

# Labour Market Fact Sheet

November 2012

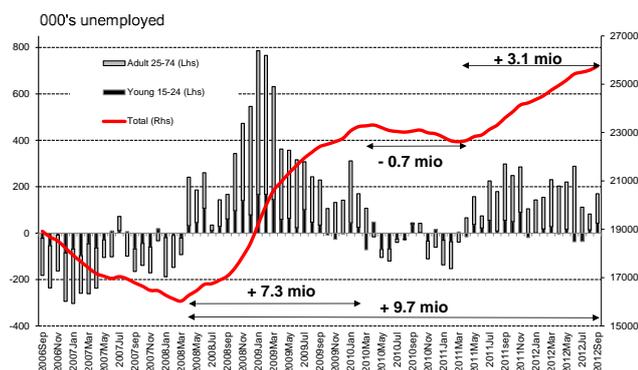
## PESSIMISM INCREASES AS EU UNEMPLOYMENT SURGES

Contrasting with slower growth seen over the summer, the EU unemployment number soared by 169 000 in September 2012. Rising for the eighteenth month in a row, it hit a new high of 25.75 million. Since the trough of March 2011, that number has risen by 3.1 million. The EU unemployment rate reached a new historic high at 10.6%, i.e. 1.2 pps higher than in March 2011, a rise affecting both women and men. While divergence across Member States is at its highest level, the unemployment rate rose to 11.6% in the Euro area (+1.7 pps on March 2011).

### Overall summary of the situation:

- The number of unemployed in the EU soared in September 2012; the EU unemployment rate reached 10.6%; divergence is greater than ever
- Youth unemployment rose again recently while unemployment rate climbed to a new high: 22.8% in September, up 0.2 pp on July
- Pessimism is gaining ground in terms of (un)employment, while forecasts are poor
- Hiring activity remains depressed and restructuring sees persistent net job losses

**Chart 1: Monthly change in the number of unemployed by age (Lhs) and total level (Rhs) in the EU, Sept' 2006– Sept' 2012**



Source: Eurostat, Series on unemployment, data seasonally adjusted.

### The rise in unemployment is driven by the Euro area and is fastest for adults...

In September 2012, out of the 22 Member States for which statistics are available, the unemployment rate rose in seven, fell in five and remained stable in ten. Rises and falls compared with the previous month were generally limited to 0.1 pp, with the exception of Cyprus (+0.4 pp), Spain (+0.3 pp), Denmark and Italy (+0.2 pp), as well as Malta and Slovakia (-0.2 pp).

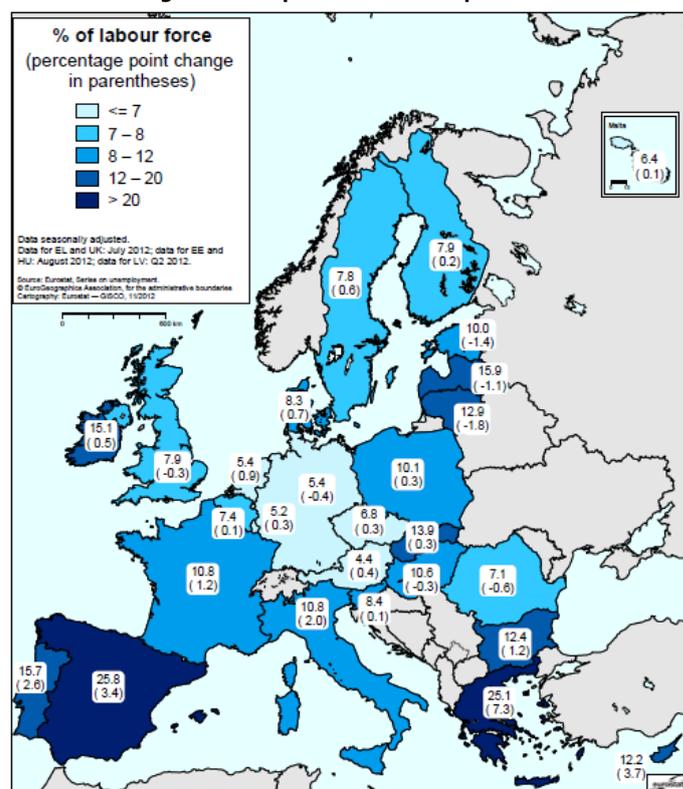
Over the year to September 2012, the number of unemployed in the EU grew by 2.1 million, i.e. an increase of 9.1%. The rise was concentrated in the Euro area (+2.2 million, +13.3%), while it decreased slightly in the rest of the EU (-0.4%). However, this trend is slowing down, as the rise recorded in EU unemployment over the last three months accounted for only 15% of the y-o-y increase. The rise recorded since September 2011 is primarily due to higher unemployment in the population aged 25 and more, accounting for 92.3% of the total annual increase. Unemployment for that age group rose by 10.8%, while youth unemployment rose more moderately, by 3.1%.

