

On the Results of Labor Force Survey in Q2 of 2023

In Q2 of 2023, the number of employed citizens increased by 0.3%

According to the Labor Force Survey data of the Central Statistical Bureau, 880.4 thousand citizens aged 15-74 were employed in the second quarter of 2023. Compared to Q1 of 2022, the number of employed persons aged 15 to 74 has grown by 0.3% or 2.4 thousand, while the employment rate among the population in the corresponding age group has increased to 64.4% - by 0.4 percentage points exceeding the indicator of the second quarter of the previous year.

It should be noted that the increase in the number of employed continues to be affected by both the post-pandemic low base effect on the labor market (in the second quarter of 2023, the number of employed citizens was still 18 thousand or 2% less than in the second quarter of 2019), as well as the wider entry of Ukrainian refugees into employment.

Considering both the slowdown in economic growth and the entry of refugees from the Ukrainian war into the labor market, the downward trend of unemployment is becoming more moderate. Nonetheless, unemployment rates remained low and close to pre-pandemic levels. The unemployment rate in the second quarter of 2023, similar to the first quarter of the year, remained at the level of 6.4%, which is 0.5 percentage points lower than in the second quarter of 2022 (6.9%). Overall, in the second quarter of 2023, there were 60.6 thousand residents aged 15-74 looking for work, which is 3.5% or 2.2 thousand less than in the second quarter of 2022.

The level of economic activity of the population increased to 68.4% in the second quarter of 2023, which was 0.1 percentage points lower than in the second quarter of 2022 (68.5%). In Q2 of 2023, the number of economically active population aged 15-74 has stabilized at a total of 948.2 thousand, which exceeded the number of economically active population in the corresponding period of 2022 by 0.2 thousand. Along with the reduction of the incoming flow of refugees from the war in Ukraine, the positive effect of this flow on the dynamics of labor supply is also gradually running out. It should also be considered that part of the war refugees is returning home, so the negative impact of demographic factors on the dynamics of labor supply could become more pronounced again in the following years.

Although the situation in the Latvian labor market continues to improve, it should be noted that improvements are generally slower than in neighboring countries. The employment rate in Latvia in Q2 of 2023 was 4.8 percentage points lower than in Estonia (69.2%), but 1.7 percentage points lower than in Lithuania (66.1%). Likewise, the unemployment rate in Latvia Q2 of 2023 remained on average 0.4 percentage points higher than in Lithuania (6%), albeit 0.3 percentage points lower than in Estonia (6.7%).

Considering the slowing down of economic growth, the overall situation in the Latvian labor market in 2023 will remain tentative. It is expected that a slight increase in activity in the labor market will continue in the third quarter of the year due to an increase in seasonal labor demand, however, with the exhaustion of the low base effect and employment approaching its potential, a significant increase in new jobs and employment in general on an annual basis is no longer anticipated. Overall, the unemployment rate could decrease to an average of 6.1% in 2023, while the number of employed persons would remain close to the level of 2022.

