

# conjoncture flash

May 2009

## Partial unemployment in 2008 and 2009

Partial unemployment is used to avoid redundancies due to economic or structural circumstances and to maintain a satisfactory level of employment during times of economic crisis. There was an exceptional rise in partial unemployment in late 2008 and early 2009. To offset the effects of the recession, the government has decided to adapt the partial unemployment legislation for 2009 and 2010 by changing the methods used to determine unemployment payments and eligibility periods<sup>1</sup>.

### The sharp rise in partial unemployment in late 2008 and early 2009...

Over the first five months of 2009, 87 partial unemployment applications were approved (per month on average) compared to only one over the same period in 2008 (but 21 during the last quarter). As in previous years, the applications were mainly from manufacturers. However, companies in other sectors, some of whom depend on manufacturing, are increasingly making use of this measure. The number of workers affected by partial unemployment has grown from an average of 681 per month in 2008 (2,043 in the last quarter) to 8,126 over the first five months of 2009.

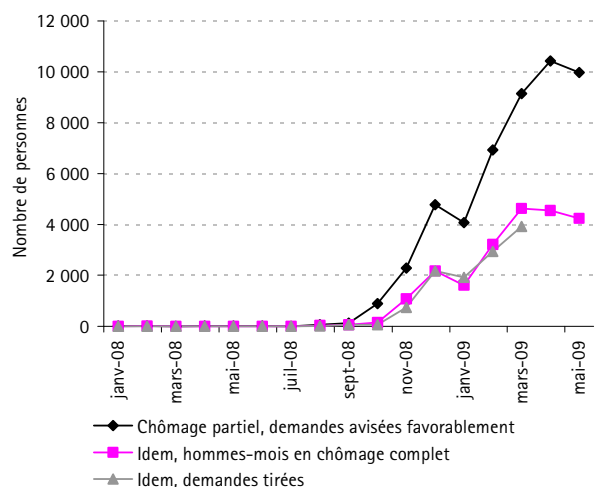
### ...limits the rise in people registering as unemployed

With over 10,000 affected by partial unemployment in April 2009, the beneficial effect of this measure on employment and ordinary unemployment is obvious. However, these figures must be placed in context because they represent all people working in companies that have applied for partial unemployment. They also include cross-border workers, who are not accounted for in calculating the national unemployment rate when they lose their jobs definitively.

Furthermore, it should also be noted that if two people work half-time instead of full-time, both are listed in the partial unemployment figures whereas when only one job is lost through redundancy, only one person is affected. Therefore, the number of people affected by partial unemployment needs to be expressed in terms of equivalent full unemployment. This statistical series has grown from 291 people on average in 2008 (1,131 during the last quarter) to 3,647 people in the first five months of 2009.

### The number of people in partial unemployment rises

Evolution du nombre de personnes en chômage partiel



Sources: Comité de Conjoncture, Ministère du Travail, STATEC

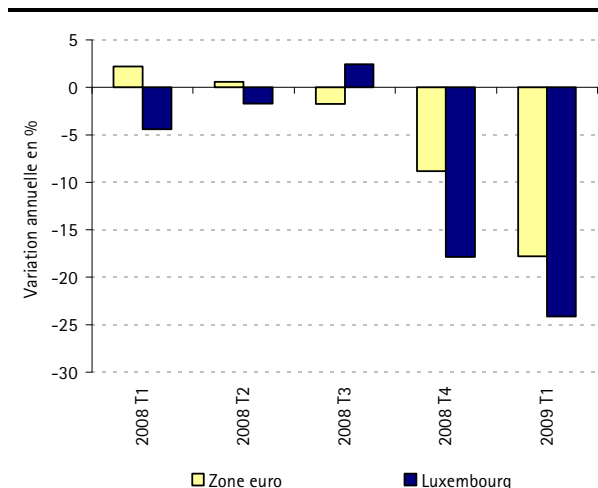
Another mitigating factor for the 10,000 people affected is the proportion of applications actually implemented<sup>2</sup>. Over the past nine years, the average proportion of partial unemployment applications actually implemented was 70%. During the last economic slowdown (2001-2003), the rate of applications implemented was lower – at around 50%. It appears that during times of crisis, more companies apply for partial unemployment as a precautionary measure and do not necessarily make use of all the assistance applied for. However, the data available for late 2008 and early 2009 is as yet insufficient to draw similar conclusions, as companies are given some time to forward the definitive figures. All that can be said is that not all applications will result in partial unemployment payments.

