

November 2009

conjoncture flash

Monthly publication of the state of the Luxembourg economy

Effects of job schemes on the unemployment rate

Job schemes: an important element in cyclical analysis

Job schemes are one of the measures used by the public authorities to help unemployed people access employment. The official registered unemployment rate is based on a definition that excludes people in job schemes (as per International Labour Office criteria).

Alongside this definition of registered unemployment there is also a definition of overall unemployment, which includes people in job schemes. In this sense, a jobseeker is someone who cannot access employment through purely competitive means (i.e. without the help of the public authorities). From the point of view of cyclical analysis the concept of overall unemployment is therefore more relevant to assess the overall situation on the labour market (see Note de Conjoncture no. 2-09).

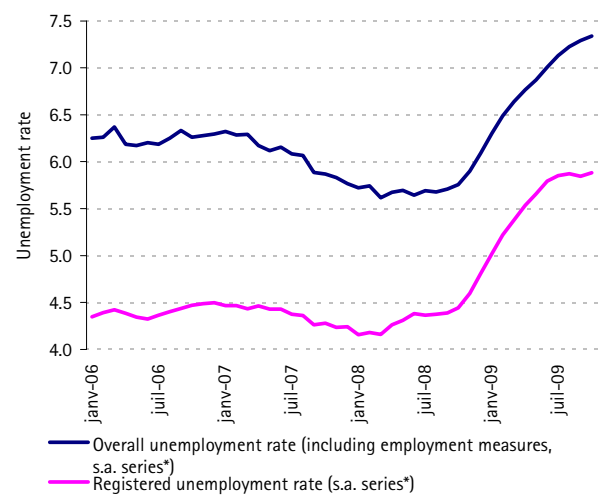
From 1997 to 2004, the number of people in job schemes increased fourfold, stabilising in 2005 and 2006 and falling back again from 2007 on. This fall was mostly due to the replacement of temporary assistant contracts and job insertion placements with employment support contracts and employment initiation contracts.

Rising numbers of jobseekers in job schemes since mid-May 2009

The downward trend for people in job schemes reversed again from mid-2009 on and the number of schemes has risen again by about 10% year on year over the last few months. This acceleration in the number of jobseekers in job schemes is reflected in the quasi-stagnation of seasonally adjusted official unemployment figures since June, while overall unemployment continued to rise (see graph opposite).

In October 2009, official unemployment stood at 5.9% compared to 5.8% in June. Over the same period, overall unemployment rose from 7.0% to 7.3%.

Registered and overall unemployment rate



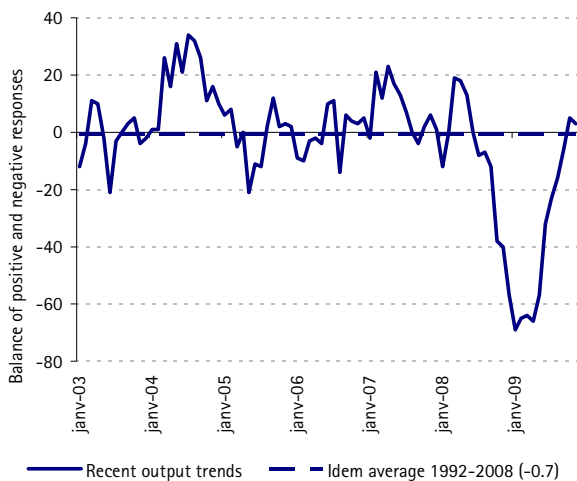
Sources: STATEC, ADEM, IGSS

* s.a.: seasonally adjusted

The aim of this commentary is not to make any judgement on job scheme policies set up in recent years in Luxembourg but rather to show the statistical impact of job schemes on official unemployment. In other words, a fall or rise in the official unemployment rate – especially in the short term – is not necessarily good or bad news. We need to differentiate between trends linked to the economic situation and external factors such as regulations to do with job schemes.

