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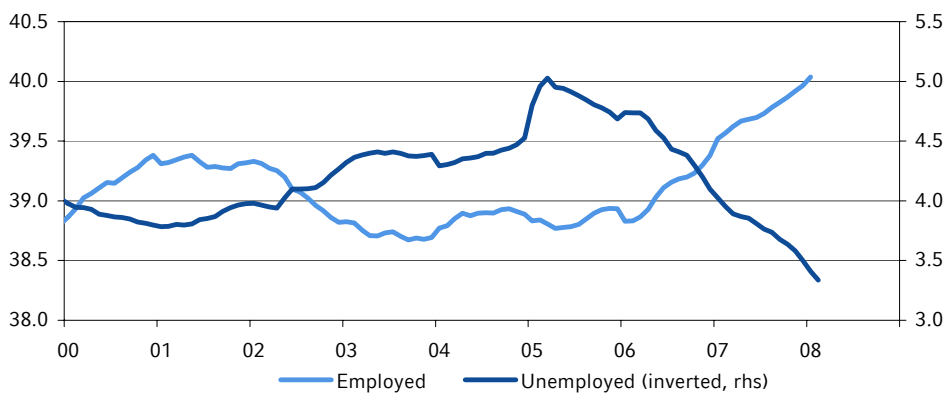
Economic News

LABOUR MARKET TREND IN GERMANY

Positive trend continues

- The number of unemployed saw a renewed sharp drop in February. Within the period of one month, it decreased by 75,000 (seasonally adjusted). This represents a striking decline of 630,000 compared to last year.
- The unemployment rate improved by 0.1 percentage point to currently 8.6%, the lowest level since 1993. Bolstered by the favourable economic climate, the sharp reduction is also attributable to the virtual absence of weather-related disruptions, as well as the seasonal short-time work regulation introduced at the end of 2006.
- Notwithstanding the expected slowdown in growth momentum, the outlook is favourable that the positive trend in the labour market will continue in 2008 – albeit less strongly than last year. The number of job vacancies continues to be high. The Federal employment agency's BA-X index, which measures the number of unfilled vacancies, rose by 2 points to currently 247 points. In addition, as the labour market is a lagging economic indicator, it will not reflect the slowdown in growth for some time. We project an average unemployment figure of nearly 3.5 million this year. The last time this number reached such a low level was in 1993.
- All in all, given today's data on the labour market and this year's wage round, the outlook for the trend in incomes is positive. As a result, there is a good chance that private consumption will act as a support to the economy after its disappointing performance in 2007.

Unemployed and employed (m)



Source: EcoWin, WestLB Research

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