<sup>1</sup> See section in Note de Conjoncture 1-09, pp. 121-122, [http://www.statistiques.public.lu/fr/publications/series/noteConjoncture/2009/note\\_conjonct\\_01\\_09/note\\_conjonct\\_01\\_08.pdf](http://www.statistiques.public.lu/fr/publications/series/noteConjoncture/2009/note_conjonct_01_09/note_conjonct_01_08.pdf)

<sup>2</sup> An application for partial unemployment does not mean that the company will actually implement it.

## Manufacturing

Production par jour ouvrable dans l'industrie



Sources: Eurostat, STATEC (estimation pour mars 2009)

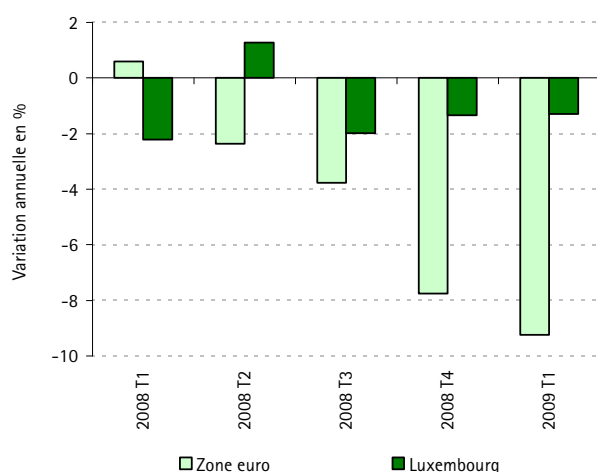
## Output at its lowest during the 1<sup>st</sup> quarter

According to initial estimates, industrial output for the 1<sup>st</sup> quarter of 2009 (working-day adjusted) slowed by almost 25% over one year. Falling output levels were also in evidence in other eurozone countries, where individual companies saw their order books collapse as from the 4<sup>th</sup> quarter of 2008. Output in Germany fell by 20% over the same period, while in Belgium it fell by 18% and in France 16%.

Given the results of opinion surveys carried out among Luxembourg manufacturers, output may have bottomed out during the 1<sup>st</sup> quarter and the outlook seems to point to stabilisation. The same applies to other eurozone countries, where leading output indicators have recovered in recent months. This does not indicate any solid recovery over the short term but only suggest that the volume of activity may have bottomed out.

## Construction

Production par jour ouvrable dans la construction



Sources: Eurostat, STATEC (2009 T1: estimation basée sur janvier et février)

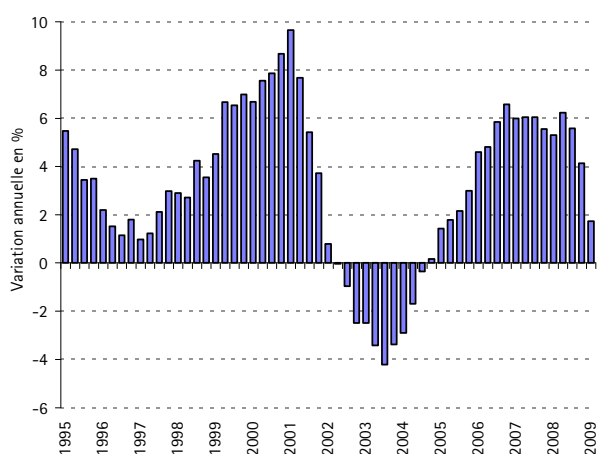
## Luxembourg holds its own

Construction activity has fallen off sharply throughout the eurozone since 2008. During the 1<sup>st</sup> quarter of 2009, output was approximately 10% down on early 2008. Of Luxembourg's closest neighbours, the fall was approximately 12% over one year for Germany in the same quarter (7% for France and 6% for Belgium). The construction sector in Ireland is one of the hardest hit in the eurozone: here, output fell approximately 25% in 2008.

