

EUROPEAN UNEMPLOYMENT HITS NEW HIGH IN JANUARY

The unemployment rate hit a new high at 10.1% in the EU in January 2012, and likewise in the euro area at 10.7%, the highest level since the euro was established. The number of unemployed continued to trend up in January, reaching 24.325 million, with a sustained increase over the last six months generating on average 200 000 more jobless per month. Divergence among EU labour markets remains high, as the number of unemployed has fallen over the last three months in six Member States, while it has increased in most countries, sometimes sharply. Since March 2011, the EU unemployment rate has grown by 0.6 pp, accounting for 1.625 million more jobless. A different pattern is seen in the US, where the unemployment rate has been falling continuously (down by 0.8 pp over the last year) and stood at 8.3% in January.

Overall summary of the situation:

- The number of unemployed in the EU has risen steadily and significantly over the past months, with more than 1.6 million additional jobless since March 2011.
- Unemployment is trending up in most Member States, including the largest ones.
- EU youth unemployment has reached a new historic high (22.4%).
- EU consumers are expecting unemployment to go on worsening. EU firms' employment expectations remain broadly optimistic in industry but depressed in other sectors.
- Growth in on-line job demand stabilised in February 2012, driven by Germany and engineering, while restructuring activity decreased.

Unemployment still modestly decreasing in a few Member States; a slight recent upturn in Germany

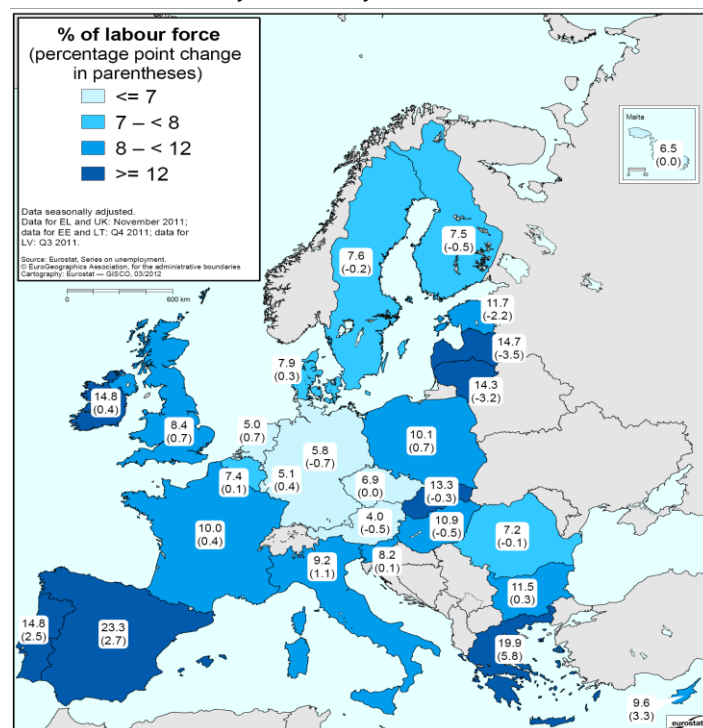
Since spring 2011, unemployment has progressively gone up in most Member States, yet some countries are still enjoying an improvement. Indeed, over the past three months, six countries have still experienced a moderate decline: Austria (-0.2 pp to 4%), Slovakia (-0.2 pp to 13.3%), Romania (-0.1 pp to 7.2%), Finland (-0.1 pp to 7.5%), Lithuania (-1.0 pp to 14.3% in Dec 11) and Latvia (-1.4 pps to 14.7% in Sept 11). German unemployment has fallen steadily over the past two years, reaching a close to historic low at the end of 2011. Yet, there was a slight upturn in January 2012 (+0.1 pp on Dec 11, to 5.8%). This adversely affects the average EU unemployment rate, since Germany is the country that has done most to cushion the rise in European unemployment over the recent period.

