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G20

Statistical Update



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EU: HETEROGENEOUS SHOCKS AND RESPONSES ACROSS COUNTRIES

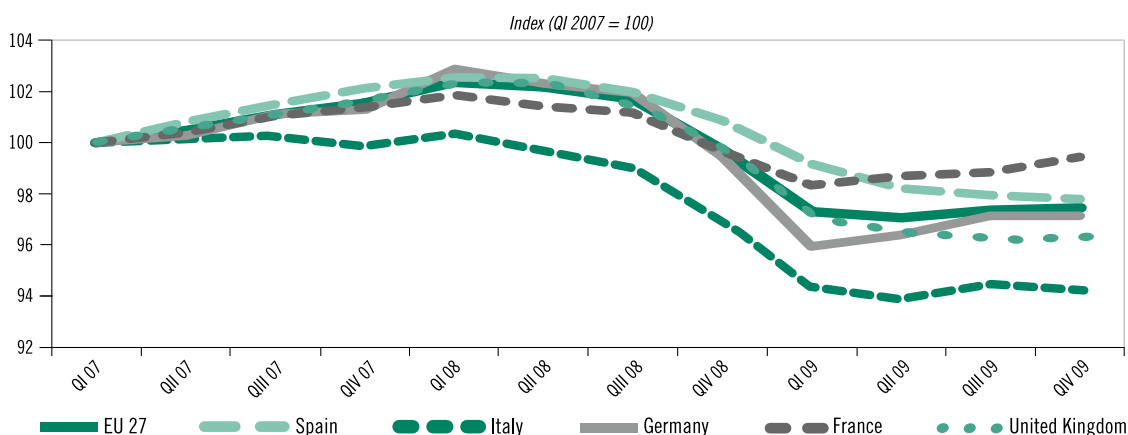
The longest and deepest recession in the EU's history

The European Union (EU) is gradually recovering from the global economic crisis, whilst still facing an uncertain economic outlook. Real GDP for the aggregated 27 countries started to grow again in the

third quarter of 2009, however economic growth in the fourth quarter slowed in many EU economies.

Observing the EU 27, it is clear that the trough in economic activity occurred in the second quarter of 2009, followed by a weak recovery in the subsequent two quarters. In addition, the economies of some large EU countries, such as Spain and Italy, continued to contract through the end of 2009.

Figure 1. EU 27 and five largest economies (France, Germany, Italy, Spain, United Kingdom): Real GDP



The European Economic Recovery Plan (EERP)

- The EERP, endorsed by the European Council in December 2008, aims to provide a framework for a coordinated crisis control policy, while also laying down guidance on principles to govern measures taken at the national level.
- The EERP originally allocated €200 billion (1.5 per cent of EU GDP) to boost demand in full respect of the Stability and Growth Pact.

- The stimulus measures have generally been well targeted to the policy areas identified in the EERP: around 39 per cent allocated to support purchasing power, 16 per cent to support labour markets, 20 per cent for investment and 25 per cent to support businesses.
- Around two-thirds of the implemented measures are temporary, having explicit sunset clauses.

THIS IS PART OF THE STATISTICAL UPDATE SERIES PREPARED BY THE ILO FOR THE G20 LABOUR AND EMPLOYMENT MINISTERS. EACH BRIEF PROVIDES AN OVERVIEW OF THE COUNTRY'S ECONOMIC AND LABOUR MARKET SITUATION AND OUTLOOK. ALL FIGURES HAVE BEEN EXTRACTED IN FEBRUARY AND AT LATEST AS OF BEGINNING OF MARCH 2010. THEY MAY HAVE BEEN REVISED FOR SOME COUNTRIES SINCE THEN.

