

Czech Republic: Unemployment rate at new lows

The November unemployment rate further declined to new historical lows, despite typical seasonality. This is food for CNB hawks as the Czech labour market is very tight.



Unemployment rate hit its new historical low

November's unemployment rate (published by the Ministry of Labour) declined from October's 3.6% to 3.5%, hitting a new low – despite the fact that the unemployment rate usually rises in November due to the end of seasonal work and the onset of cooler weather. Using seasonally adjusted figures, the unemployment rate declined even more markedly in November, indicating continuing favorable economic developments. November job market indicators brought further records: the number of job vacancies rose to a new high and reached 214,000. The number of jobseekers declined further, to 265,000. The number of jobseekers per vacancy declined to 1.24, also the lowest ever.

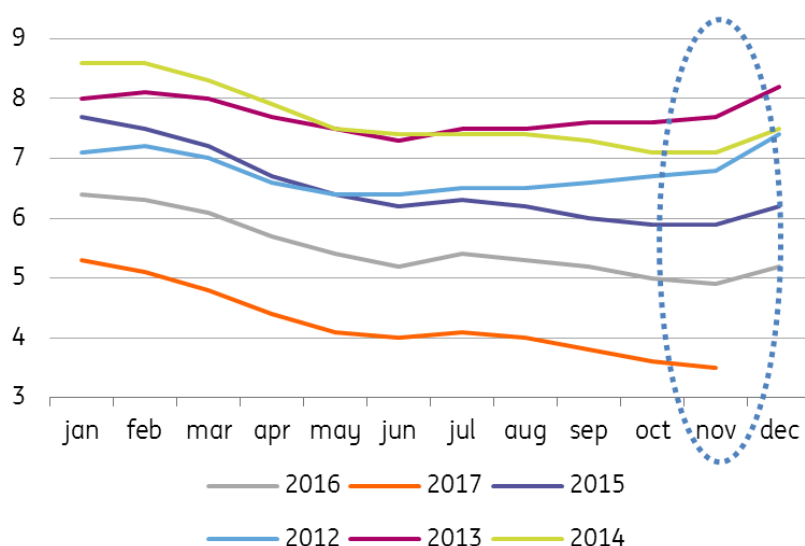
3.5% Unemployment rate

Declined further in November

As expected

Tight labour market to drive wage dynamics next year

The current labor market trend is still above expectations, reflecting the overall positive state of the domestic economy. The unemployment rate has been decreasing this year at a rate significantly faster than expected at the beginning of the year. A very overheated labor market, on the other hand, is starting to become a barrier to further economic growth, as it is increasingly difficult for companies to find a suitable workforce. As a result, we expect further pressure on wage growth, especially next year. Wage growth year-on-year could exceed 8%, not only due to favorable economic developments, but also to approved growth in salaries for state employees, increased minimum wages and stronger union pressure.



Source: MinLab, ING Bank

Strong labour market supports CNB hawks

Wage growth will be a pro-inflationary impulse due to stronger household consumption. Whether the CNB will proceed to further raise rates at the December meeting is not yet clear, but hopefully some guidance will be provided at the November inflation published on Monday. Benda and Hampl are likely to vote for a rise in rates in December, but for the time being the most relevant view is the one presented by governor Rusnok, who sees the probability of a December hike as 50/50. However, today's figures bring further arguments for the CNB's hawks.