

## German unemployment increases in July

The increase in German unemployment in July shows that the slow but gradual cooling of the labour market continues



The gradual cooling of the German labour market continues. Unemployment increased by 82,100, raising the total jobless figure to 2.809 million. The seasonally adjusted unemployment rate remained unchanged at 6%. Even though the headline numbers are still strong, there is a clear negative trend underneath. Today's report was the second-worst July report since 2004. The monthly increase in the number of unemployed was only stronger in July 2022.

### Slow but steady cooling of labour market continues

The strong labour market has been an important driver of the economy's resilience over the last few years. Employment is still moving from one record high to the next with more than 46 million people now working. However, even this job growth was not enough to prevent private consumption from shrinking in 2023 and still remaining weak in the first half of 2024, suggesting that job growth mainly took place in part-time and low-wage jobs.

Looking ahead, the ongoing increase in the number of insolvencies combined with fading recruitment plans both in manufacturing and services does not bode well for labour market developments in the coming months. Admittedly, demographic changes (fun fact: this is the year with the most 60th birthdays ever in Germany) will further contribute to labour shortages. However, four years of economic stagnation - and still counting - as well as structural transitions

will leave their mark on the labour market. Let's not forget that it has always been a lagging and not a leading indicator.

On a more positive note, the impact of demographics on the labour market and labour shortage will be the main driver of strong wage growth this year and probably also beyond.

All in all, the gradual cooling of the German labour market continues and could be one reason why, despite the strongest real wage growth in more than a decade, private consumption will remain subdued in the second half of the year.

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