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German unemployment drops as economy recovers

LUXEMBOURG: German unemployment unexpectedly fell in June amid signs a recovery in Europe's biggest economy is on track even as the euro area struggles to emerge from its longest ever recession.

The number of people out of work dropped by a seasonally adjusted 12,000 to 2.94 million, after a revised gain of 17,000 in May, the Nuremberg-based Federal Labour Agency said yesterday.

Economists predicted a June increase of 8,000, according to the median of 35 estimates in a Bloomberg News survey.

The adjusted jobless rate was at 6.8%, matching the two-decade low registered for most of last year.

May's rate was revised to 6.8% from 6.9%.

"The jump in May was something of a dis-

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— DAVID MILLEKER

tortion, so there should be a correction" said Ulrike Rondorf, an economist at Commerzbank AG in Frankfurt before the data was published.

"The labour market as a whole is doing well, considering the significant economic slowdown over the winter."

The Ifo institute's measure of German business confidence rose for a second month in June, while the ZEW Centre for European Economic Research in Mannheim said its index of investor and analyst expectations, which aims to predict economic developments six months in advance, increased.

German industrial output jumped 1.8% in April from March as construction activity rebounded following winter temperatures that lasted longer than usual and postponed work.

The economy expanded just 0.1% in the first quarter of 2013 as the 17-nation euro area, Germany's biggest trading partner, remained mired in recession.

The currency bloc's gross domestic product has contracted for the past six quarters.

The Bundesbank on June 7 cut its projections for Germany.

The Frankfurt-based central bank expects gross domestic product to expand 0.3% in 2013 and 1.5% next year, down from earlier forecasts of 0.4% and 1.9%.

Signs of a slowdown in the summer months are emerging, the central bank said June 17 in its monthly report.

"The economy is overall leaving the effects of the sovereign debt crisis behind, even if at a slower pace due to weather effects," said David Milleker, chief economist at Union Investment GmbH in Frankfurt.

"The German economy is on track and the labour market numbers are very solid." — Bloomberg