

## Hungarian labour market remains strong

Amid all the uncertainties and downside risks, there is one part of the Hungarian economy we don't have to worry about. The unemployment rate has remained one of the rare positives



Construction workers in Budapest, Hungary

# 3.8%

## Unemployment rate

ING forecast 3.9% / Previous 4.2%

Better than expected

After a negative surprise in January, the unemployment rate in Hungary corrected quickly in February to 3.8%. In nominal terms, it means roughly 185,000 people are unemployed based on official statistics. Both the rate and the nominal figure are matching the fourth quarter average, thus the January increase in unemployment was an anomaly, or even just a seasonal move.

What is also positive is that the improvement in the unemployment rate reflects more than a statistical improvement. The number of employed people was able to increase to a greater extent than the number of participants in the labour market. So we can talk about a real strengthening of the labour market.

## Labour market indicators (%)



Source: HCSO, ING

Unlike in other areas of the economy, it seems we don't have to talk about any negative headlines or major risks. In our view, the labour market situation remains favourable for economic growth. Nevertheless, the war in Ukraine and the sanctions imposed on Russia will affect the performance of the economy through a number of channels. In such a situation the behaviour of households (drop in confidence, restrained consumption) is much more decisive than fluctuations in a tight labour market.

Before the war, we pointed out that labour shortages could increase significantly as global value chains gradually recover and supply constraints ease. Unfortunately, as a result of the developments in Ukraine, global value chains have suffered another major blow. We think it is highly likely that the shortage of raw materials and equipment will remain the primary drag on growth, and lack of labour won't be the main issue when it comes to raising production levels.

At the same time, we continue to believe that the vast majority of market participants expect only temporary disruptions, thus it will not materially change or impact their mid- or long-term workforce plans. The first set of data to challenge or support our view will come next week as Eurostat will release its latest set of soft data (confidence and sector indicators), while the details of Hungarian manufacturing PMI could shed some light on corporates' employment plans as well. We believe that incoming data will back our view that the demand-supply mismatch will remain in the labour market in 2022, with an ongoing tight labour market driving wages and inflation upwards.

### 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>.