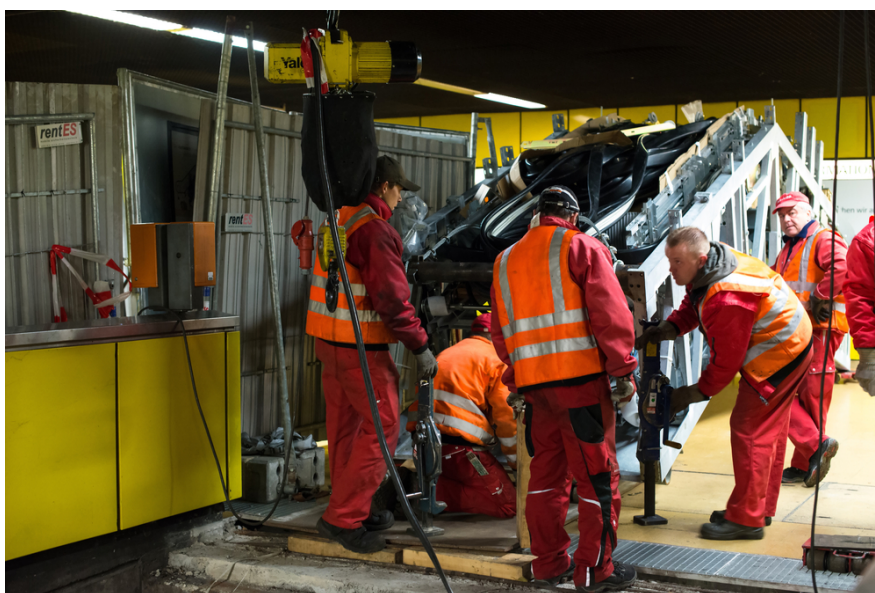


Germany: Labour market almost back to pre-crisis level

The labour market performance in June almost brings German unemployment back to its pre-crisis level



German unemployment dropped by 73,400 in June, lowering the number of unemployed to 2.614 million. The seasonally-adjusted unemployment rate dropped to 5.9%. With the best June performance since 2010, the number of unemployed has now almost returned to its pre-crisis level. The reopening of the economy has clearly boosted labour market developments.

Back at pre-crisis level but some risks remain

As we know since the start of the crisis, headline unemployment data has to be taken with a big spoonful of salt. The real impact of the crisis on the labour market can be found in short-time work schemes.

According to the German labour agency, the (lagging) number of people in short-time work continued to drop in April, to 2.34 million. In April last year, the number stood at 6 million. The number of new applications has dropped significantly to 59,000 in June, from 96,000 in May. The fact that furlough schemes are not a full substitute for full-time work was reflected in the drop by 2% year-on-year in German real wages in the first quarter of the year. Interestingly and according

to media reports, short-time work schemes are no longer being used to exclusively tackle the fallout from the crisis but also as a result of increasing supply chain disruption, particularly in the German automotive and shipbuilding industry.

Looking ahead, for the German labour market, the worst seems to be over. Employment expectations in both the manufacturing and services sector have continued to improve and are approaching all-time highs quickly. With improving employment prospects and the expected strong rebound of the economy, the risk of bankruptcies and a potential second unemployment wave are decreasing. In fact, as the economy is likely to return to its pre-crisis level before the end of the year, previous threats of surging unemployment once government support schemes end have become less frightening. In the short run, the lack of skilled workers in certain sectors could become a more pressing issue than any increase in unemployment.

At first glance, today's numbers suggest that the German labour market has already left the crisis behind. At second glance, however, the high number of short-time workers should still be a good reminder of potential risks going forward, even if these risks look less threatening by the month.

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.