Table 1. Intensity and duration of the crisis (based on quarterly GDP, seasonally adjusted)

	Duration of GDP contraction									Intensity of the recession	Intensity of the recovery (if any)
Country	QIV-07	QI-08	QII-08	QIII-08	QIV-08	QI-09	QII-09	QIII-09	QIV-09	Change from peak to trough	Change from trough to last available quarter
EU (27)		P					T			-5.2%	0.4%
EU (15)		P					T			-5.4%	0.4%
Belgium			P				T		na	-4.2%	0.7%
Denmark	P						T			-7.2%	0.6%
Germany		P				T				-6.7%	1.2%
Ireland	P						T		na	-10.5%	0.4%
Greece				P				T	na	-1.7%	N/A
Spain		P							T	-4.6%	N/A
France		P				T				-3.5%	1.1%
Italy		P					T			-6.4%	0.4%
Luxembourg		P					T		na	-8.8%	4.2%
Netherlands			P				T			-5.2%	0.8%
Austria			P				T			-4.5%	0.9%
Portugal			P			T			na	-4.2%	1.2%
Finland				P			T			-9.2%	0.3%
Sweden		P							T	-6.8%	N/A
United Kingdom		P						T		-6.2%	0.3%
New member countries											
Bulgaria	Seasonally adjusted data not available										
Czech Republic				P		T			na	-5.0%	1.0%
Estonia	P							T	na	-20.5%	N/A
Cyprus					P			T		-2.7%	N/A
Latvia	P							T	na	-24.2%	N/A
Lithuania			P				T			-16.6%	1.5%
Hungary		P							T	-8.5%	N/A
Malta			P				T		na	-2.9%	0.4%
Poland				P	T					-0.4%	2.8%
Romania			P						T	-9.4%	N/A
Slovenia				P		T				-9.5%	1.0%
Slovakia					P	T				-8.1%	4.9%

Green cells indicate a negative quarter to quarter change.

P: Peak (maximum over the QIV-07 to QIV-08 period).

T: Trough (minimum over the QIV-08 to QIV-09 period).

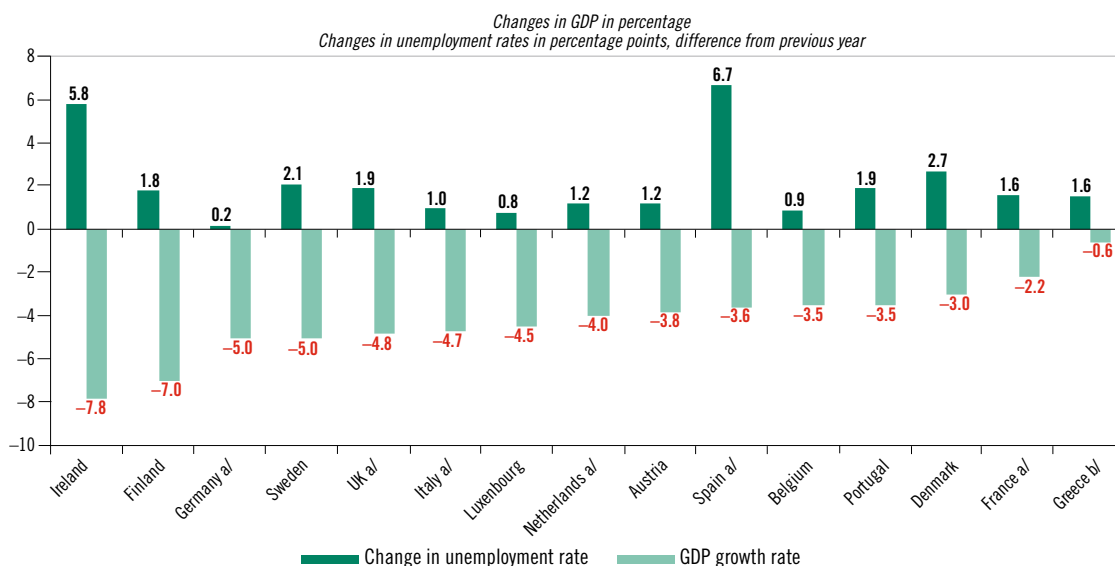
na: Not available.

N/A: Not applicable.

