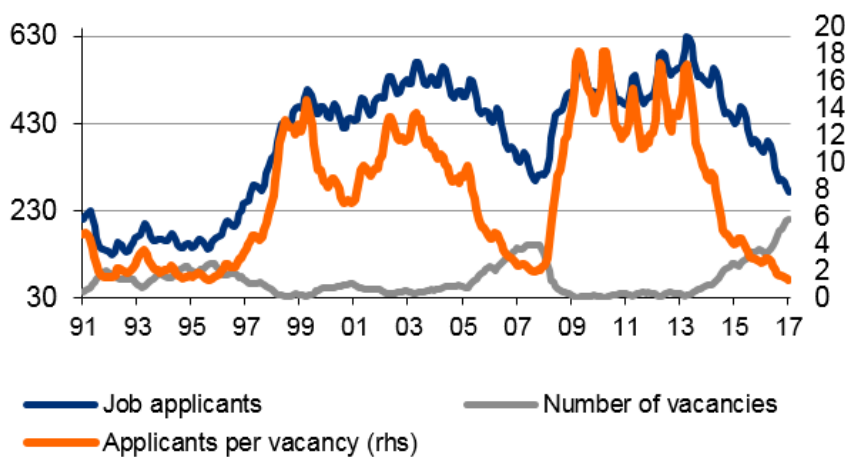


## Czech unemployment at new lows

The October unemployment rate further declines to 3.6% from 3.8% which is a new, historic low as the labour market tightens further

### Job applicants and number of vacancies (ths)



Source: MPSV

**3.6%** Czech unemployment rate (October)  
A new record low

### Czech labour market breaks new records

The Czech labour market continues to improve, with the October unemployment rate touching 3.6%. Until September this year, we had to go back to mid-2008 to see similar lows when it reached 3.8%. There are other records too: The number of job vacancies rose to a new high of 210-thousand. A declining number of unemployed people means that for every free job, there are statistically only 1.29 applicants, again the lowest share in history. Compare this with the long-term average which is slightly above 7; the number of job applicants topped 16 in 2010 and 2011.

### Tight labour market will push wages upwards

Labour market developments have repeatedly surprised in the past couple of years and that

reflects the overall positive developments in the domestic economy. The unemployment rate has gradually reached the lowest level in the EU. However, the overheated labour market is starting to be a barrier to the further growth of the economy as it's becoming more difficult for companies to find suitable workers. This will result in further wage pressure. We expect wage growth close to 7% this year and its further acceleration above 8% next year, partly driven by a government decision to increase compensation for state employees and also by much stronger union pressure.

## Pro-inflationary factor for the CNB

Expected wage dynamics will clearly be pro-inflationary as it will support household consumption.

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*The strong labour market will be an argument for CNB's hawks to further tighten monetary conditions*

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We believe the Czech National Bank will need to further tighten monetary condition via interest rates more than the current CNB forecast assumes. Whether the CNB will further hike at the December meeting this year is still unclear, as it will be highly dependent on upcoming real-economy statistics and CZK appreciation. However, today's numbers from the labour market will support hawks in the CNB board, who believe monetary conditions need to be tightened further.