Between the low recorded in March 2008 and the current situation - August 2012 -, taking into account the relative fall (-0.7 million) seen over the year to March 2011 and the surge recorded since then (+3.1 million), the number of unemployed rose by 9.7 million in the EU, or 60.7% (see Chart 1). Over the same period, unemployment figures more than doubled in Spain, Greece, the Baltic States, Ireland, Cyprus and Denmark. It only decreased in Germany, down 30%.

### ... whilst Member States continue to diverge...

In the year under review, the EU average unemployment rate rose by 0.8 pp to 10.6% (+1.3 pps to 11.6% in the Euro area), equally affecting women and men (respectively +0.8 pp to 10.7% and +0.9 pp to 10.6%). 20 Member States recorded rises in unemployment rates, while only seven saw decreases. As highlighted by Chart 2, the most significant rises were seen at the periphery of the EU, where unemployment is mostly significantly higher than the EU average: Greece (+7.3 pps to 25.1% in July), Cyprus (+3.7 pps to 12.2% in Sept.), Spain (+3.4 pps to 25.8%), Portugal (+2.6 pps to 15.7%) and Italy (+2.0 pps to 10.8%).

**Chart 2: Unemployment rates, September 2012 and y-o-y changes with September 2011 in parentheses**



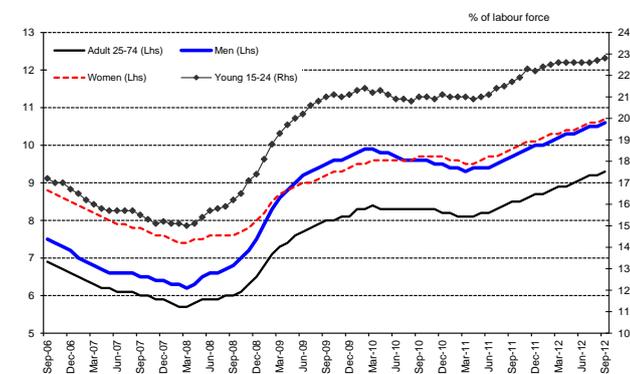
Among larger Member States, France's unemployment rate also grew over recent months and is now above the EU average, at 10.8%, up 1.2 pps on September 2011. In Poland, the increase was more moderate, up by 0.3 pp to 10.1%, while it fell by 0.3 pp in the UK, to 7.9%. The only significant year-on-year falls were noted in the Baltic States: -1.8 pps in Lithuania, to 12.9%, -1.4 pps in Estonia, to 10.0% in August and

-1.1 pps in Latvia, to 15.9% in 2012q2. Among the four countries exhibiting the lowest unemployment rates (< 6%), while the Netherlands, Austria and Luxembourg posted rises of respectively 0.9, 0.4 and 0.3 pp over the year, Germany's unemployment rate stood at 5.4% in September, down by 0.4 pp over the year. Overall, divergence between Member States is at its highest. There is now a gap of 21.4 pps between the lowest (Austria, with 4.4%) and the highest (Spain, with 25.8%) unemployment rates, an all-time record since harmonised statistics exist.

**... and youth unemployment is rising again**

After stabilising somewhat below the 5.5 million mark from June to August 2012, youth unemployment rose by 43 000 in September, to reach 5.52 million. Stuck at 22.6% from March to July 2012, the youth unemployment rate edged up to 22.7% in August and 22.8% in September, its highest level on record (see Chart 3), 1.1 pps above the rate recorded a year ago.

**Chart 3: Monthly unemployment rate (%) for young people, adults, male and female in the EU, Sept' 2006 – Sept' 2012**



Source: Eurostat. Series on unemployment, data seasonally adjusted.

Over the year, the most significant rises were seen in southern Member States: Greece (+11.2 pps to 55.6% in July 2012), Spain and Cyprus (both +6.4 pps to resp. 54.2% and 29.3% in Sept), Bulgaria (+5.9 pps to 29.7%), Ireland (+5.5 pps to 34.5%), Italy (+4.7 pps to 35.1%) and Portugal (+3.7 pps to 35.1%). Only a few countries saw significant declines: Lithuania (-5.4 pps to 26.0%), Slovakia (-5.0 pps to 28.4%) and Latvia (-3.2 pps to 29.0% in 2012q2). Five Member States have seen youth unemployment rates above 30% - Greece, Ireland, Italy, Portugal, and Spain -, but only three below 10% - Austria, Germany and the NL -.

