

31 July 2008

# Economic News

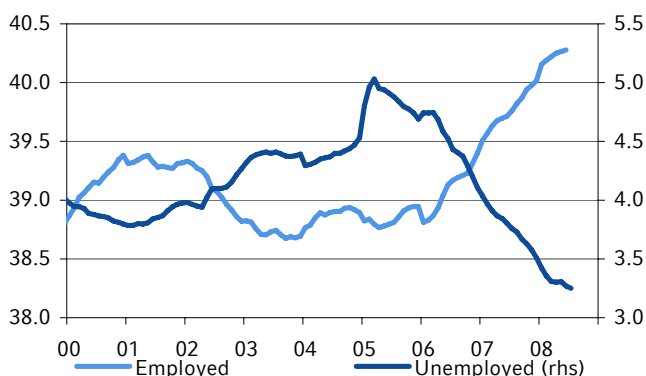
## LABOUR MARKET TREND IN GERMANY

### The party is not over yet

- The labour market continued to improve in July despite the slowdown in growth. Unemployment declined by 20,000 on the month (after removing seasonal factors). The registered jobless figure was down 505,000 on the previous year.
- Nonetheless, it is plain to see that the labour market is not as dynamic as at the start of the year. The declines in unemployment – both on the month and on the year – have become significantly smaller. This is not very surprising, however, given the slowdown in economic growth.
- The number of unemployed is expected initially to decline even further in the coming months. We are sticking to our forecast that unadjusted headline unemployment (currently at 3.21 million) will slide below the 3 million level in the autumn. By the same token, we continue to expect that the average jobless figure will stand at 3.3 million for 2008.
- Nevertheless, we will have to gradually brace ourselves for the upswing on the labour market coming to an end. According to the latest surveys – e.g. that of the Ifo institute – the ailing economy is undermining companies' willingness to hire more employees. This is also reflected in the fact that the overall trend in vacancies is declining.
- On the back of all the discouraging economic news of late, today's figures are very positive indeed. Notwithstanding high inflation rates, the unemployment results bear out the forecast that consumers' disposable real incomes will increase this year. This means there is still a chance that private consumption will rise – albeit only moderately.

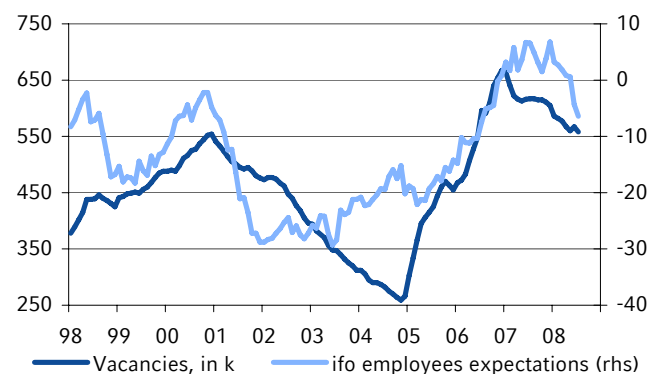
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**Unemployed and unemployed**  
(in millions)



Source EcoWin, WestLB Research

**Labour demand**  
(in 000's and balance)



Source EcoWin, WestLB Research

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