

Germany: Blame it on the weather

The first February increase in German unemployment since 2014 is more the result of the harsh winter weather than the ongoing lockdown. However, the headline numbers don't tell the entire story. Increases in short-time work schemes illustrate the real risk for the German labour market



Source: Shutterstock

German unemployment increased by 3,800 in February, increasing the number of unemployed to 2.904 million. The seasonally-adjusted unemployment rate remained unchanged at 6.0%. This is the first time since 2014 that seasonally-unadjusted unemployment increased in the month of February and the worst performance of a single February since 2013. However, this is not as alarming as it sounds. The increase is still mild and probably more the result of the harsh winter weather in February than the lockdowns.

It's not in the headline numbers but in the short-time work numbers

Don't forget that 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, new applications for short-time work schemes dropped somewhat in February to 500,000. This is based on estimates and actual data is only available until December 2020. Here, the total number of people in short-time work had increased to 2.39 million, from 2.38 in November and 2.01 in October. In April, it stood at almost 6 million.

Looking ahead, the labour market could mirror the ongoing divergence between the manufacturing and services sector. Recruitment intentions in the manufacturing sector have improved gradually since last summer but are still slightly below the historic average. In the services sector, however, recruitment plans have dropped again since the summer, reflecting the longer-term damage in this sector as well as the impact from the second and ongoing lockdown.

In sum, despite the small increase, this morning's headline numbers suggest that the German labour market is still getting through the crisis relatively well. However, the rising number of short-time workers, as well as the longer-term impact from the ongoing second lockdown and a high risk of insolvencies in 2021, clearly argue against too much optimism.

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