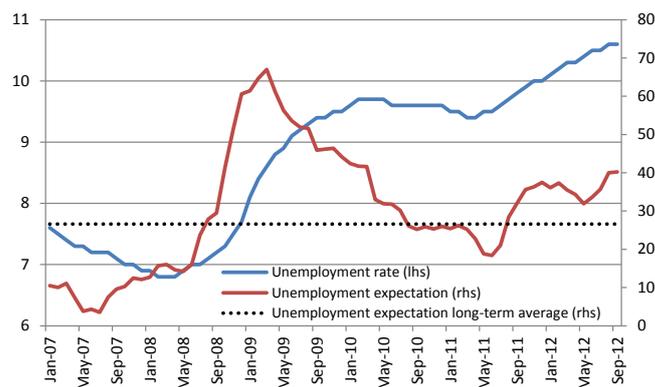
**Pessimism prevails and forecasts are poor...**

Since June 2012, EU consumers' pessimism has been on the rise about unemployment developments over the next 12 months, a trend noted in 21 Member States. Unemployment expectations remain well above the long-term average at EU level, as the index has been peaking at 40 points or above from August, a level not seen since early 2010 (see Chart 4). Employers are not very optimistic either. Since May 2012, a majority of employers have expected decreases in employment over the coming months, in all major sectors: industry, construction, services, retail trade and financial services (see Chart 5). The picture in financial services is more mixed though.

This echoes the trend foreseen by the Economic Sentiment Indicator (ESI): it has been below 100 points since August 2011, pointing to a rather unfavourable business climate in the EU. However, the decrease in the ESI came to a halt in October, at 86.2. According to the Commission's Autumn 2012 economic forecast, unemployment is expected to peak just below 11% in

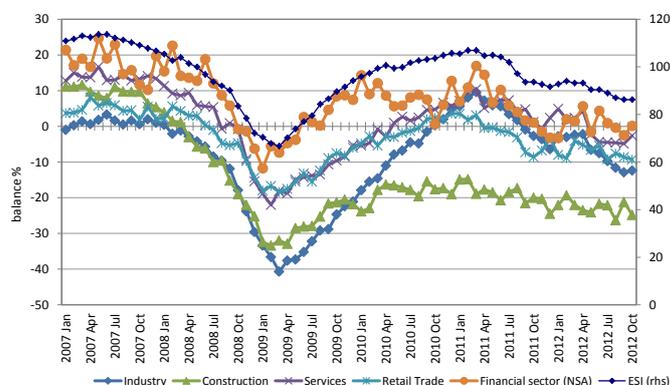
the EU and 12% in the Euro area in 2013, though with large variations among Member States.

**Chart 4: Unemployment rate and expectations by consumers over the next 12 months in the EU**



Source: Eurostat Series on unemployment and ECFIN consumer surveys; seasonally adjusted.

**Chart 5: Employers' employment expectations in the months ahead**



(Source: Commission services (ECFIN), Business and consumer surveys. Data seasonally adjusted (except for financial sector)

**... whilst hiring activity remains depressed overall**

The Monster Employment Index Europe, gauging the online job posting activity, reported a third consecutive month of annual decline, down by 3% in October, the sharpest fall seen since April 2010, essentially driven by the Netherlands (-18%) and France (-9%). Germany continues to report decelerating trends but still records a growth of 2%, followed by Belgium and the UK (both up by 1%). Environment, architecture and urbanism sees its sixth month of growth and outpaces all industries while transport, post and logistics reports the greatest decline. The temporary agency work industry in Europe had a decline of 8.5% in August 2012 compared with the same period in 2011, according to Eurociett. This was the eighth consecutive month of decline in the number of hours worked, explained by rapid falls in Italy, France and Germany.

**Announced restructuring accelerated in October and continued to cost jobs**

Restructuring activity reported in the European Restructuring Monitor (ERM) grew further in October 2012. 39 931 restructuring-related announced job losses and 15 143 announced new jobs were recorded, in a total of 122 cases. The Member State with the largest announced job losses was France (13 845 jobs), followed by Belgium (6 269), Germany (3 850), the United Kingdom (3 719) and Italy (3 052). Manufacturing (17 645 jobs) was the sector most affected by announced job losses, followed by information and communication (11 773). Manufacturing, health and social work and utilities accounted for almost 2/3 of all business expansion.