The impact of the crisis on GDP and unemployment: country experiences differ strikingly

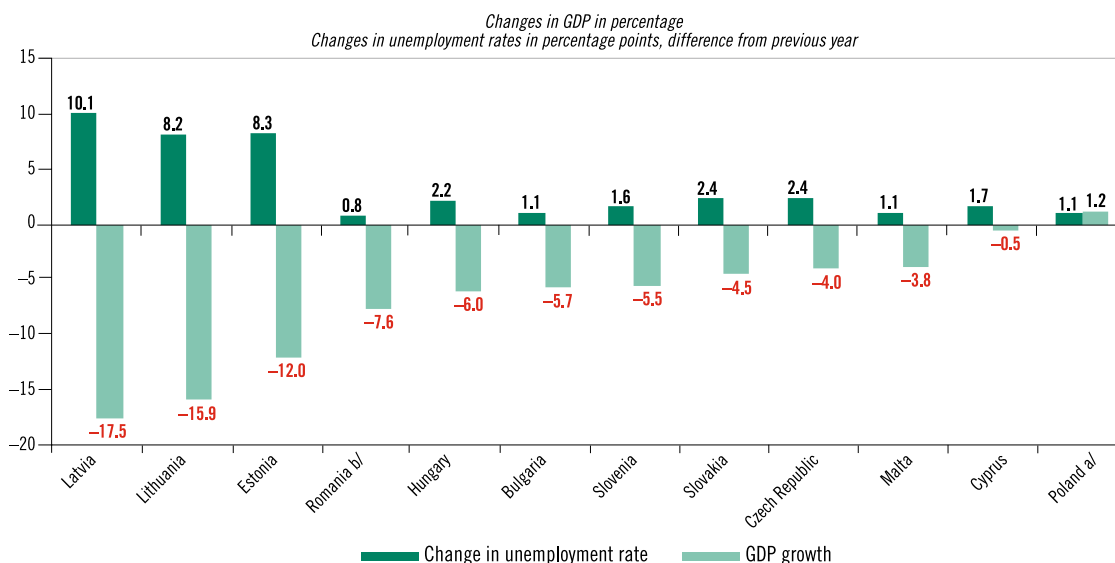
- Within the EU15 group, Ireland and Finland have been especially hard hit by the crisis as compared with other member countries such as Denmark or France.
- Among the 12 recent EU member countries, the Baltic countries (Estonia, Latvia, Lithuania) were the most severely hit, with a double-digit decrease in real annual GDP in 2009 (-17.5 per cent for Latvia) and a recession expected to continue in 2010.
- Poland, and to a lesser extent Cyprus, stand out as having been resilient to the crisis. Poland experienced positive real GDP growth in 2009 (+1.2 per cent), while Cyprus experienced only a mild recession (-0.5 per cent).
- The increase in unemployment has not been proportionate to the decrease in economic activity in all countries: in some countries such as Germany and the Netherlands, the adjustment has occurred more in terms of reduced working hours as opposed to an increase in unemployment.

Figure 2. EU 15: changes in Real GDP and unemployment rate, in 2009



Source: UN for GDP (January 2010), EUROSTAT for unemployment rate.
a/ GDP forecasts by the European Commission, February 2010.
b/ Unemployment rate is based on change from average QI–QIII 2009 vs 2008.

Figure 3. Recent EU member countries (12 countries): Changes in Real GDP and unemployment rate, in 2009



Source: UN for GDP (January 2010), EUROSTAT for unemployment rate.
a/ GDP estimates by the European Commission, February 2010.
b/ Unemployment rate is based on change from average QI–QIII 2009 vs 2008.

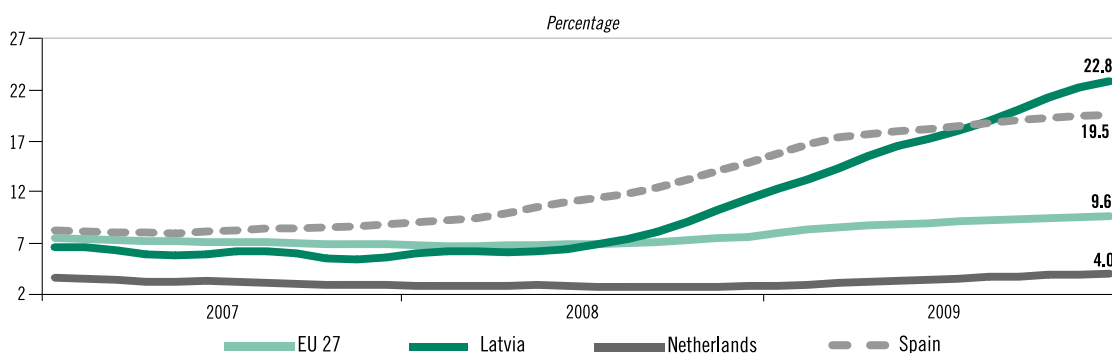
The unemployment rate increased more than two percentage points in the EU27

