

# OECD report: German jobless to top 5 million in 2010

Ludwig Weller  
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Official forecasts about Germany's economic decline are being revised ever more rapidly. The international financial and economic crisis is having a far worse effect than had so far been expected. On Tuesday, the Organisation for Economic Co-operation and Development had to lower its economic forecast for Germany again. A special report prepared for the G-20 summit meeting anticipates German economic performance falling by 5.3 percent. In November, the OECD had forecast the decline would be 0.9 percent.

Unemployment rose again in March, to 3.6 million, reaching 8.6 percent. Ever since unemployment statistics have been collected there has never been a rise recorded for the spring month of March.

The Federal Agency for Work (BA) announced this week that German companies had registered 1.6 million employees for short-time working between November 2008 and February 2009. This is 26 times the figure registered in the same period last year. BA is expecting a new record number of registrations for short-time working in March, with 680,000 to 740,000 applications.

The OECD report anticipates a drastic rise in unemployment in 2009, which will also continue into 2010. OECD economist Klaus Schmidt Hebbel said: "According to our prognosis, unemployment will rise to 11.5 percent in 2010 and will thus exceed the 5 million mark."

The OECD also expects Germany will face a rapid increase in the national debt. The state deficit will rise this year to 4.5 percent and to 6.8 percent in 2010.

Unemployment is expected to rise sharply in all OECD member states without exception in the coming months, reaching a high point at the beginning of 2011. The OECD anticipates that unemployment in the seven

largest industrial nations (G7) will reach 36 million by the end of the coming year—about twice as many as in mid-2007.

An analysis by the Commerzbank forecasts that things could become even worse, with economic performance in Germany shrinking in the current year by up to 7 percent.

The experts at Germany's second largest bank had previously anticipated an economic decline of between 3 and 4 percent. The latest figures cited in the Commerzbank report show that "orders and production data published for January have dramatically collapsed, in a way that is without example in German post-war history."

This unexpectedly strong decline in orders has "pulled the ground away" from under previous forecasts, explained Jörg Krämer, an economist with Commerzbank. In comparison to the already very poor fourth quarter of last year, growth has decreased by around 1.5 percent. Projecting this figure forward for the year, Krämer was expecting a decline of 6 percent. But the "collapse in orders" of the past weeks indicates that industrial production will continue to fall and the numbers could end up being even worse than feared.

The World Trade Organization (WTO) last week anticipated a fall in world trade by 9 percent, which would be the largest decrease since the end of the Second World War. World trade had already slowed down drastically in the second half of 2008. Germany's high dependency on exports means it is hard hit by this development. The German foreign trade federation expects a fall in exports this year of up to 15 percent—nearly twice as high as had been previously been estimated.

In view of this development, living conditions for large sections of the population are worsening

dramatically. The election to the Bundestag (federal parliament) in September will take place under conditions of ferocious social conflict and class battles.

This is also clear to some journalists. A recent comment in the *Süddeutsche Zeitung*, published March 25, ran under the headline, "The Crash Approaches." The article states, "Germans are not yet feeling the economic slump—but that will soon change." The "bitter facts" can no longer be denied: "The year 2009 will be truly catastrophic."

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The discrepancy between how the "crisis is felt and the dramatically bad economic data" will soon pass, the article noted. "In a few months, the crisis will completely engulf the jobs market. Hundreds of thousands will become unemployed. The number of unemployed could grow by more than 1.5 million by the end of 2010. In many households that are presently reacting calmly to the crisis, despair will prevail."

Controversy has broken out inside the government coalition about how the burden of the crisis can best be shifted onto the backs of working people. Representatives of the leading trade associations and their close allies in the Christian Democratic Union/Christian Social Union (CDU/CSU) and the Free Democratic Party (FDP) are determined to implement a further redistribution of wealth from those at the bottom to those at the top. They want to exploit the crisis and mass unemployment in order to lower wages and substantially worsen working conditions. The Agenda 2010 "reforms" first introduced under the previous Social Democratic-Green Party coalition under Gerhard Schröder and Joschka Fischer—low wages, cuts in welfare and mass poverty—are to be continued under all circumstances.

Chancellor Angela Merkel (CDU) and one section of the CDU/CSU consider such a confrontational course at this time to be too risky. They fear social protests and class battles, which could only be kept under control with difficulty. They are seeking to win time until the elections.

The Social Democrats are trying to exploit the controversy inside the CDU/CSU for their own electoral purposes. The same party that implemented cheap wage labour and massive cuts in welfare in an alliance with the Greens is now complaining about

rising unemployment and mass misery. This is despite the fact that for the last 10 years the employment and finance ministers have come from the SPD, which is now part of the grand coalition with the CDU.



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