertainty and how much reflect more structural forces.

Looking across past episodes of political uncertainty, it is clear that such shocks do affect hiring decisions. However, it is also evident that businesses tend to adapt relatively quickly once new sources of uncertainty become better understood and incorporated into expectations. In the case of Brexit, hiring recovered within five months, after Covid, within less than ten. It is reasonable to assume that 2025 tariff -related uncertainty did weigh on hiring but it could not have been much or we would have seen recovery by now. In the same vein, Iran war and associated oil price increases will likely dampen some hiring decisions, even outside the Middle East, but again this should be a shock that businesses adjust to relatively quickly.

Which leaves us with a question of the underlying reason for the weak hiring globally, not just in Europe or the EMEA region. One increasingly plausible explanation is AI. Even if it is not yet clearly displacing jobs at scale, uncertainty around its future impact may already be reshaping hiring decisions and is likely to continue doing so going forward. We will come back to this topic in the coming months.