

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.

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 <http://www.ing.com>.