Manufacturing

Economic survey on manufacturing



Source: STATEC (outlook survey)

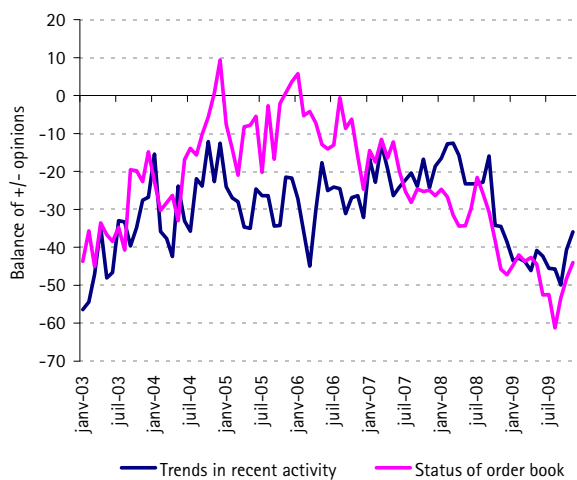
No further improvement in November

Manufacturers' opinions on recent activity fell slightly in November. This was reflected in the order books and future production trends (and employment prospects), breaking with the significant upward trend seen since the start of the 2nd quarter.

This improvement in opinions took some time to impact on output figures but initial estimates for September point to a change: with estimated falls of just 9% compared to September 2008 – which was a relatively satisfactory month, just before the collapse in the 4th quarter – the seasonally adjusted figures are expected to show a marked recovery. What needs to be kept in mind is that over the period from May to August 2009, output fell some 20% compared to 2008.

Construction

Economic survey on construction



Source: STATEC (outlook survey – seasonally adjusted data)

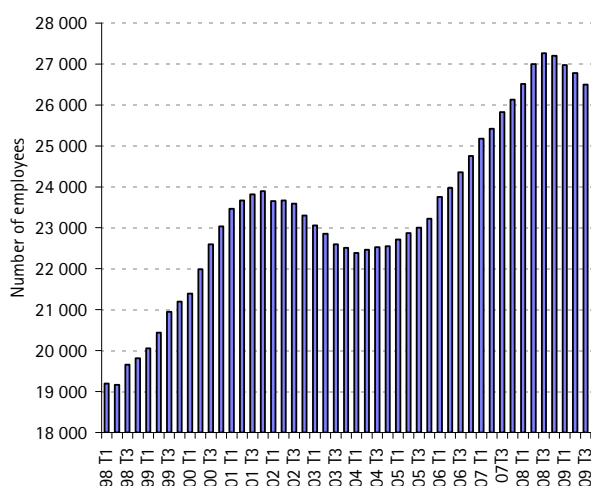
Recent brightening in prospects

The latest data from the economic survey on construction seems to confirm the emergence of more favourable prospects. This trend reversal is very recent (compared to manufacturing for example – see above), dating since the September survey on order books and the October opinion survey on recent activity.

Assured activity also bounced back in November, rising from 4.5 to 4.7 months, which is exclusively linked to the housing construction sub-sector (where assured activity rose from 4.8 to 5.6 months from October to November). This is good news for this particular area of construction, where most companies believe that there is insufficient demand (57% in November).

Financial sector

Trends in banking employment



Source: BCL

Banking employment continues to fall

Paid employment in the banking sector has fallen for the fourth consecutive quarter. Almost 300 jobs were shed during the 3rd quarter, bringing the number of people employed by credit institutions to 25,600 (down 2.8% over one year) in late September.

The fall in the 3rd quarter is a little more marked than in previous quarters, falling 1.1% over the quarter (i.e. compared to Q2 2009), compared to falls of 0.7% in Q2 2009 and 0.9% in Q1 2009. These results, combined with a fall in personnel costs in banking results, suggest that the worst is yet to come when it comes to employment in this sector, particularly if compared to what happened during the last crisis period in 2002-2003.

Tourism

Nights: hotels, inns and guest houses

	Nights January to April		
	2008	2009*	2009/08 (in %)
Country as a whole	462 052	378 713	-18.0
of which			
City of Luxembourg	242 883	207 060	-14.7
Rest of the country	219 169	171 653	-21.7

* provisional figures

Source: STATEC

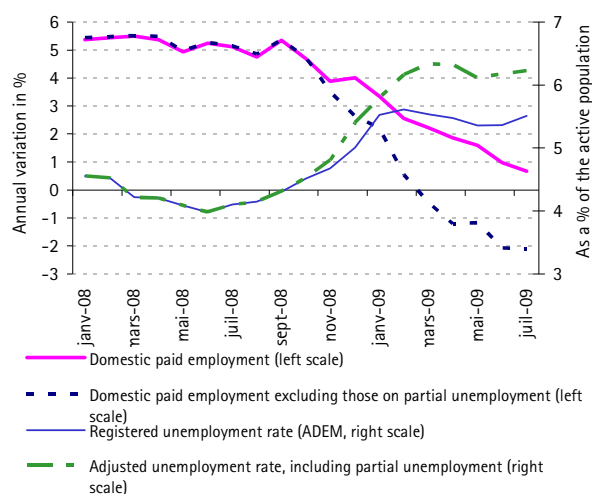
Fewer arrivals overnight stays

Initial figures available for 2009 on the number of arrivals and overnight stays show a marked fall in tourism numbers. Although this provisional data only covers the first 4 months of the year, which are hardly the most representative in terms of volume, they seem to point to the same downward trend as observed at global level.

