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A link between Google Trends-based unemployment Rate and economic indicators

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Abstract

Unemployment is an important macroeconomic variable, and its consequences have an impact not only on the economy as a whole, but also on economic agents in a social and personal context. Times are dynamic and as we can see economic crises are hitting countries more and more often. As a result of economic imbalances and crises, unemployment rates are rising across the world. In this study focusing on the Czech Republic, we will investigate the unemployment in order to monitor or predict changes in macroeconomic indicators and subsequent identification of structural breaks. Unemployment rates will be constructed based on Google Trends, as a high utilization rate of internet data provides an opportunity to track users' online job search activity. Macroeconomic indicators used to monitor economic developments will consider variables such as exports, consumer confidence index, consumer spending and the equivalent. Vector autoregressive models will be constructed and then Granger causality will be used to clarify the interdependence of the relationships between the variables. The aim of the paper is to evaluate the predictive capabilities of Google Trends-based unemployment rate.

Keywords: Czech Statistical Office, job, job offer, labour market, unemployed