

On the Results of the Labor Force Survey in Q3 of 2021

In Q3 of 2021, unemployment rate declined to 7.2%

According to the Labor Force Survey of the Central Statistical Bureau (CSB), in Q3 of 2021, 876.9 thousand people aged 15-74 were employed (i.e., by 1.8% or 15.9 thousand less, compared to the corresponding period last year). At the same time, compared to Q2 of 2021, the number of employees has increased by 15.3 thousand or 2%, representing the most significant quarter-on-quarter increase in employment since the beginning of the Covid-19 pandemic crisis.

In Q3 of 2021, the employment rate among the population aged 15 to 74 rose to 63.5% (i.e., 1.2 percentage points higher, compared to Q2 of 2021).

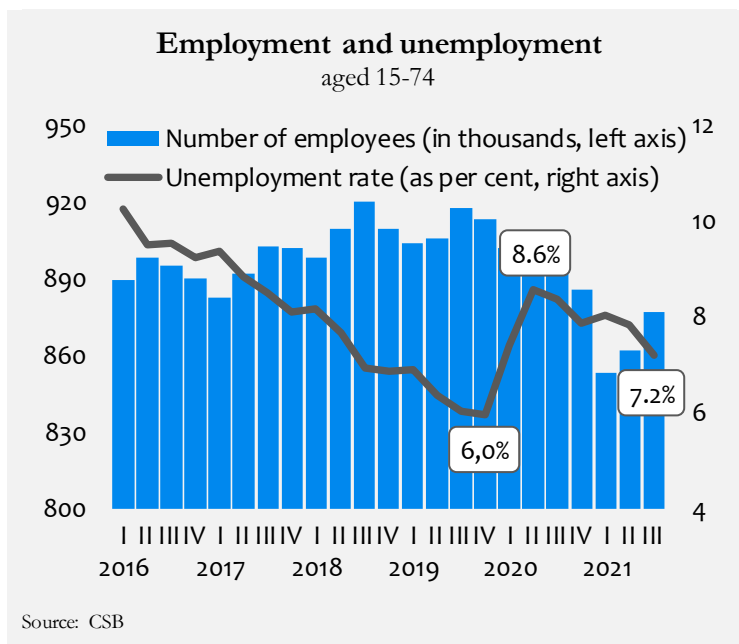
At the same time, the share of the employed population is still declining on an annual basis. In Q3 of 2021, compared to the corresponding period last year, the employment rate declined by 0.7 percentage points, reaching 64.3%. However, compared to the highest pre-crisis level (i.e., Q3 of 2019) it lags behind by 2.1 percentage points. Overall, in Q3 of 2021, the employment rate in Latvia remained significantly lower than in the neighbouring countries. In particular, the share of the employed population aged 15-74 in Estonia and Lithuania reached 67.4% and 66%, respectively.

Unemployment has been steadily declining since mid-2020. In Q3 of 2021, unemployment rate declined to 7.2%. Compared to the corresponding period last year, it decreased by 1.2 percentage points (8.4%). However, compared to Q2 of 2021, the unemployment rate declined by 0.7 percentage points (7.9%).

Overall, in Q3 of 2021, 67.9 thousand people aged 15-74 were in a search of work, which is by 7.5% (5.5 thousand) less than in Q2 of 2021. However, compared to the corresponding period last year, it represents a decline by 16.6% (i.e., 13.5 thousand). At the same time, the unemployment rate in Latvia remained higher than in Lithuania (6.7%) and Estonia (5.7%).

It should be noted that demographic processes in Latvia still have a significant impact on unemployment rates. In particular, a decrease in the working age population negatively affects the total labor supply (i.e., the number of economically active population). In Q3 of 2021, compared to the corresponding period last year, the number of economically active population aged 15-74 decreased by 29.4 thousand (i.e., by 3%) to 944.8 thousand. **Given the gradual decline in labor supply, alongside overcoming the effects of the crisis and promoting employment, the shortage of skilled labor has become an increasingly significant problem, especially in the less affected and growing sectors of the economy.**

Jānis Vitenbergs: “The latest employment and unemployment indicators reveal that the labor market has largely overcome the deepest point of the Covid-19 pandemic crisis and has gradually adapted to new conditions. At the same time, with declining unemployment, increasingly more sectors of the economy are experiencing problems of labor shortages, which in turn poses structural risks to the future growth. Against this background, it is vitally important to speed up the retraining and more rapid return to work of those who lost their jobs during the crisis,



especially in those sectors that are currently experiencing the greatest labor shortages, such as information and communication services, construction, and manufacturing. "

Labor market activity is anticipated to be slightly lower in the last quarter of the year, driven by both the measures adopted to contain the Covid-19 pandemic and the impact of seasonality on the labor market. The return of activity in the labor market is expected with the onset of next spring-summer season, which will boost job creation and further decline in unemployment, making it increasingly difficult to find skilled workers, especially in sectors such as construction and manufacturing. Persistent regional labor market disparities may further aggravate the situation. At the same time, 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, in 2021, the total number of employees is forecast to decline by 2.5%. However, the unemployment rate is anticipated to decrease to an average of 7.5 percent.