

## On the Results of the Labour Force Survey In 2022

## In 2022, the most rapid increase in the number of employees since 2007 was observed

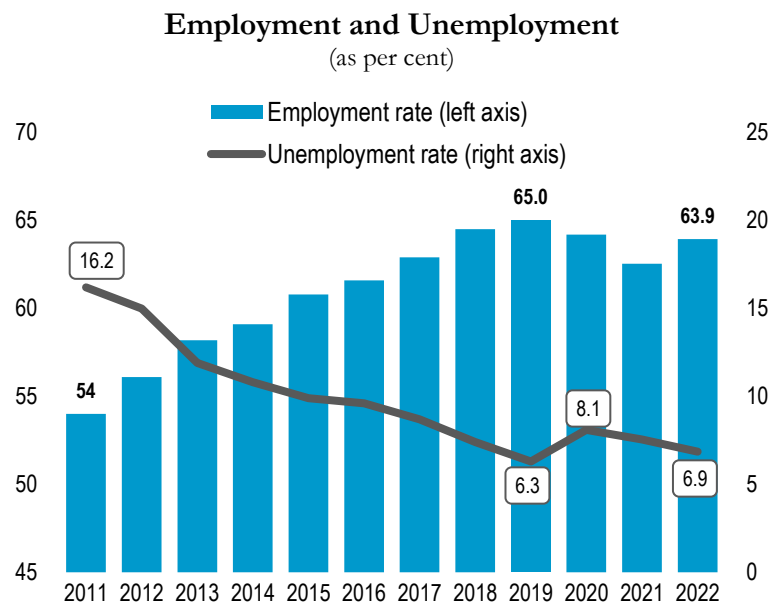
According to the Labour Force Survey data of the Central Statistical Bureau (CSB), in Q4 of 2022, the number of employed increased by 3.1% or 26.4 thousand, compared to the corresponding period last year. However, on average in 2022 it increased by 2.6% (22.2 thousand), compared to 2021. On an annual basis, **this has been the most rapid increase in the number of employed people since 2007**, partly due to the recovery of the labour market from the Covid-19 crisis (low base effect) and the increasing employment of Ukrainian refugees.

Overall, in Q4 of 2022, 890.6 thousand citizens, or 64% of all citizens aged 15-74, were employed. However, on average in 2022, the number of employed persons increased to 886.2 thousand, and the employment rate – to 63.9%, which is 1.4 percentage points higher than in 2021.

Along with the increase in employment, unemployment rates continue to decrease. The unemployment rate decreased to 6.7% in Q4 of 2022, which was 0.4 percentage points lower than in the corresponding period last year (7.1%). However, on average in 2022 the unemployment rate decreased to 6.9% (a decrease of 0.7 percentage points, compared to 2021). Overall, in Q4 of 2022, 63.5 thousand residents aged 15-74 were looking for a job, which is 4.5% (i.e., 3 thousand) less, compared to Q4 of 2021.

At the same time, despite significant improvements in employment indicators, it should be noted that the number of employed persons still significantly lag behind the pre-pandemic level (in the 4th quarter of 2022, the number of employed persons was 22.5 thousand or 2.5% less than in the 4th quarter of 2019). Overall, the development of the labour market has been relatively uneven in recent years. In many sectors directly affected by the Covid-19 crisis, the number of employed persons in 2022 was still significantly lower than in 2019. In particular, in the arts, entertainment, and recreation sector - by approximately 22%; in accommodation and food service activities - by 17%; and in the transportation and storage sector - by 11%. At the same time, the number of people employed in information and communication services increased by approximately 2/3. It should be noted that such drastic changes in labour demand significantly increase the risks of labour market imbalances - exacerbating labour shortages in the most rapidly growing sectors and also increasing the risks of structural unemployment. Measures to increase the qualifications and re-qualify the labour force continue to play a significant role in overcoming structural changes in the labour market.

The recovery of activities in the labour market generally has a positive effect on the supply side of the labour market as well. The level of economic activity of the population increased to 68.5% in the 3rd quarter of 2022, which was 0.9 percentage points higher than the corresponding figure in the 4th quarter of 2021, thus contributing to the increase in the total labour supply. In Q4 of 2022, the number of



economically active population aged 15-74 increased to 954.1 thousand, which was 23.4 thousand or 2.5% higher than in the corresponding period of 2021.

Along with the increase in the population's economic activity, the dynamics of the number of economically active population in the 4th quarter of 2022 has also been favourably affected by the improvement of demographic trends - in Q4 of 2022, the number of the population aged 15-74 increased by approximately 14.6 thousand, compared the corresponding period last year.

Even though the situation in the Latvian labour market gradually improves, it should be noted that improvements in general still remained slower than in the neighbouring countries. The employment rate in Latvia in the 4th quarter was 5.6 percentage points lower than in Estonia (the employment rate in Q4 of 2022- 69.6%), and 1.3% lower than in Lithuania (the employment rate in Q4 of 2022 - 65.3%). Likewise, the unemployment rate in Latvia in the 4th quarter remained on average 1.3 percentage points higher than in Estonia (unemployment rate in Q4 of 2022 - 5.4%), and 0.3 percentage points higher than in Lithuania (unemployment rate in Q4 of 2022 - 6.4 %).

Considering the still tense geopolitical situation, as well as the predicted slowdown in economic growth, the overall situation in the Latvian labour market in 2023 could still remain tentative. A slight increase in labour market activity could be observed with the arrival of the spring/summer season as seasonal labour demand increases. However, as the low base effect wears off and employment approaches its potential, a significant increase in new jobs and employment overall in 2023 is no longer expected as it was observed in 2022. Overall, the unemployment rate could decrease to an average of 6.7% in 2023, while the number of employed persons would remain close to the level of 2022.