

## Hungarian jobs market: Hard to improve much further

It's really hard to expect any major improvement in the Hungarian labour market, given the record low unemployment rate. But despite the depleting potential labour reserve, companies are still able to hire new employees, as the marginal drop in the unemployment rate suggests



Source: Shutterstock

# 3.5%

## Unemployment rate

Consensus (3.6%) / Previous (3.6%)

Better than expected

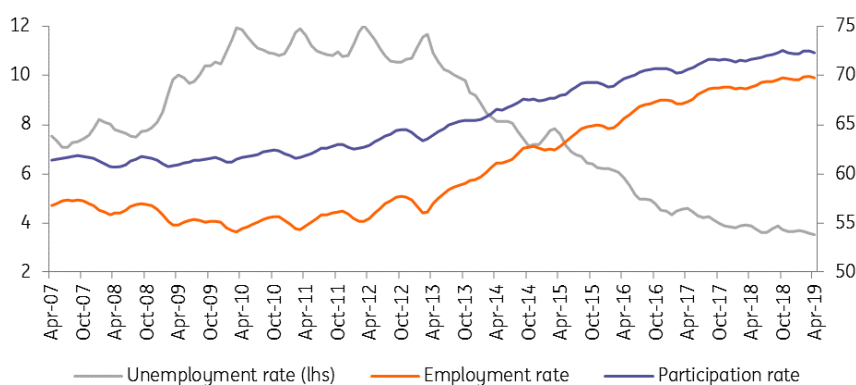
The unemployment rate of the 15–64 age group came in at 3.5% in April 2019 - a 0.3 percentage point decline in the past 12 months. This means a new low record, but it hardly counts as a game changer, as the unemployment rate has been more or less stable for a year now and its

seasonality that has been moving the indicator.

When it comes to participation and employment rates, we saw marginal improvements, but the growth rate slowed down significantly from a year ago. The number of workers on the primary labour market increased by 69,000, which is still a sound improvement, but a significantly lower one than what we saw a year ago. In the meantime, the number of fostered workers - people who are working in state-financed, low skilled jobs for less than the minimum wage decreased to 117,000, further depleting the potential labour reserve.

For reference, the number of unemployed people is at a record low of 162,000 and more than one-third of them at most have eight grades of primary school education and another third have secondary education without a general certificate of education.

### Labour market trends (%)



Source: HCSO

Against this backdrop, it's really hard to expect any major improvement in the labour market going forward. Skill and regional mismatches have become effective barriers in the short-term.

We expect the unemployment rate to stabilise around 3.6% for 2019, with a minor improvement in the participation rate, too. On the other hand, full employment will drive wages higher constantly, as we saw in the first couple of months of 2019, fuelling domestic demand further.

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