According to the World Tourism Organization (WTO), arrivals of international tourists worldwide between January and July fell 7% compared to 2008 (down 8% in Europe). However, the results compiled by the WTO for July and the first estimates for August show that this trend is slowing.

Labour market

Impact of partial unemployment on employment and unemployment



Sources: ADEM, IGSS, calculs STATEC

Impact of partial unemployment

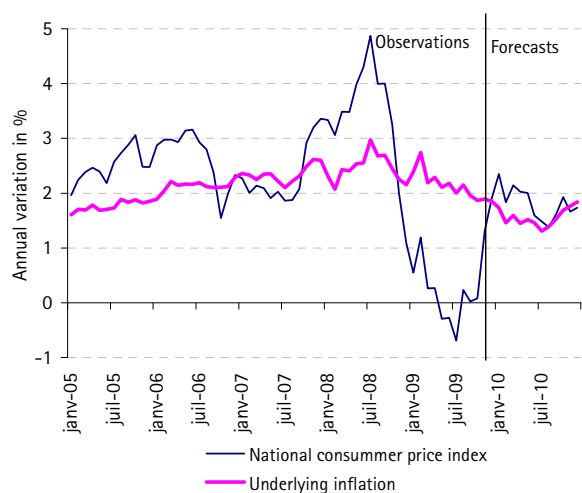
The explosion in partial unemployment is one of the most spectacular consequences of the economic crisis. With an average of some 9,000 people affected per month, the beneficial impact on employment and unemployment is obvious (see section on massive recourse to partial unemployment in STATEC's Note de Conjoncture 2-09).

This means that domestic paid employment would have fallen since early 2009 on an annual basis if all those affected by partial unemployment had instead lost their jobs (see graph opposite).

To quantify the effect of partial unemployment on registered unemployment, only those affected by partial unemployment that are resident in Luxembourg are taken into account, some 1,500 people expressed in terms of equivalent full unemployment in 2009. If this figure was added to the registered unemployment figures, these would amount to 6.2% during the 2nd quarter of 2009 instead of 5.4%.

Inflation – wages

Inflation: observations and forecasts



Source: STATEC

Inflation rises in late 2009

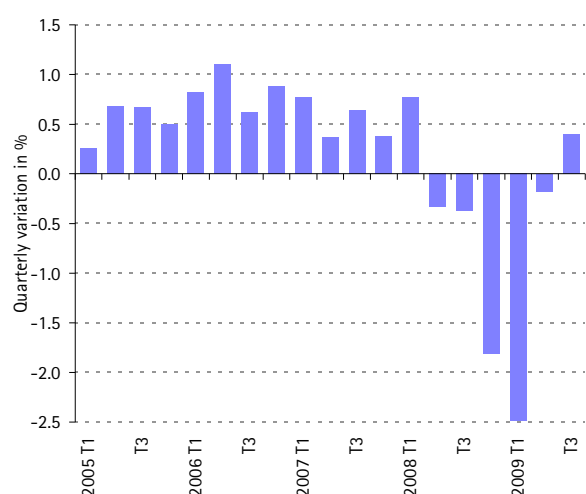
After negative inflation rates from May to July, prices stabilised over the last three months (up 0.1% on average over one year from August to October).

However, in late 2009 and early 2010, consumer price inflation is set to rise to almost 2%. The basic effect on the oil price index, which brought inflation down during the first part of 2009, has now ended.

In 2009, the inflation rate is expected to settle at 0.4% with an underlying inflation rate of 2.1%. In 2010, inflation is expected to be about 2% (1.8% for the core scenario, within a range of between 1.5% and 2.1%), which will trigger a new wage indexation adjustment in the 3rd quarter of 2010.

