

## Germany: Last calm before the storm

Solid March data from the labour market is the last calm before the storm. All hope is on a crisis-fighting tool from the financial crisis.



Shoppers in Lubeck, Germany

Unemployment dropped to 2.335 million in March, the second lowest March reading since German reunification. At the same time, the seasonally-adjusted unemployment rate remained stable at 5.0%. However, it was the weakest March improvement since 2009, illustrating that the German labour market had already lost further traction before entering the Covid-19 lockdown.

### It's all about short-time work schemes

Today's labour market data look to be the last calm before the storm. Normally, the cut-off date for the labour market statistics is the middle of the month, which in March was just before the lockdown measures had been announced. According to regional reports, applications for short-time work schemes have multiplied since then. Later today, the labour market agency is expected to release first estimates of the latest applications for short-time work schemes. During the financial crisis, some 1.4 million people were registered under the short-time work scheme. At the start of the year, there were some 100 000 people registered, on the back of the ongoing manufacturing slump.

During the financial crisis, short-time work schemes were one of German government's most important tools to stabilize the economy. And it worked. Private consumption remained almost

stable in 2008 and 2009 and has become an important growth driver of the German economy since then. It simply is too early to tell whether short-time work schemes will have the same magical effect. The German government definitely hopes that it will.

## Author

### Carsten Brzeski

Global Head of Macro

[carsten.brzeski@ing.de](mailto: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](http://www.ing.com).