

On the Results of the Labour Force Survey in Q1 of 2021

In Q1 of 2021, the number of employed decreased by 5.4%; however, the economically active population has reached the historical low

According to the data of the Labour Force Survey of the Central Statistical Bureau (CSB), **in Q1 of 2021, the number of employed has decreased by 5.4% or 48.3 thousand, compared to the corresponding period last year.** However, compared to Q4 of 2020, the number of employed has declined by 3.6% or 32.3 thousand, representing 2/3 of the total annual decrease in the number of employed. Therefore, in Q1 of 2021, the sharpest annual decline in the number of employed since the beginning of the Covid-19 pandemic crisis has been observed.

In Q1 of 2021, the employment rate among the population aged 15 to 74 declined to 61.6%, thus reaching the level of Q1 of 2017.

In Q1 of 2021, the employment rate was 2.2 percentage points lower, compared to Q4 of 2020 (63.8%). However, compared to the corresponding period last year, the employment rate declined by 3.1 percentage points (64.7% in Q1 of 2020). Overall, in Q1 of 2021, the employment rate remained significantly lower than in the neighbouring countries - in Lithuania the employment rate was 64.3%; however, in Estonia it reached 65.7%.

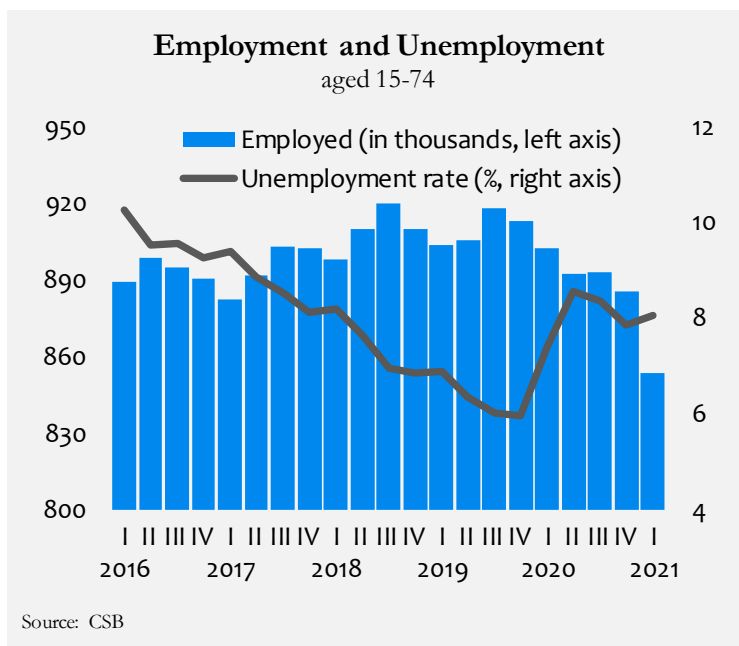
In Q1 of 2021, 853.2 thousand people were employed, representing the lowest number of employed in Latvia since Q1 of 2011.

Despite the sharp decline in employment, in Q1 of 2021, unemployment remained relatively stable. Although a slight increase due to seasonality was recorded, overall a declining trend since mid-2020 has been observed. In Q1 of 2021, the unemployment rate rose to 8.1%. In Q1 of 2021, the unemployment rate increased by 0.2 percentage points, compared to Q4 of 2020. However, in Q1 of 2021, compared to Q2 of 2020, when the unemployment rate reached the highest level since the beginning of the Covid-19 crisis (i.e., 8.6%), the unemployment rate declined by 0.5 percentage points. Overall, in Q1 of 2021, 74.7 thousand people were looking for a job, which is by 1.2% (i.e., 0.9 thousand) less, compared to Q4 of 2020 (compared to the corresponding period last year, the level has not significantly changed). In Q1 of 2021, 74.3 thousand people were looking for a job.

In Q1 of 2021, Latvia had the highest unemployment rate among the Baltic States. The unemployment rate was 0.6 percentage points higher than in Lithuania (7.5%) and 1.0 percentage point higher than in Estonia (7.1%).

A more rapid growth in unemployment has been limited by the decline in the economic activity of the population (i.e., participation in the labour market). In Q1 of 2021, the economic activity of the population decreased by 2.3 percentage points, compared to Q4 of 2020. However, compared to Q1 of 2020, it has decreased by 3.0 percentage points. Overall, in Q1 of 2021, the level of economic activity of the population decreased to 67%.

Considering the decline in economic activity of the population, as well as negative demographic trends (i.e., decrease in the working age population), the number of economically active population (total labour



supply) has reached a historical low of 927.9 thousand. Therefore, the problem of labour shortages remained, especially in the crisis-stricken and growing economic sectors.

It is anticipated that the situation in the labour market could gradually improve from Q2 of 2021, with an increase in seasonal work and easing of restrictions in the economy. According to the forecasts of the Ministry of Economics, the number of employed could decrease by 0.9% in 2021. However, in 2021, the unemployment rate could on average decrease to 7.5%. 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 and the speed of lifting the introduced restrictions.