International

GDP growth in the eurozone



Source: EUROSTAT (2009 Q3: preliminary estimation)

End to recession in the eurozone

GDP in the eurozone fell 0.2% during the 2nd quarter (quarterly variation, seasonally adjusted data), confirming that the fall in activity was easing significantly after the drop of 2.5% experienced in the 1st quarter of 2009. France and Germany in particular surprised many with their positive results (up 0.3%).

According to Eurostat's quick estimate, GDP rose 0.4% during the 3rd quarter. This recovery can be termed widespread as only Spain, Greece and Cyprus fell over this quarter. The best performers in the eurozone over the last two quarters (Q2 and Q3) were Portugal (0.5 and 0.9) and Germany (0.4 and 0.7). In terms of contributing to growth for the eurozone as a whole, it is of course Germany – a much bigger economic heavyweight than Portugal – that is the main driver.

Statistics table

	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Average over the last three months	Same period previous year
Annual variations in %, except where otherwise indicated											
Activity											
Industrial output per working day, in volume	-23.5	-28.3	-25.5	-21.9	-16.0	-22.0	-20.9	...	...	-19.6	-1.2
Construction output per working day, in volume	-0.9	1.7	-0.8	-6.8	-4.0	10.4	3.8	...	...	3.1	-1.8
Turnover by volume of total retail trade	-8.7	-5.4	-0.7	-6.2	-2.4	...	...	...	...	-3.2	0.9
Prices, wages											
Consumer price index (IPCN)	1.2	0.3	0.3	-0.3	-0.3	-0.7	0.2	0.0	0.1	0.1	3.7
Underlying inflation	2.7	2.2	2.3	2.1	2.2	2.0	2.1	2.0	1.9	2.0	2.6
Oil product index	-17.3	-22.7	-23.5	-26.9	-26.7	-28.8	-21.6	-22.2	-20.9	-21.6	20.5
Industrial producer price index	1.6	-1.1	-5.8	-7.7	-10.6	-13.5	-13.0	-13.6	...	-13.4	7.7
Construction price index ¹	3.3	3.3	2.5	2.5	2.5	...	...	...	...	2.5	3.0
Average wage bill, per person (National accounts)	-0.3	-0.3	0.4	0.4	0.4	...	...	...	...	0.4	1.7
Foreign trade											
Exports of goods (volume)	-11.0	-20.3	-30.9	-28.0	-25.4	-22.7	-18.6	...	...	-22.5	-3.5
Imports of goods (volume)	-10.5	-11.2	-25.2	-24.6	-13.7	-24.8	-17.2	...	...	-18.9	0.9
Employment, unemployment											
Domestic number of employees (IGSS)	2.6	2.2	1.9	1.6	1.0	0.7	0.7	0.0	-0.1	0.2	4.9
National employment (IGSS)	1.8	1.8	1.6	1.5	1.2	1.1	0.9	0.7	0.5	0.7	3.3
Unemployment rate (% of working population, seas. adj.)	5.2	5.4	5.5	5.7	5.8	5.8	5.9	5.9	5.9	5.9	4.4

Sources: STATEC

Data grey coloured are estimates

1 Estimations based on half-yearly data

Indicators

	Variation on previous quarter in %					
	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3
Eurozone- Growth in volume of GDP (European Commission)	-0.3	-0.4	-1.8	-2.5	-0.2	0.4
Luxembourg - Growth in volume of GDP (STATEC)	-1.0	-0.4	-2.9	-1.7	-0.3	...
	Annual variation in %					
	2007	2008	Forecast 2009		Forecast 2010	
Luxembourg - Growth in volume of GDP (STATEC)	6.5	0.0	-3.9		2.1	
GDP at current prices for 2008: EUR 39 347 million						
Minimum monthly salary (since 01/03/2009: EUR 1 682.76)	Consumer price index (September 2009) - base January 1 st 1948: 746.43					
Current account balance (2009 - 2nd quarter): EUR -348 million	Half-yearly average of the index linked to base as at January 1 st 1948: 744.35					
Resident population (01/01/2009): 493 500	Estimated deadline for next salary indexation: 3rd quater of 2010					

Service central de la statistique
et des études économiques
B.P. 304
L-2013 Luxembourg
Tel. 247-84219 Fax 46 42 89
E-mail: info@statec.etat.lu
Internet: www.statistiques.lu

For further information:
Bastien Larue
Tel. 247-84339
E-mail: Bastien.Larue@statec.etat.lu
Véronique Sinner
Tel. 247-84228
E-mail: Veronique.Sinner@statec.etat.lu