Luxembourg construction seems to have been relatively spared for the moment, although the situation is set to deteriorate over time. Planning authorisations show a slowing trend – and a significant slump in housing – and economic surveys carried out among businesses in this sector have revealed increasing pessimism in recent months.

## Financial sector

Evolution de l'emploi dans les banques (données trimestrielles)



Source: BCL

## Banking employment slows even further

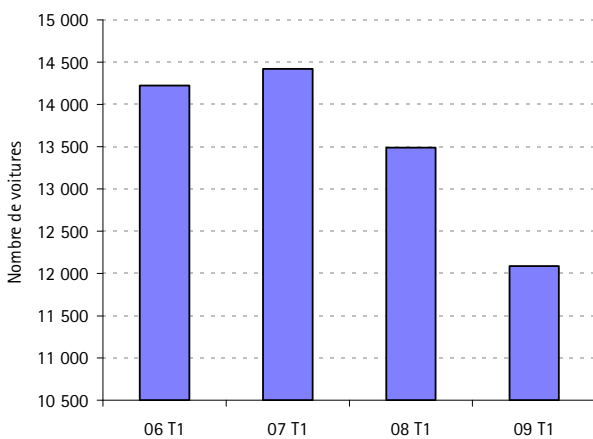
According to provisional data from BCL, banking employment stood at 26,973 in the 1<sup>st</sup> quarter of 2009. Employment is down for the second consecutive quarter (0.9% as against 0.1% during the 4<sup>th</sup> quarter) and the pace of annual growth (see graph) is fast approaching zero.

According to data – also provisional – from banks' profit and loss accounts, personnel costs rose just 0.4% over one year during the 1<sup>st</sup> quarter, compared to a rise of almost 5% for 2008 as a whole.

Given activity trends for 2008, banking employment is more than likely to continue to deteriorate in the coming quarters. Employment in companies dependent on the banking sector will probably also suffer from the effects of downsizing measures undertaken by the banks.

## Consumption

Immatriculations de voitures au cours du 1er trimestre



Source: STATEC

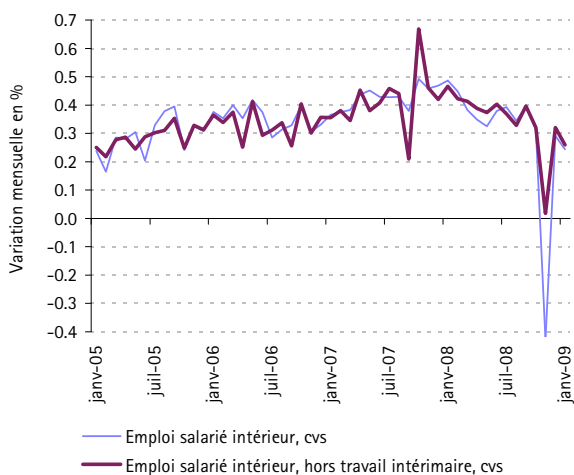
## New car registrations stall

From January to March 2009, new private and commercial car registrations fell approximately 10% compared to the 1<sup>st</sup> quarter of 2008. The results for April unfortunately do nothing to improve this disappointing performance, with registrations falling a further 8% over one year. This data does not bode well for the expected overall result for 2009, given that the first 4 months of the year – coinciding in part with the auto festival – traditionally represent about 40% of total annual registrations.