- The number of unemployed in the EU27 increased by 5.1 million people between the third quarters of 2008 and 2009.
- Baltic countries and Spain recorded the sharpest increases in the unemployment rate. In Latvia, the unemployment rate reached 22.8 per cent of the economically active population. In Spain it reached 19.5 per cent in December 2009. On the contrary, the increase of the unemploy-

ment rate in the Netherlands has been very mild and the country displays an extremely low unemployment rate (4.0 per cent) in spite of a severe crisis (decline in real GDP of around -4.5 per cent in 2009).

- Among the EU15, Spain stands out as having experienced the most severe impact in terms of job losses. The country's construction sector – which accounted for 13 per cent of total employment in Spain in 2009 – has been particularly hard hit by the crisis. More than 620,000 construction jobs, many of them temporary jobs, were lost in Spain between the third quarters of 2008 and 2009.

Figure 4. EU and selected countries (Latvia, Netherlands, Spain): Total unemployment rates, Jan. 2007 – Dec. 2009



Source: EUROSTAT. Seasonally adjusted figures.

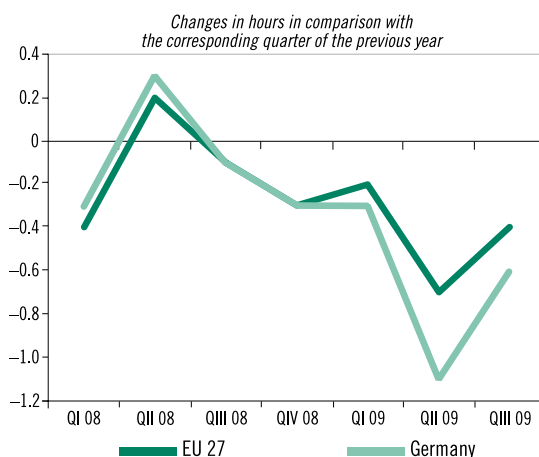
Actual weekly hours of work have declined for the whole EU but country experiences differ

- In many EU countries, labour market adjustment has taken the form of increased part-time employment and reduced working hours, notably

within the context of increased unemployment insurance.

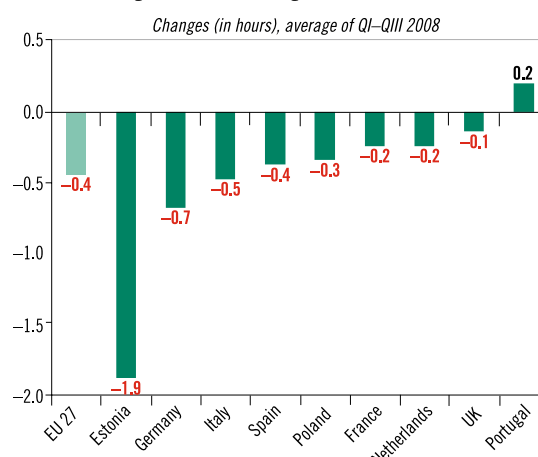
- Among the largest EU economies, Germany has seen the largest decline in working hours. Guaranteed employment through reduced hours of work was a key element in Germany's stimulus package.

Figure 5. EU and Germany: Changes in actual working hours, QI 2008 to QIII 2009



Source: EUROSTAT. Data are not seasonally adjusted.