Number of unemployed trending up in most Member States

Over the three months to January 2012, the number of unemployed increased in 20 Member States. All large Member States are affected, in particular Italy (+173 000) and Spain (+126 000), which account for half of the European unemployment rise, but also France (+73 000), the UK (+26 000 to Nov 11) and finally Germany (+12 000). Noticeable increases were recorded too in the three months to January 2012 in Portugal (+64 000, +9%), Greece

(+74 000, +8% to Nov 11), Bulgaria (+22 000, +6%). The recent deterioration has affected to a lesser extent Member States with lower than average unemployment rates, in particular the Netherlands (+19 000), the Czech Republic (+14 000) and Denmark (+7 000). The gap between Member States is widening, with more than 19 points between the lowest unemployment rate (in Austria, 4.0%) and the highest (in Spain, 23.3%), i.e. the widest range over the last decade (see also Chart 1).

Chart 1: Unemployment rates, January 2012 and unemployment rate changes January 2012-January 2011 in brackets



Ongoing deterioration hit more men than women; gender gap has again vanished

Like during the 2009 unemployment surge, the present rise hit more men than women. Among the 1.625 million additional unemployed since March 2011, men predominate (61%) compared to women (39%). With a 0.8 pp rise for men against 0.5 pp for women since March 2011, the gender gap has disappeared as it did in spring 2009: both men and women posted an unemployment rate of 10.1% in January 2012.

New historic high for EU youth unemployment too

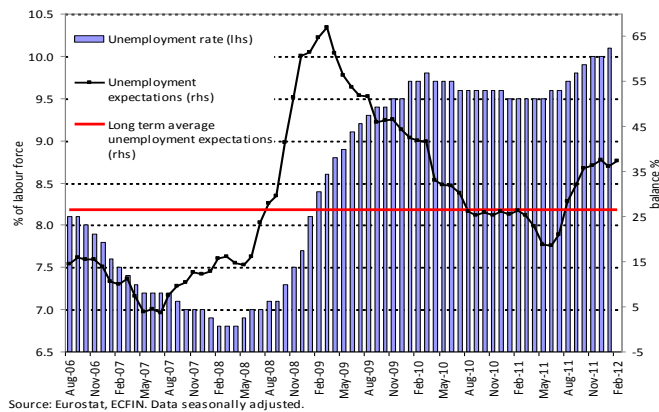
The number of adults (25 years old and older) unemployed has increased faster than that of young people (15 – 24) since March 2011, by respectively +7.7% and +5.4%. Consequently, adults represent the bulk (more than 80%) of the new unemployed, with 1.34 million more. Yet the unemployment rate for young people remains twice as high as for adults in all Member States except Germany, and more than three times higher in ten Member States. In January, close to one in two young people was unemployed in Spain (49.9%) and Greece (48.1% in Nov 11), while only three Member States recorded an unemployment rate for young people lower

than 10%, namely Germany (7.8%), Austria (8.9%) and the Netherlands (9%). The youth unemployment rate has risen again over the last three months by 0.4 pp, reaching a new historic high at 22.4%. This deterioration has affected 23 Member States, with a sharp rise in Bulgaria (+3.8 pps to 28.9%), Estonia (+2.8 pps up to Dec 11, to 25.1%), Lithuania (+2.4 pps to 34.4%), Portugal (+2.2 pps to 35.1%) and Greece (+2.2 pps to 48.1% in Nov 11).

EU consumers expect unemployment to go on worsening in the coming months

Sentiment about the unemployment trend in the coming months remained noticeably more pessimistic than its long-term average in February (+37) (see Chart 2). Most European consumers expect unemployment to worsen in the short term. Only three countries remained broadly optimistic: Germany, Estonia and Latvia.

Chart 2: Unemployment rate and unemployment expectations over the next 12 months in the EU



Source: Eurostat, ECFIN. Data seasonally adjusted.

EU firms' employment expectations remain broadly optimistic in industry and depressed in the other sectors

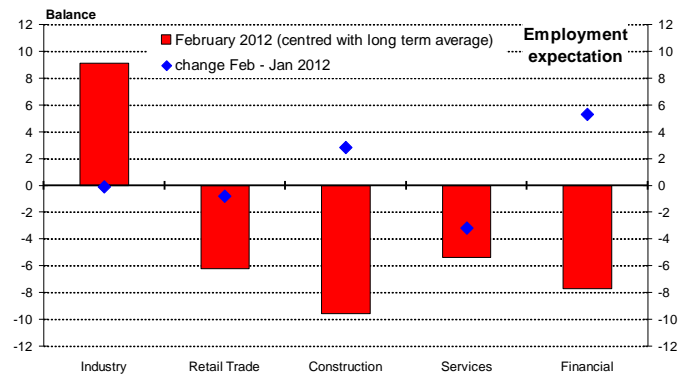
Compared to their long-term average, employment expectations in industry remain optimistic in most Member States. Yet they weakened in most Member States in February. On the other hand, employment expectations remain below their long-term average in the tertiary sector (Chart 3). Managers in the tertiary sector (services, retail trade, financial activities) are therefore still rather anticipating a contraction of their workforce in the months ahead. Sentiment about employment in construction at European aggregate level stays stubbornly depressed, albeit less severely than in summer 2008.