Throughout the eurozone, car registrations also fell sharply during the 1<sup>st</sup> quarter of 2009 (down 12% over one year). Performance in the various eurozone countries differed widely, mostly due to the implementation of more or less generous support packages (scrappage schemes, etc.).

## Labour market

Évolution mensuelle de l'emploi salarié intérieur, cvs\*



Source: IGSS, calcul STATEC

\*(cvs = corrigé des variations saisonnières)

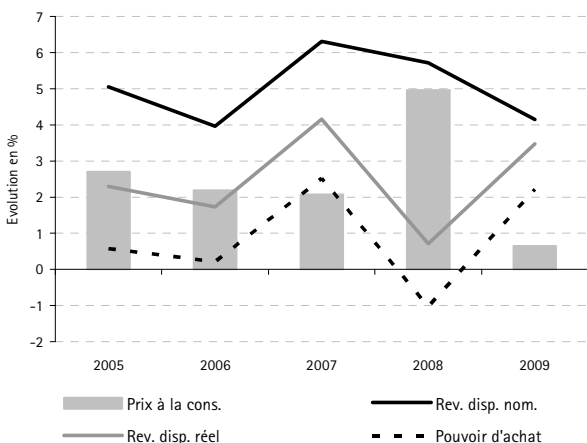
## Slowdown in employment

Domestic paid employment has stalled since late 2007, stabilising at a seasonally adjusted growth rate of between 0.3% and 0.4% in late 2008. However, in November, there was an exceptional fall in employment (down 0.4% over one month), due to a significant drop in temporary workers and the initial impact of the financial crisis.

In January 2009, seasonally adjusted monthly growth remained positive (up 0.24%). However, recent unemployment trends and other leading indicators (economic surveys, temporary employment, banking employment, recourse to partial unemployment, redundancy announcements, company closures, etc.) point to the labour market deteriorating further and employment slowing even further in the coming months.

## Inflation, wages

Pouvoir d'achat et revenu disponible nominal



Source: STATEC

## Purchasing power rises in 2009

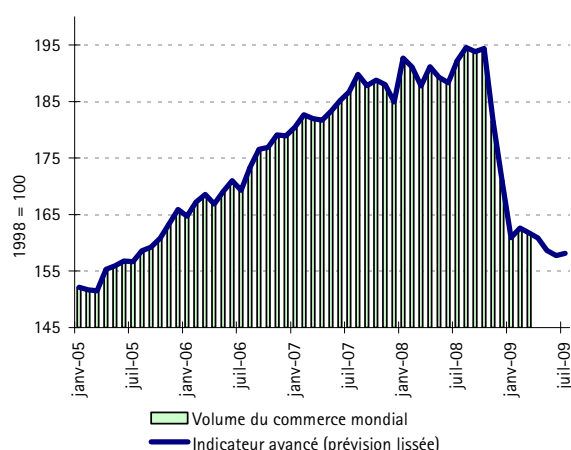
After falling by 1% compared to 2007 in 2008, purchasing power is expected to rise again by 2.2% in 2009.

Purchasing power is determined by deflating the available income per individual by consumer prices. Available income represents wage costs plus welfare benefits, less taxes and social security contributions, while taking into account other items such as rent, company profit-sharing schemes, etc.

The fall in 2008 was mostly due to the sharp hike in consumer prices, nominal available income continuing to rise during this period. This rise is set to continue throughout 2009, mostly due to tax reductions on households. Real available income per capita – or purchasing power – is thus expected to grow by 2.2% in 2009.

## Foreign trade

Evolution et perspectives du commerce mondial



Source: CPB Netherlands Bureau for Economic Policy Analysis

## Global trade stabilises at low levels

The volume of global trade fell sharply in late 2008, due to weakening global demand, i.e. consumer imports and investment for all countries.

The latest data for the 1<sup>st</sup> quarter of 2009 shows that global trade has all but stabilised. As with other economic indicators, this trend seems to indicate that the worst is over or at least that no sizeable deterioration is expected over the next few months.

