

The German labour market continues to worsen

The German labour market's turn for the worse continued in May, with unemployment rising again



Germany is seeing its highest unemployment numbers since 2010

In May, German unemployment rose by 33,000, increasing the unemployment figure to 2.963 million. It is the highest May number since 2010. Two years ago, there were 500,000 fewer people unemployed. Seasonally-adjusted unemployment increased by 34,000, keeping the unemployment rate unchanged at 6.3%.

The German labour market has been in a very gradual soft landing since 2022. While the number of unemployed has increased from 2.2 million in May 2022 back to almost 3 million again currently, the number of vacancies has come down since late 2021. The fact that, until recently, employment was at record highs can be explained by migration flows. However, the rise in employment has not been enough to prevent the current private consumption slump. Why? A large part of the recent job growth took place in part-time and low-wage jobs.

Looking ahead, there are tentative signs of a bottoming out of the labour market. Recruitment plans in both industry and services have improved somewhat over the last two months, and several vacancy indicators also point to a tentative end to the downward trend. At the same time,

ongoing announcements of potential cost-cutting measures in the automotive and other industries and the continuing increase in the number of bankruptcies are a strong warning against premature celebration.

On a more positive note, the demographic impact on the labour market and labour shortages should prevent a sharp worsening. Still, even if the increase in the number of unemployed is gradual, the risk of an underlying loss in disposable income and broader economic prosperity is high.

Overall, the German labour market's gradual turn continues, and it shows that restoring private consumption to the German economy will not be easy.

Author

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.