Figure 6. EU and 9 selected countries: Changes in actual working hours, 2009 vs 2008



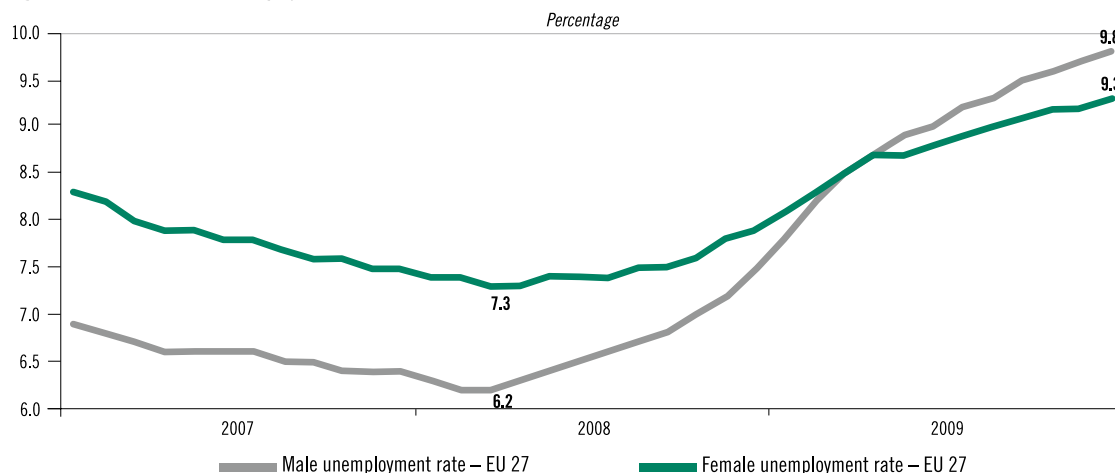
Source: EUROSTAT. Data are not seasonally adjusted.

Unemployment has increased more sharply among males than females

A salient feature of this crisis is the uneven distribution of job losses by gender. Whereas the male

unemployment rate was below the corresponding rate for females before the economic crisis, this situation has since been reversed. This asymmetry is primarily caused by severe job losses in construction and manufacturing, which have a higher proportion of male workers.

Figure 7. Male and female unemployment rates, Jan.2007 – Dec.2009



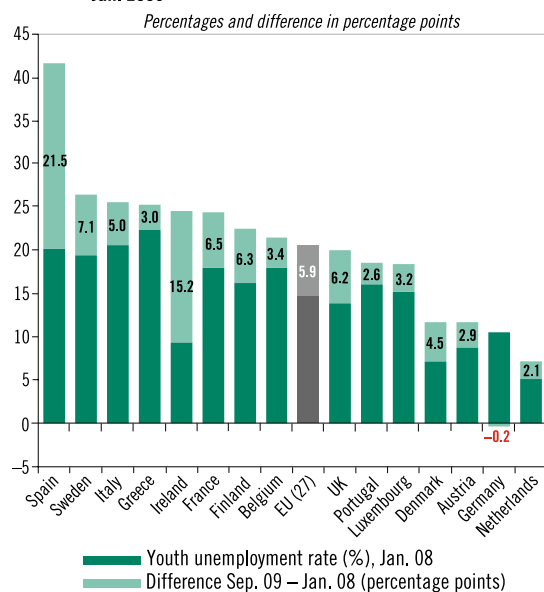
Source: EUROSTAT. Seasonally adjusted figures.

Youth unemployment rates have increased more sharply than adult unemployment rates

Rising youth unemployment is particularly worrisome, with an increase of more than 5.5 percentage points

in the youth unemployment rate in the EU27. The increase is dramatic in Spain, where the youth unemployment rate was estimated at 44.5 per cent in December 2009. Germany and, to a lesser extent, the Netherlands, are exceptions, with only a mild increase in the Netherlands and a decrease in Germany.

