

# Global economic slowdown hits Germany

**Elizabeth Zimmermann****12 July 2012**

The global capitalist crisis is increasingly affecting the German economy. In recent months, there has been a wave of company bankruptcies, plant closures and job losses in both the industrial and the services sectors. International institutions such as the International Monetary Fund (IMF) as well as German economic institutes are warning of economic slowdown and rising unemployment.

The number of bankruptcies and workers affected by redundancy has increased sharply since the beginning of the year. According to the Creditreform credit agency, the financial losses accrued due to insolvencies between January and June of this year amount to 16.2 billion euros -- an increase of 55 percent over the same period last year. Over 150,000 workers have either lost their jobs or face the threat of redundancy due to such insolvencies. This represents an increase of 40,000 compared to the figure for the first half of 2011.

The recent insolvency of the Schlecker drug store chain with the loss of nearly 30,000 jobs is one of the largest German corporate failures in recent times. Thousands of more workers have lost their jobs due to the insolvencies of the Manroland printing press manufacturer, the Müller bakery chain and several recently founded solar technology companies.

Last week, the truck manufacturer Iveco announced plant closures and restructuring at its plants in Europe. German Telekom also plans job cuts, with half of the 3,000 jobs at the company's headquarters in Bonn to be wiped out. The public television channel ZDF is planning to reduce its staff by 100 this year, and 300 by 2016. This represents one in 12 of the 3,600 permanent jobs at the channel.

Experts believe this is only the beginning. Earlier this

week, the IMF warned that further shocks in the euro area would lead to a massive economic slump in Germany. The German economy depends very heavily on exports. In the fourth quarter of 2011, exports amounted to 50.6 percent of total economic output. "A deepening recession in Europe and a significant slowdown in growth in Southeast Asia would hit Germany hard", an IMF official declared.

The crisis in the German export industry is already noticeable. The Federal Statistical Office reported a decline in exports for April. The decline in exports is largely due to a reduction in demand for German goods by European countries heavily affected by the euro crisis.

The DIW (German Institute for Economic Research) unveiled its summer forecast, saying: "The crisis in the euro area is impacting on the German economy." It expects economic growth of just 1 percent in 2012 and a slight decrease in employment.

The chairman of the Employers Association, Gesamtmetall, Martin Kannegiesser, told the daily *Die Welt*: "If uncertainties about the future development exist, then investment stops in the first place or is postponed. This phase has now begun. ... Sooner or later we will feel the crisis even more. That time is approaching."

In June, Siemens finance chief Joe Kaeser reported to US analysts on the economic development and profit prospects of the company, predicting a "rocky road ahead". These and similar statements are a sure sign that plans are being drawn up in the boardrooms and personnel departments of many companies for further cuts and job losses.

At the end of June, the *Süddeutsche Zeitung* poverty. This reported of 2.6 million young people. that the Salzgitter steel manufacturer expects to rack up losses this year. The reason is the growing economic worries of important customers. According to a steel manager "huge uncertainty" prevails in the auto industry and the situation in engineering is even worse: "There are all the indications of a storm brewing for the auto industry."

In the first four months of this year, orders for the engineering industry fell by eight percent compared to a year earlier. Orders from the euro zone actually fell by twelve percent.

The steel group ThyssenKrupp is already contemplating shorter working hours for thousands of steel workers. A final decision will be made in two to three weeks. Even the world's largest steel company, Arcelor-Mittal, has been hard hit by the decline in demand, particularly from the highly indebted countries of southern Europe. As a possible countermeasure, Arcelor Mittal plans to make cuts of 25 percent from its administrative costs.

Currently, Germany's official unemployment rate of 6.6 percent is below the European average. The decline in unemployment in Germany has stalled, however and seasonally adjusted unemployment in June rose by 7,000 compared to May.

At the same time, the official jobless figures wildly underestimate the real level of unemployment. Millions of underemployed workers are not included in the statistic, which also fails to include those unemployed persons who do not claim benefits.

This latter category includes many young people. The official rate of unemployment among young people in Germany is 7.9 percent and far below the record rates of over 50 percent recorded in Greece and Spain. But those German teenagers who work are particularly affected by the spread of precarious, insecure jobs and low incomes.

According to the study "Social Monitor Youth Poverty," one in five of Germany's 13 million young people between the ages of 14 and 27 is threatened by



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