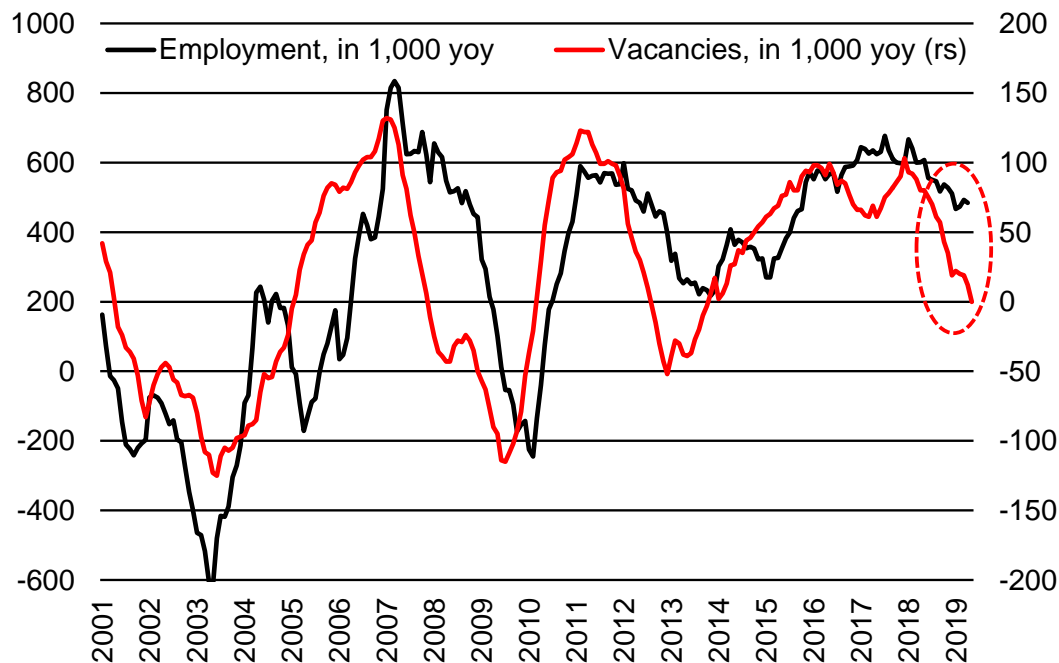


Weaker growth to stop German jobs boom



Source: Federal Labor Agency, UniCredit Research

- If there has been any continuity in European economics in the last few years then it has been this: strong job creation on the German labor market. Employment rose by nearly 4½mn (or by more than 10%) since the great financial crisis. Unemployment was falling steadily to less than 5%, its lowest level since reunification.
- However, the May jobless data released last week startled investors by showing an increase of 60,000 mom, its biggest deterioration in a decade. While the latest figure was exacerbated by a statistical effect, our Chart of the Week shows that the weakness is genuine. The change in job vacancies, a proper leading indicator of employment growth in the past, have even been flat recently.
- Hence, a new economic reality might be sinking in soon. Weaker business cycle dynamics have finally been arriving on the German labor market. Employment creation, if any, might therefore be not strong enough to provide jobs for all job seekers and to prevent further rises in the unemployment rate.

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