

# German Unemployment Total Rose in July as Job Cuts Continued

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By Rainer Buergin and Christian Vits

July 30 (Bloomberg) -- German unemployment rose in July as companies cut jobs to protect profits even as signs mount that the worst of the recession may be passed.

The number of people out of work increased to 3.46 million from 3.41 million on an unadjusted basis, the Nuremberg-based Federal Labor Agency said today. The seasonally adjusted total fell by 6,000 due to statistical changes, it said. The adjusted jobless rate was unchanged at 8.3 percent.

"While the economy shows signs of stabilization, the deterioration in the labor market is continuing," said Thilo Heidrich, an economist at Deutsche Postbank AG in Bonn. "The labor market is lagging developments in the economy."

German business confidence increased for a fourth month in July and consumer sentiment also rose as Chancellor Angela Merkel's 85 billion-euro stimulus package feeds into the economy. Two months to go before national elections, companies from Deutsche Lufthansa AG to Siemens AG are continuing to cut jobs.

Siemens, Europe's largest engineer, said on July 22 that it plans to cut an additional 1,400 jobs as it strives to meet profit targets for the year. Lufthansa and Jungheinrich have also announced cuts this month.

'Only Slightly'

Germany's economy shrank 3.8 percent in the first quarter, the biggest drop since data were first compiled in 1970. It contracted "only slightly" in the second quarter, the Bundesbank said July 20. The Federal Statistics Office in Wiesbaden will publish second-quarter figures on Aug. 13.

Merkel is counting on the stimulus plan as she battles lengthening jobless lines before the Sept. 27 election. The measures include subsidizing social insurance payments to persuade companies to keep workers on shortened shifts when orders are slack. The Cabinet in May extended the facility for each worker to 24 months from 18 months.

"Short-shift regulations passed by the government are still helping to stem the incoming tide" of unemployed people, said Heidrich. "The picture would be much worse if they hadn't been extended."

German unemployment began to increase in November after falling steadily for more than three years. Heidrich, who forecast the number of job seekers to increase by 55,000 this month in seasonally adjusted terms, said unemployment will reach its peak in the second or third quarter of next year.

The German economy, Europe's largest, will probably shrink 6.1 percent this year, the Organization for Economic Cooperation and Development said June 24. The unemployment rate will rise to 8.7 percent this year and 11.6 percent in 2010, it said.

According to the latest comparable OECD data, Germany's jobless rate held at 7.7 percent in May. The unemployment rate in the U.S. was 9.4 percent and France's was 9.3 percent.

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