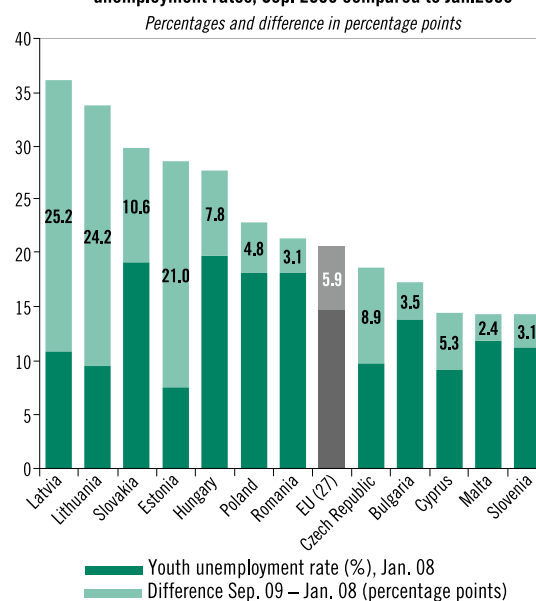
Figure 8. EU 15: Youth unemployment rates, Sep. 2009 compared to Jan. 2008



Source: EUROSTAT. Seasonally adjusted data

Note: The sum of the two bars gives the youth unemployment rate as of September 2009.

Figure 9. Recent member countries (12 countries): Youth unemployment rates, Sep. 2009 compared to Jan.2008



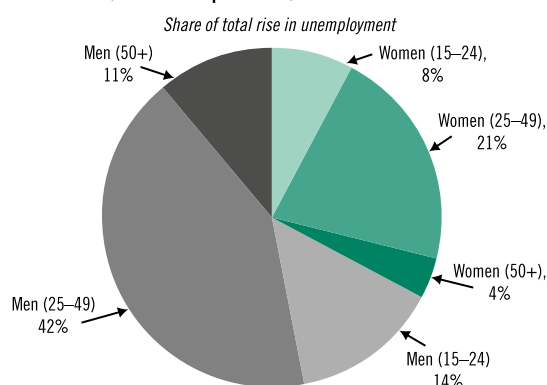
Source: EUROSTAT. Seasonally adjusted data

Note: The sum of the two bars gives the youth unemployment rate as of September 2009.

Overall, the male contribution to the rise in unemployment is estimated at 67 per cent between the third quarters of 2008 and 2009

Male unemployment increased by 3.4 million from the third quarter of 2008 to the same quarter in 2009, out of a total increase of 5.1 million unemployed in the EU.

Figure 10. Contribution to the rise in unemployment by sex and age, QIII 2009 compared to QIII 2008



Source: EUROSTAT. Data are not seasonally adjusted.

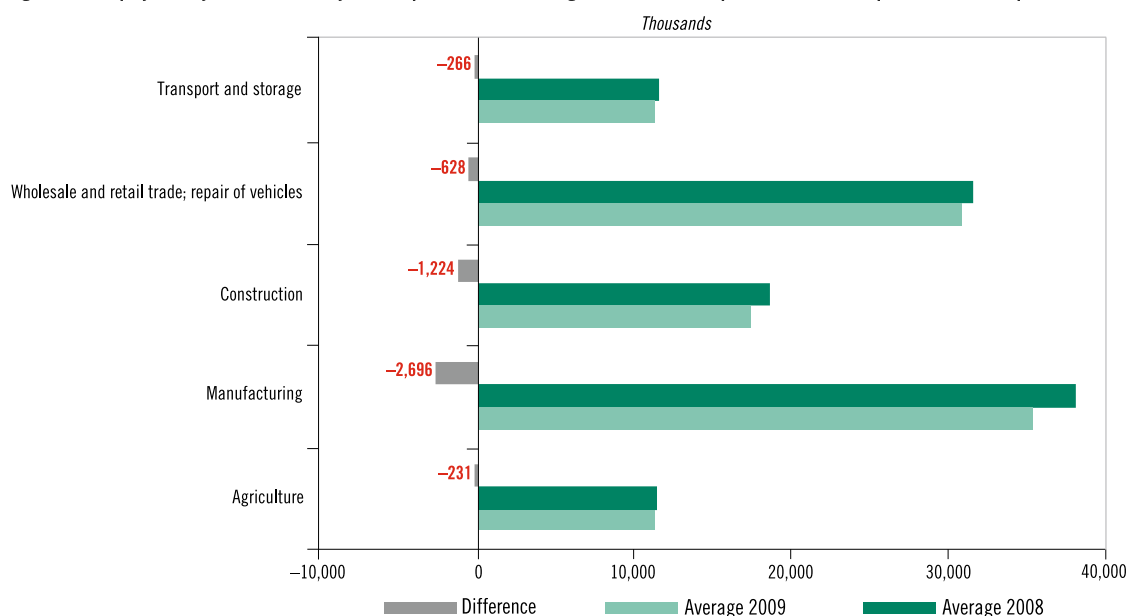
The global collapse of manufacturing employment

