

# Deterioration in Hungarian labour market stalls

The downtick in Hungary's unemployment rate shows signs of improvement, but it would be too early to declare a trend reversal. We still expect further slow erosion in the coming months, followed by a sustained improvement during the second half of 2024



Budapest, Hungary

# 4.6%

## Unemployment rate (Jan-Mar)

ING Forecast 4.7% / Previous 4.7%

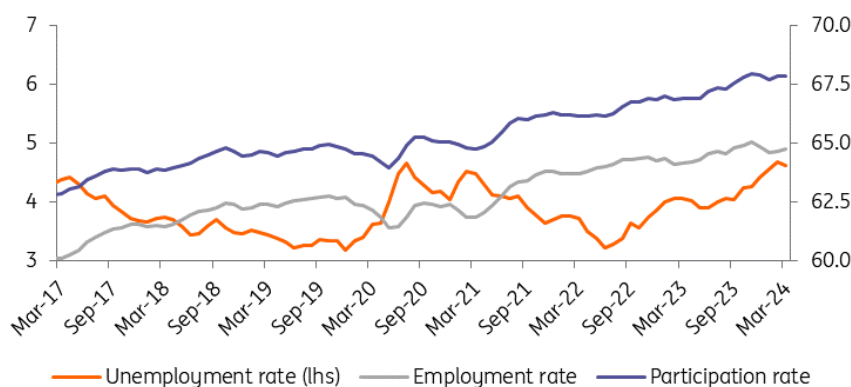
Better than expected

The latest Hungarian unemployment statistics from the Hungarian Central Statistical Office (HCSO) offer a glimmer of hope for the labour market. The March 2024 model estimate indicates an improvement in the unemployment rate, which now stands at 4.4%. Meanwhile, the official three-month moving average survey rate has also edged down by 0.1ppt to 4.6% in the January–March period. However, it's still too early to declare a trend reversal. In our view, to confirm a genuine

turnaround we need to see similar positive changes for at least three consecutive months.

The number of unemployed individuals also shows improvement according to both statistics, hovering at around 220,000-230,000. Interestingly, while the unemployment rate for men has risen significantly, women have experienced a substantial improvement, offsetting this increase. This is the primary driver behind the overall improvement in the official unemployment rate for the first quarter of this year.

## Historical trends in the Hungarian labour market (% , 3-m moving average)



Source: HCSO, ING

A closer look at the data reveals that the number of economically active individuals has started to rise again, not only according to the monthly model estimates but also based on the three-month averages (although the improvement in the latter is minimal). This can be considered an encouraging sign, potentially foreshadowing a slow but sustained positive trend. The reasons behind this rise in the activity rate are still speculative. However, gender-disaggregated data suggests that women are returning to the workforce, possibly driven by the need to maintain a dual-income household in the face of rising living costs.

It's important to remember that while the inflation rate is slowing, this doesn't signify falling prices. And although wages are rising dynamically across the national economy, this is primarily driven by salary adjustments in the education sector. Meanwhile, the pace of wage growth in the private sector is slowing significantly. It's crucial to note that the changes observed in the latest labour market data are, in several cases, within the statistical margin of error. Therefore, it's prudent to wait for the data from the next two months to confirm whether the slight improvement in activity and employment is sustainable or merely a temporary, isolated change.

Despite the current improvement, we still consider this to be only temporary, and we anticipate a further slow erosion in the labour market during the coming months. While most companies are still committed to retaining their existing workforce, the number of companies forced to rationalise and ultimately reduce headcount due to declining (primarily external) demand is clearly increasing. Another significant trend is the elimination of previously open positions, making it more challenging for job seekers to find employment. This, combined with the expected increase in activity, could potentially push the unemployment rate higher. The big question is how quickly those returning to the labour market will be able to find new jobs.

On a positive note, the weak economic performance is feeding through to the real economy – and, consequently, the labour market – at a somewhat slower pace than usual. We believe the second half of the year could bring genuine stabilisation and perhaps even the beginnings of an improvement in Hungarian labour market. This is supported by various confidence indices and surveys, which are already showing an upward trend in most sectors – not only in Hungary, but across Europe.

However, as we have seen, the labour market typically lags behind changes in the real economy by a considerable margin. Therefore, the expected improved economic performance in the first half of this year is likely to only be reflected in companies' labour market decisions in the second half. Consequently, we anticipate a slight deterioration in unemployment data until mid-year, followed by a more significant improvement in the second half. Overall, the unemployment rate for the year could hover at around 4.5%.

## Author

### Peter Virovacz

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto:peter.virovacz@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.