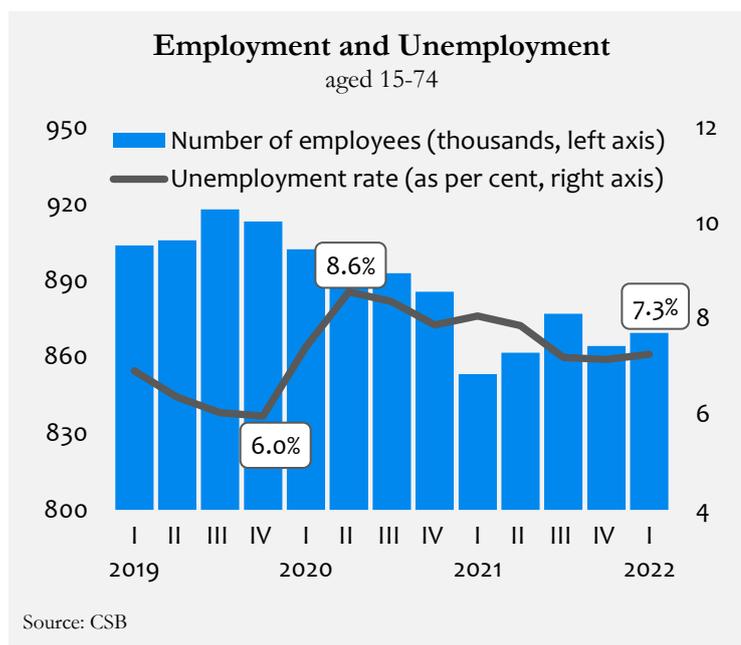


On the results of the Labor Force Survey in Q1 of 2022

In Q1 of 2022, the labor market continued to recover from the Covid-19 pandemic crisis

According to the Labor Force Survey of the Central Statistical Bureau (CSB), in Q1 of 2022, 869.3 thousand people aged 15-74 were employed. **Compared to the Q1 of 2021, the number of employees has increased by 1.9% or 16.1 thousand**, representing the most significant quarterly increase in employment since 2018. The increase in the number of employees can primarily be attributed to the low base effect. In Q1 of 2021, the number of employees reached its lowest level during the Covid-19 crisis and with the return of economic activity, the demand for labor and the number of employed people also increased significantly. Despite rapid employment growth, employment remains well below pre-crisis levels. In Q1 of 2022, the number of employees was more than 34 thousand (i.e., 3.8%) less, compared to the pre-crisis level of Q1 of 2019.



Along with the absolute increase in the number of employees, the share of the employed has also increased. In Q1 of 2022, the employment rate among the population aged 15 to 74 increased to 63.2% - i.e., 1.6 percentage points higher, compared to Q1 of 2021. However, it still lags behind the pre-crisis level (i.e., Q1 of 2019) by 1.2 percentage points. Overall, in Q1 of 2022, 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 was 69% and 65.2%, respectively.

Unemployment has continued to decline since mid-2020. In Q1 of 2022, **the unemployment rate decreased to 7.3%**, which was 0.8 percentage points lower, compared to the corresponding period last year (8.1%). Overall, in Q1 of 2022, 68 thousand people aged 15-74 were in search of work, which is 9% (6.7 thousand) less, compared to Q1 of 2021. The unemployment rate in the first quarter of 2022 remained higher than in Lithuania (6.4%) and Estonia (5.5%).

Along with the improvements in the epidemiological situation and the resumption of activities in the labor market, **the economic activity or participation in the labor market has also increased significantly**. In Q1 of 2022, the level of economic activity of the population increased to 69.7% and was 2.7 percentage points higher, compared to the corresponding period last year. Overall, the economic activity of the population has returned almost completely to the level it was observed on average in 2019 and early 2020.

In Q1 of 2022, considering the increase in the economic activity of the population, the number of economically active population has also slightly increased. In Q1 of 2022, compared to the corresponding period last year, the number of economically active population aged 15-74 increased by 9.4 thousand (by 1%) - to 937.3 thousand. It should be noted that demographic processes still have a significant negative impact on the economically active population (labor supply). In Q1 of 2022, compared to Q1 of 2021, the population aged 15-74 decreased by 10 thousand, thus reducing the overall potential increase in labor supply. It should be noted that with the increase in economic activity, increasingly more economic sectors are facing a shortage of skilled labor.

Given the adverse geopolitical situation, the overall labor market situation in 2022 is anticipated to remain in a wait-and-see attitude. The resilience of the Latvian economy to external shocks has strengthened significantly in recent years, especially in the financial sector. Therefore, the direct impact of the tightening of sanctions and export markets on the Latvian labor market is expected to be limited. In 2022, the labor market will continue to be supported both by the phasing out of the restrictions introduced by the Covid-19 pandemic and by the construction of the already started state infrastructure facilities.

According to the forecasts of the Ministry of Economics, in 2022, compared to the last year, the total number of employed could increase by an average of 0.9% or about 8 thousand. However, the unemployment rate will fall to 7.1%.