

# The NewsLine

March 1, 2019

MACROECONOMICS

FINANCIAL MARKETS

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SECTORS

## GERMANY

# Labor market unimpressed by near-recession

Despite the marked economic slowdown in the second half of 2018, the German labor market is proving to be robust. On a seasonally-adjusted basis the number of unemployed fell by 21,000 in February compared with the previous month. We expect the positive labour market trend to continue over the course of the year 2019, albeit at a slightly slower pace.

German employment growth remains relatively unaffected by the near-recession in the second half of 2018. On an annual basis the number of people in employment in January was 1.1% higher than a year ago. Employment thus grew just as strongly as in the previous two months and was only slightly below the 2018 average growth rate of 1.3%. The increase in employment is still mainly driven by jobs liable to social insurance contributions which rose by 2.2% in December. Berlin remained the front-runner in this regard with a plus of 3.7%, followed by Bavaria, Hamburg and Hesse with a plus of 2.5% each. The increase in employment covers almost all sectors. It is currently most pronounced in the metal, electrical and steel industries. Employment is being reduced in the finance & insurance sector as well as in temporary work.

We expect the upward trend in the German labor market to continue in the coming months. This expectation is supported by the rising number of vacancies, which stood at around 784,000 in February. This means that there are now 20,000 more unfilled jobs than a year ago. However, the growth in employment is likely to slow due to increasing bottlenecks in various sectors on the one hand and a declining overall economic growth dynamic on the other hand. We forecast the average number of people in employment to still rise by nearly 400,000 in 2019, compared with around 560,000 last year.

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