Growth in on-line job demand stabilised in February, driven by Germany and engineering...

The Monster Employment Index Europe posted a yearly growth in on-line job demand of 10% in February, up by 1 pp on the previous month. Germany continues to be the only country to exhibit strong growth (+28%). Italy and the UK record relatively low yearly growth, while the Netherlands, Sweden, Belgium and France continue to

exhibit annual declines. Environment, architecture, urbanism and repair exhibits a solid growth (+19%) and Engineering became the top growth industry last month. Conversely, public sector and defence went down by 8%, denoting the largest annual decline in recruitment activity.

Chart 3: Employment expectations over the next three months in the EU

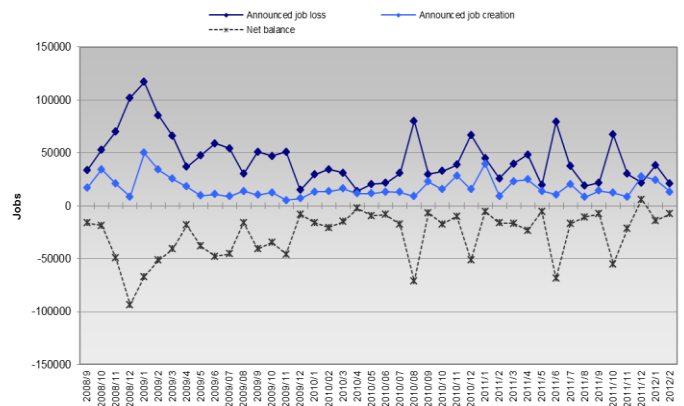


Source: Ecfm

...while restructuring activity decreased

There was a decrease in the restructuring activity reported on the European Restructuring Monitor (ERM) in February, compared to January. During the month, the ERM recorded 20 865 restructuring-related announced job losses and 13 330 announced new jobs, in a total of 86 cases (Chart 4). The Member State with the largest announced job losses was Hungary (4 630 jobs), followed by Romania (3 353 jobs), the United Kingdom (2 283 jobs), Sweden (2 112 jobs) and Spain (2 000 jobs). Manufacturing (10 648 jobs) was the sector the most affected by announced job losses. Other notably affected sectors include transport and communications (5 980 jobs), public administration (1 810 jobs) and construction (936 jobs). Retail (4 600 jobs) and manufacturing (4 320 jobs) accounted for the majority of business expansion.

Chart 4: Restructuring trends



Source: European Monitoring Centre on Change, European restructuring monitor.

Key labour market indicators for the EU-27 (age 15-74)

EU-27	Year (annual average)				Month (seasonally adj.)			Monthly change		Annual change	
	2000	2008	2009	2010	2011 Jan	2011 Dec	2012 Jan	Number or pp	%	Number or pp	%
Unemployment (x 1 000)	20 490	16 544	21 214	22 845	22 837	24 134	24 325	191	0.8	1 488	6.5
Males	10 167	8 557	11 671	12 508	12 345	13 080	13 219	139	1.1	874	7.1
Females	10 324	7 988	9 543	10 337	10 492	11 054	11 107	53	0.5	615	5.9
Less than 25	5 048	4 144	5 157	5 258	5 238	5 495	5 507	12	0.2	269	5.1
Unemployment rate (%)	8.7	7.1	9.0	9.7	9.5	10.0	10.1	0.1	-	0.6	-
Males	7.8	6.7	9.1	9.7	9.4	9.9	10.1	0.2	-	0.7	-
Females	9.8	7.6	9.0	9.6	9.6	10.0	10.1	0.1	-	0.5	-
Less than 25	17.3	15.8	20.1	21.1	21.1	22.2	22.4	0.2	-	1.3	-