- Job losses have not been uniform across all sectors. The five sectors most affected by the crisis have been manufacturing (-2.7 million), construction (-1.2 million), wholesale and retail trade; repair of vehicles (-628,000), transportation and storage (-266,000) and agriculture (-231,000). These five sectors accounted for more than 5 million job losses.
- When looking at employment figures by country for the same period, the global collapse

of employment in manufacturing stands out. At the top of the list is the United Kingdom (-564,000), Spain (-456,000), Italy (-195,000) and Germany (-193,000).

- As for employment in construction, the situation is different: Poland has remained resilient while Spain carried much of burden of lost employment in the sector (-627,000), followed by the United Kingdom (-234,000).
- The situation would have undoubtedly been worse in these sectors had it not been for individual stimulus packages.

Figure 11. Employment by economic activity, most exposed sectors. Average of the first three quarters of 2009 compared to the same period in 2008

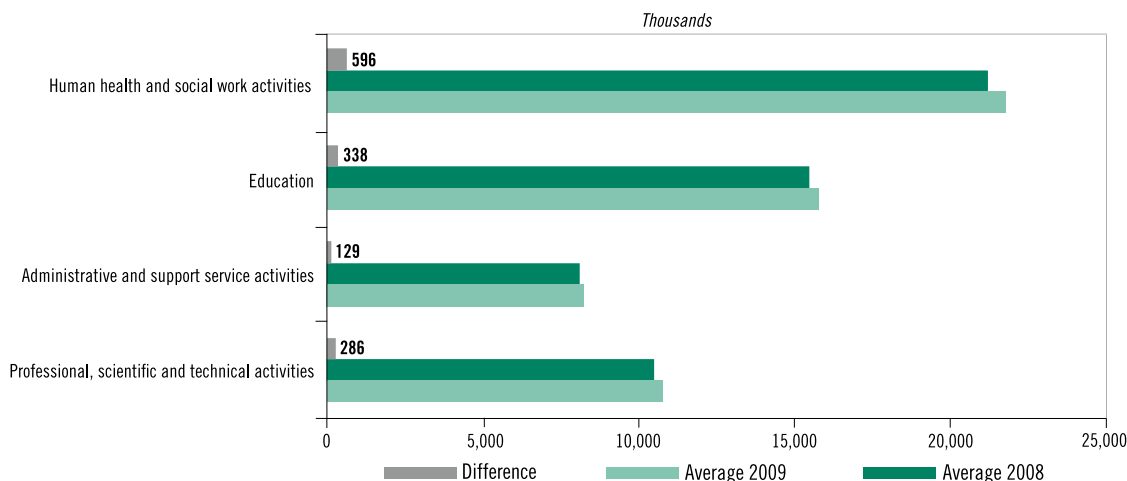


Source: EUROSTAT. Data are not seasonally adjusted. Based on NACE rev. 2.

Employment in public sectors has increased

- All large EU countries have recorded net employment creation in “human health and social work activities” (education, healthcare, administration) over the same period. The United Kingdom comes first (+162,000 jobs), followed by Germany (+151,000), France (+101,000) and Spain (+78,000).
- The education sector is more varied among countries. The United Kingdom has the highest net employment creation (+252,000), followed by Poland (+47,000). On the contrary, France has recorded net job losses (-35,000) in the sector during the same period.

