

Czech unemployment stagnates in March

Unemployment usually tends to decline in March due to seasonal reasons, but this month unemployment just stagnated in the Czech Republic as lockdown measure bite. Even though this a favourable figure, it is unlikely to hold in the months ahead



Bleak foreign demand, structural issues in the European automotive sector, and challenges to the German economic model were the main issues reported in the Czech PMI survey

Mild impact on the Czech labour market

The share of unemployed people stagnated in March at 3%, while analysts expected an increase to 3.6% given the lockdown measures as a result of the coronavirus pandemic.

The number of unemployed people usually falls in March as seasonal work season starts. For example, last March, unemployment fell by 14.4 thousand, or by 17.3 thousand a year earlier. Had it not been for the coronavirus troubles this year, we would have seen more than 10 thousand unemployed people join the workforce. But, in reality, the decline was only 1.7 thousand.

Given the state of things, we think, around 10 thousand people could sign for unemployment benefits in March as coronavirus lockdown measures bite.

3.0% The share of unemployed people

Lower than expected 3.6%

Better than expected

Unemployment increase inevitable

However, in the context of some other countries, where we have seen a soaring unemployment rate hitting historical highs, this is very mild. However, unemployment will increase faster in the coming months but so far, only a limited impact is visible in March data. This could be because of the unclear benefits for sole traders and notice period.

Historically, the most significant increase in the number of unemployed people of around 50ths per month was recorded in the 2009/2010 period. Given the harsh and sudden impact of coronavirus on the labour market, it cannot be ruled out that we will see similar increases in the coming months.

In its new forecast, the Ministry of Finance expects the share of unemployed people to rise to 3.9% in May and June. This would correspond to an increase in the number of unemployed by about 70 thousand people.

The severity will depend on the length of troubles and success of government measures to support employment via the new kurzarbeit scheme, but things are difficult to forecast.

Given the number of coronavirus patients remains muted, this has led to some relaxation of the restrictive measures and are likely to be widened after Easter.