

# The NewsLine

September 29, 2017

MACROECONOMICS FINANCIAL MARKETS ECONOMIC POLICY SECTORS

## GERMANY

# Buoyant autumn labor market

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The decline in the jobless total accelerated appreciably in September, dropping 23,000 on the previous month in seasonally adjusted terms. Over the preceding four months the decline had averaged a mere 5,000. Jobs growth remains strong. In August the number of people in work in Germany was 1.6% up on a year earlier. This positive development is not likely to change fundamentally next year either.

According to the Federal Employment Agency, the ongoing jobs growth stems exclusively from the increase in jobs liable to social insurance. Here the number of people in work was up by 888,000 on a year earlier, an increase of 2.8%. Other forms of employment such as self-employed and those exclusively in mini-jobs recorded a decline. With the exception of "finance and insurance", all economic sectors are seeing a rise in jobs subject to social insurance, in some cases a very steep rise as for example in "care and social welfare" and "retailing/wholesaling and car maintenance".

Sentiment surveys such as the Ifo test and purchasing manager indices point to an ongoing economic upswing. Dark clouds are currently not on the horizon. We therefore see the positive trend on the labor market continuing next year. However, the momentum is likely to be weaker than this year. On average in 2018 we expect the jobless total to decline by 90,000 to 2,450,000, following a drop of around 153,000 this year. The smaller decline next year is linked not least to the expected rise in jobless registrations by refugees as, among other things, numerous integration courses will come to an end in the coming months.

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The increase in the number of people in work in 2018 is also likely to be somewhat more moderate than this year. We are penciling in 540,000, corresponding to a rise of 1.2%. For comparison: This year the annual average increase will be around 660,000, up 1.5%.

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