Over the first half of 2009, global trade is expected to fall by about 15% over one year, with all the negative consequences this involves for air and sea freight.

## Tableau de bord

	août-08	sept-08	oct-08	nov-08	déc-08	janv-09	févr-09	mars-09	avr-09	Moyenne des trois derniers mois	Même période de l'année précédente
Variations annuelles en %, sauf mention contraire											
<b>Activité</b>											
Production industrielle par jour ouvrable, en volume	2.7	0.8	-9.7	-16.0	-24.5	-21.7	-20.5	...	...	-21.8	-2.5
Production dans la construction par jour ouvrable, en volume	-4.6	0.3	-5.3	-2.8	4.7	3.9	-3.9	...	...	1.4	-6.1
Chiffre d'affaires en volume du commerce au total	46.1	71.1	29.5	-19.1	-11.8	...	...	...	...	-2.2	7.9
Idem, commerce de détail hors vente par correspondance	-2.5	-1.6	-1.9	-5.7	-2.6	...	...	...	...	-3.3	0.9
<b>Prix, salaires</b>											
Indice des prix à la consommation (IPCN)	4.0	4.0	3.3	2.0	1.1	0.5	1.2	0.3	0.3	0.6	3.3
Inflation sous-jacente	2.7	2.7	2.4	2.3	2.2	2.4	2.7	2.2	2.3	2.4	2.3
Indice des produits pétroliers	23.3	23.3	15.0	-0.9	-12.7	-21.3	-17.3	-22.7	-23.5	-21.3	20.8
Indice des prix à la production industrielle	7.3	7.1	6.4	4.1	0.2	1.9	1.5	-1.2	...	0.7	1.9
Indice des prix à la construction <sup>1</sup>	3.1	3.1	3.2	3.2	3.2	3.3	3.3	3.3	...	3.3	3.0
Coût salarial moyen, par mois et par personne (IGSS)	2.9	4.7	5.0	3.2	4.0	...	...	...	...	4.0	3.3
<b>Commerce extérieur</b>											
Exportations de biens en volume	-3.1	10.4	2.3	-11.7	-10.7	-24.8	-20.5	...	...	-19.3	7.9
Importations de biens en volume	-16.0	9.2	1.0	2.8	-5.0	-15.8	-12.5	...	...	-11.2	-1.1
<b>Emploi, chômage</b>											
Emploi salarié intérieur (IGSS)	4.8	5.3	4.7	3.9	4.0	3.3	3.2	3.0	2.6	3.0	5.4
Emploi national (IGSS)	3.1	3.6	3.2	2.7	2.8	2.5	2.3	2.1	1.7	2.0	3.3
Taux de chômage (en % de la population active, cvs, ADEM)	4.4	4.4	4.5	4.6	4.8	5.0	5.2	5.4	5.5	5.4	4.2

Source: STATEC

Les données en gris sont des estimations, cvs- corrigé des variations saisonnières

<sup>1</sup>Estimations sur base de données semestrielles

## Repères

	Variation on previous quarter in %					
	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4
Eurozone- Growth in volume of GDP (European Commission)	0.6	0.4	0.7	-0.3	-0.3	-1.6
Luxembourg - Growth in volume of GDP (STATEC)	1.5	0.5	-1.0	0.2	-0.6	-3.6
	Annual variation in %					
	2007	2008	Forecast 2009		Forecast 2010	
Luxembourg - Growth in volume of GDP (STATEC)	5.2	-0.9	-4.0		1.0	
GDP at current prices for 2008: EUR 36 662 million	Minimum monthly salary (since 01/03/2009: EUR 1 682.76)					
Consumer price index (April 2009) - base January 1 <sup>st</sup> 1948: 740.91	Half-yearly average of the index linked to base as at January 1 <sup>st</sup> 1948: 737.23					
Current account balance (2008 - 4th quarter): EUR 260 million	Resident population (01/01/2008): 493 500					

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