

## Czech unemployment rate slightly higher in May

The Czech unemployment rate increased slightly in May, but this does not mean that the labour market is immune to the economic fallout from the pandemic. This slight increase is probably the result of government measures, but once these measures end, we're likely to see an increase in the months ahead



Source: Shutterstock

The Czech unemployment rate in May increased just slightly from 3.4% to 3.6%. There were only around 12 thousand people more unemployed than the previous month, so a relatively negligible increase, even lower than in April. But so far, the limited increase is driven most likely by some government measures like compensation of wages for those impacted by Covid-19.

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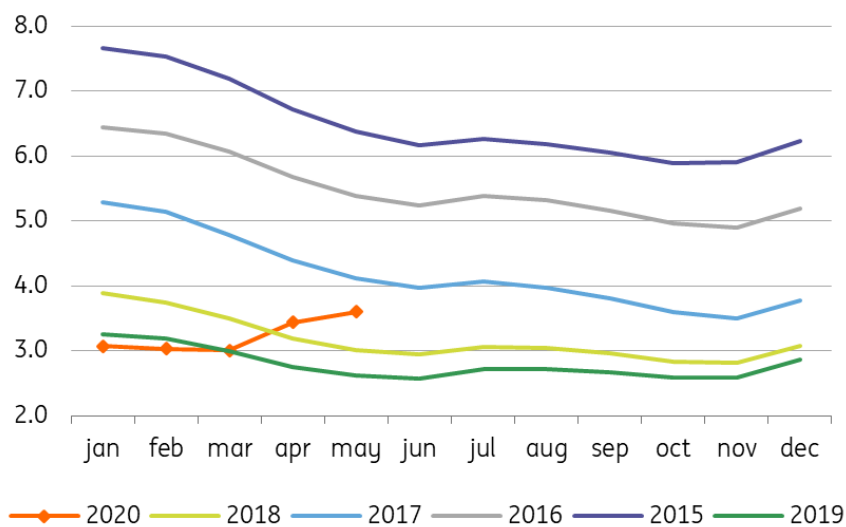
*We expect the unemployment rate to gradually increase close to 5% towards the end of the year*

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But this modest increase in unemployment in the last two months should not be interpreted as the labour market being immune to the fallout from the pandemic. Once these measures end, the number of people queueing up for unemployment benefits will surely intensify.

We expect the unemployment rate to gradually increase over the year. Expect close to 5% unemployment towards the end of the year, though it will depend on the pace of recovery in the second half of 2020.

## Share of unemployed people 15-64 (%)



Source: CZSO, ING

## April retail sales better than expected

April retail sales surprised on the upside, falling just by 10.6% YoY in vs. the market estimate of a -20% contraction. Also, March sales were revised upwards, to a fall by 5.6% rather than the 9% YoY published earlier.

Non-food sales declined by -15% YoY (vs. -10% in March which was revised from -17% YoY published earlier). Internet sales helped significantly, as they increased by 50% YoY.

Only car sales were in line with estimates, falling by -46% YoY, in line with the 50% contraction in new car registration. And this signals that even May will not be much better as new cars registration have been 44% lower.

April retail sales surprised positively, but it is not clear whether the data is reliable, so a mild contraction is not intuitive given the length of lockdowns.

As such, it is difficult to assess whether consumers remain in good shape, or the data is just not correct due to the lockdowns and will be revised later.

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