

Germany: The domestic protection shield is wearing out

In unadjusted terms, this is the worst August performance of the German labour market since reunification and the poor performance is adding to recession fears



German unemployment increased by 43,900 in August (not seasonally adjusted), bringing the total number of unemployed up to 2.319 million - the highest level since February 2019.

In seasonally-adjusted terms, unemployment increased by 4,000, keeping the seasonally-adjusted unemployment rate stable at 5.0%. Still, in unadjusted terms, this is the worst August performance of the German labour market since reunification.

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The negative impact of the industrial meltdown of the last twelve months has started to spread to other parts of the German economy. Recruitment plans and the number of vacancies have been scaled down in recent months, particularly in the manufacturing sector, where employment expectations are at their lowest level since early 2010. In other sectors like the public sector, health care and education, there still is an unchanged high lack and also demand of and for skilled workers. The 2008/9 crisis tool, short-work schemes, is also a good indicator of changes in the German labour market.

Indeed, the number of workers under short-work schemes has increased since the start of the year and is now back to its 2017 levels, though still far, if not to say astronomically far, below the 2008/9 levels. Currently, some 50,000 employees are running under the shorter working hours scheme. In 2009, it was more than 1.5 million. Looking at the regional statistics, it is mainly the automotive sector, in which short-work schemes have increased.

All of this only means that the protection shield against the industrial slowdown and external woes is getting thinner if not wearing out. This is a stagnation and not a crisis.

Total unemployment is still historically low but the trend is clearly not a friend for the German economy these days.

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