

Czech labour market remains tight

The share of unemployed people increased in December to 3.1% due to typical winter seasonality, reaching 3.2% for 2018. The Ministry of Finance expects a slight further decline this year to 2.8% as they assume solid wage growth can motivate some people to move from the grey economy to the official labour market



Source: Shutterstock

Typical seasonality behind the December pick up

As expected, unemployment increased to 3.1% from 2.8%. However, this increase is due to the typical seasonality associated with the end of some work during the winter months. After adjusting the numbers for these seasonal effects, the unemployment rate would fall slightly if compared to November.

3.1%

Share of unemployed in December

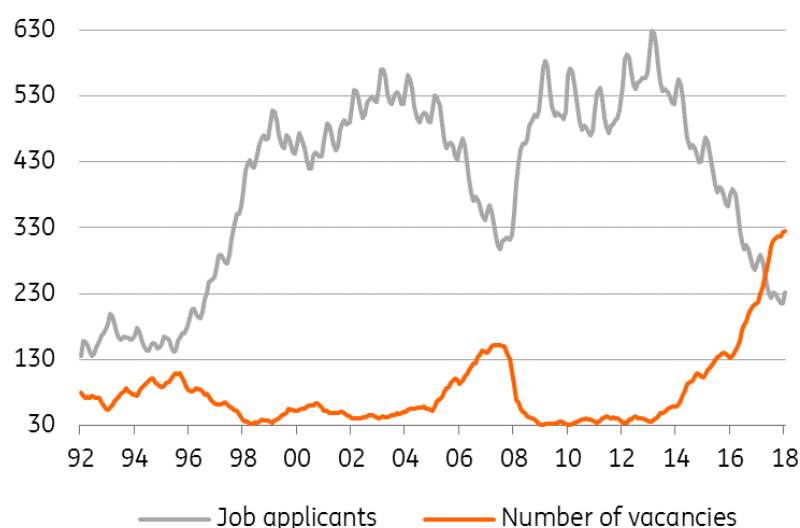
Growing due to seasonality

As expected

Job vacancies at a new historical high

From the point of view of job vacancies, the labour market remains tight in December. Although the number of vacancies has increased slightly by about 900, it has reached a new record and exceeded 324,000. If we compare to December 2017 and December 2018, there were about 108,000 jobs more (50% annual increase) and 50,000 less unemployed people.

Job applicants and number of vacancies (ths)



Source: MinLab, ING Bank

Biggest barrier: Lack of suitable workforce

Lack of suitable workforce has become an increasing barrier to further economic growth over the last two years, and in the past year, it has become the most prominent barrier to further growth.

According to Eurostat's latest survey, 45% of companies in the industry, 41% in construction and 20% in services reported a lack of suitable employees as a barrier to growth in December last year. In all monitored sectors, these values highlight the shortage of labour force as the highest since the '90s and the beginning of the time series, i.e. 2003.

Further decline just limited this year

The share of unemployed people thus reached 3.2% on average in 2018, i.e. one percentage point less than in 2017. However, given that it is already at such low levels that any room for further decline is relatively small. The Czech National Bank expects a decline to 3.0%, the Ministry of Finance expects it to fall to 2.8%, as it assumes solid wage growth can motivate some people to move from the grey economy to the official labour market.