Figure 12. Employment by economic activity, sectors with net employment creation. First three quarters of 2009 compared to the same period in 2008

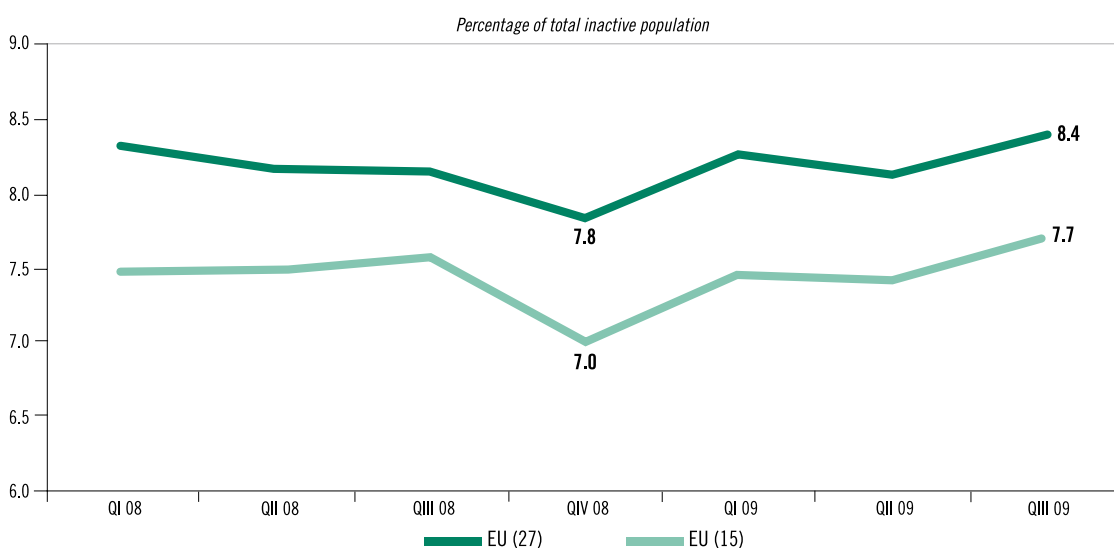


Source: EUROSTAT. Data are not seasonally adjusted. Based on NACE rev. 2.

Discouragement has increased

- As a whole, the share of discouraged workers increased during 2009 reaching a peak in the third quarter. The share is estimated to be 8.4 per cent of the total inactive population. Yet, there are discrepancies between countries.
- In Estonia, for example, the rate has increased by approximately 3 percentage points, reaching roughly 13.2 per cent. In Germany and Sweden, the rate of discouragement is lower but is on a steady increase. Italy showed a small decrease, yet starting from a very high rate of discouragement (15.4 per cent as of early 2008).

Figure 13. EU 27 and EU 15: Discouraged workers, QI 2008 – QIII 2009

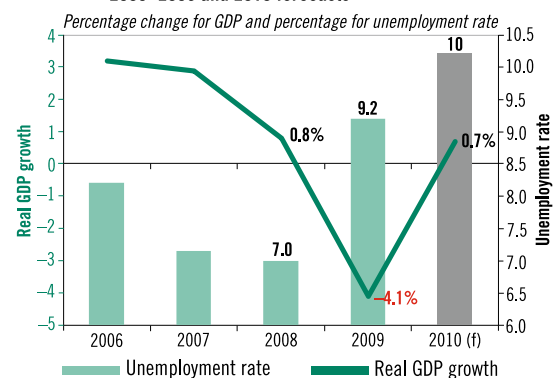


Source: EUROSTAT. Data are not seasonally adjusted.

Outlook in the EU

- The economic recovery in the EU is expected to be weak in 2010 (growth projected to expand by 0.7 per cent) and the unemployment rate is expected to be 10 per cent, although there will be substantial variation at the country level.
- The recession is expected to persist in 2010 in several countries such as the Baltic countries but also in Ireland, Spain and Greece.
- Even in many countries which are showing signs of recovery, unemployment is expected to increase further.

Figure 14. Real GDP and unemployment rate, 2006–2009 and 2010 forecasts



Sources: UN World Economic Situation and Prospects 2010 (January 2010) for unemployment rates, European Commission (25 Feb. 20120) for GDP. Unemployment data are standardized by the OECD and EUROSTAT for comparability among countries and over time in conformity with the ILO definitions.