

On the Results of the Labour Force Survey in Q2 of 2021

Compared to Q1 of 2021, the number of employees has increased by 8.4 thousand

According to the Labour Force Survey of the Central Statistical Bureau (CSB), in Q2 of 2021, 861.6 thousand people aged 15-74 were employed, which was 3.4% or 30.5 thousand less, compared to the corresponding period last year. However, compared to Q1 of 2021, the number of employees has increased by 8.4 thousand (i.e., by 1%), representing the largest quarterly increase in employment since the beginning of the Covid-19 pandemic crisis.

In Q2 of 2021, the employment rate among the population aged 15 to 74 increased to 62.3%, rising by 0.7 percentage points, compared to Q1 of 2021. At the same time, a significant decline on an annual basis in the share of

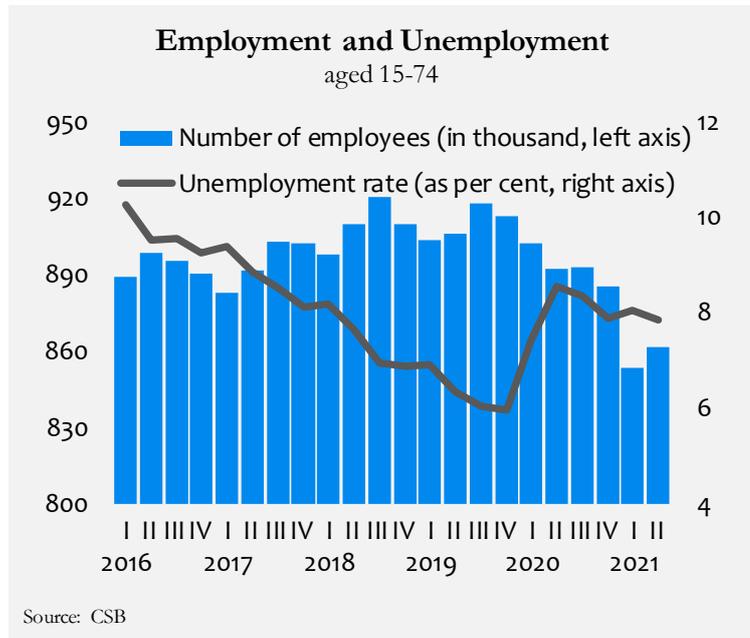
the employed population was observed. In Q2 of 2021, the employment rate was 2.6 percentage points lower, compared to the corresponding period last year (i.e., 64.1%). However, compared to the peak pre-crisis level, employment rate has declined by 3.1 percentage points. Overall, the employment rate in Latvia in the second quarter remained significantly lower than in the neighbouring countries. In Estonia, the share of the employed population in the second quarter reached 65.8% of the total population aged 15-74. However, in Lithuania the employment rate reached 64.8%.

Unemployment has been steadily declining since mid-2020. The unemployment rate decreased to 7.9% in the second quarter of 2021, which is 0.7 percentage points lower, compared to the corresponding period last year (i.e., 8.6%). However, compared to Q1 of 2021 (i.e., 8.1%), the unemployment rate has declined by 0.2 percentage points.

Overall, in Q2 of 2021, 73.4 thousand people aged 15-74 were in search of work, which is by 1.7% (i.e., 1.3 thousand) less, compared to Q1 of 2021. However, compared to the corresponding period last year, the number of people actively looking for a job has declined by 12% (i.e., 10.1 thousand). Nevertheless, the unemployment rate in Latvia in the second quarter remained higher than in Lithuania (i.e., 7.4%) and Estonia (i.e., 6.9%).

It should be noted that demographic processes in Latvia still have a significant impact on unemployment rates - a decrease in the working age population, which has a negative effect on the total labour supply (i.e., economically active population). In Q2 of 2021, compared to the corresponding period of the previous year, the economically active population aged 15-74, decreased by 40.5 thousand (i.e., by 4.2%) - to 935.1 thousand, thus remaining close to the historically lowest level. Given the gradual decline in labour supply, alongside overcoming the effects of the crisis and promoting employment, the shortage of skilled labour has become an increasingly significant problem, especially in the less affected and growing sectors.

It is anticipated that the overall situation in the labour market will continue to improve in the second half of the year, which will contribute to the growth of new jobs and reduction of unemployment. It should also be borne in mind that it may become increasingly difficult to find qualified professionals, especially in sectors such as construction and manufacturing, which may be exacerbated by regional



labour market disparities. At the same time, it should be noted that uncertainty regarding the global economic recovery remains elevated. Consequently, the further development of the situation both in Latvia and in the world will largely depend on the epidemiological situation.

According to the forecasts of the Ministry of Economics, the number of employees in 2021 could decline by 2.5%, compared to the last year. However, unemployment rate is anticipated to fall to an average of 7.5 percent.