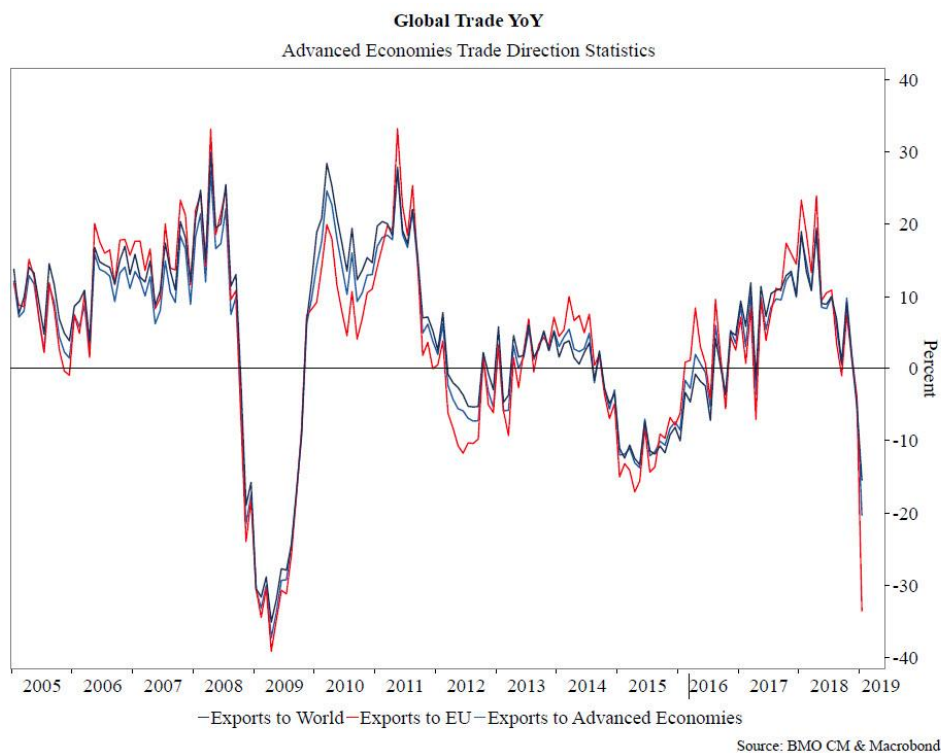
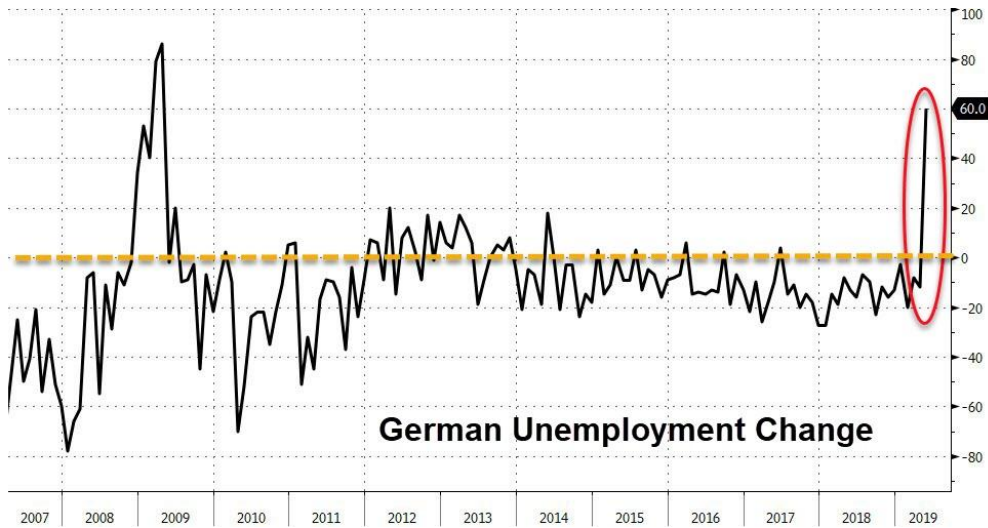


German Unemployment Explodes Most Since Financial Crisis, Sending Bund Yields Near Record Lows

With China failing to spark a global reflationary wave, prompting fears that Beijing's record credit injection to start 2019 was for nothing and a repeat of the Shanghai Accord won't take place, coupled with collapsing global trade, which we noted earlier this month...



... on Wednesday Germany reported that its economy appears to have finally hit major pothole as German unemployment unexpectedly surged for the first time in almost two years as the economic slowdown finally started to take a toll on the labor market, according to Bloomberg. Specifically, in May the number of people out of work climbed by 60,000 compared with economists' forecasts for a decline of 8,000, while the jobless rate also increased to 5% from a record-low 4.9%.



According to Germany's Federal Labor Agency about two-thirds of the increase was due to reclassification of some people in the statistics, however it also blamed a slowdown in Europe's largest economy.

"We are seeing the first signs of a weakening economy on unemployment," it said on Wednesday. It added that demand for new employees is still at a high level, but is softening.

This provided further impetus to buy German bunds, pushing the yield on the benchmark paper further below zero, to a near-record -0.167%.



Until recently, continued strength in Germany's labor market helped boost consumer spending and support the economy. However, a turnaround in fortunes could be very damaging for Europe's largest economy, given ongoing weakness in manufacturing and the auto industry, as well as trade tensions that threaten to hit exports. Business confidence plunged this month to the weakest in more than four years.



Naturally, should German growth suddenly hit a brick wall it would have dramatic consequences for the entire Eurozone.

As Bloomberg notes, “a turnaround in fortunes could be very damaging, given ongoing weakness in manufacturing and the auto industry, as well as trade tensions that threaten to hit exports.”

Source:

<https://www.zerohedge.com/news/2019-05-29/german-unemployment-explodes-most-financial-crisis-sending-bund-yields-near-record>

[Disclaimer]