

## Czech unemployment increases slightly in December

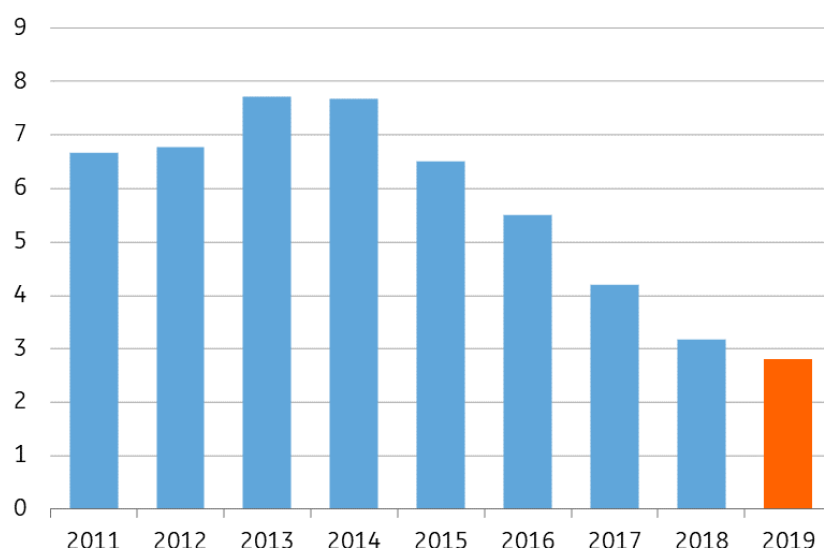
The unemployment rate increased to 2.9%, up from 2.6% in November on typical winter seasonality. Despite the global slowdown in 2019 the Czech labour market remained tight.



The number of vacancies reached a record of over 350,000 in August last year, before falling slightly. In December, however, the number of vacancies increased month-on-month to reach 341,000. This is up 5% year-on-year and worker shortages are visible in almost all sectors of the economy. However, year-on-year vacancy dynamics are slowing - the labour market remains overheated but this tightness is no longer increasing.

### Very limited further fall in unemployment this year

Over the last year the unemployment rate reached 2.8%, compared to 3.2% a year earlier (using a different definition to the typical ILO unemployment rate, where the Czech rate at 2.2% remains the lowest in the EU). This year we expect a further slowdown in the domestic economy and the unemployment rate should so stagnate. However, the latest forecasts from both the Ministry of Finance and the CNB point to further declines on the assumption that higher earnings can motivate some workers to move from the shadow economy into official employment.



Source: MinLab, ING

## Wage growth to slow this year

In general, the slowdown in the global economy observed last year has had only a slight effect on the overheated domestic labor market, which still showed decent wage growth in the first three quarters of last year. Although wages slowed further according to preliminary figures in the last quarter of 2019, they remained at around 7% for the whole year, which is among the highest year-on-year growth levels of the last twenty years. While developments this year will be highly dependent on potential recovery abroad, the domestic labour market tightness is likely to weaken. Wage growth should still continue to grow at around 5-6% YoY according to current estimates.

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