

## Hungarian unemployment edges up

We are seeing rising unemployment in Hungary as businesses implement hiring freezes. The coming months will bring further weakening with a possible turnaround during the second half of 2023



Workers at a construction site in Budapest, Hungary

# 4.1%

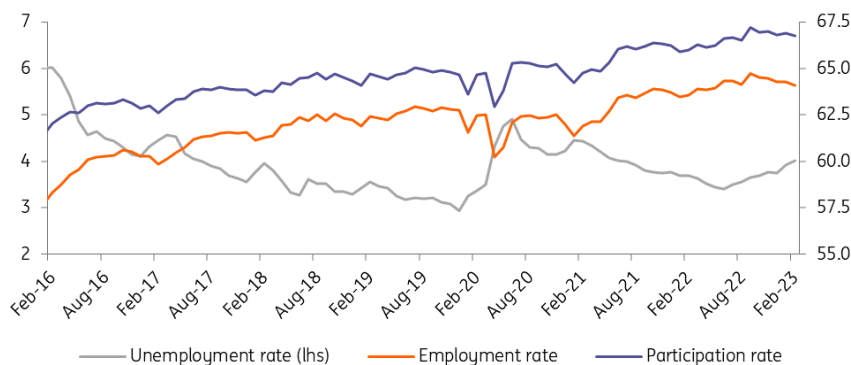
## Unemployment rate (Dec-Feb)

ING Forecast 4.1% / Consensus 4.1%

As expected

The Hungarian Central Statistical Office (HCSO) has released the latest employment data, which shows signs of a gradually weakening labour market. This is hardly surprising, given the Hungarian economy has been in a technical recession for the last two quarters, and it is increasingly likely that GDP growth will register a contraction in the first quarter of this year as well. The unemployment rate (coming from a model estimation by the Statistical Office) increased to 4.0% in February, while the three-month moving average (which is the official and internationally comparable data) jumped to 4.1% in the December-February window, a rate not seen since early 2021.

## Labour market trends (%)

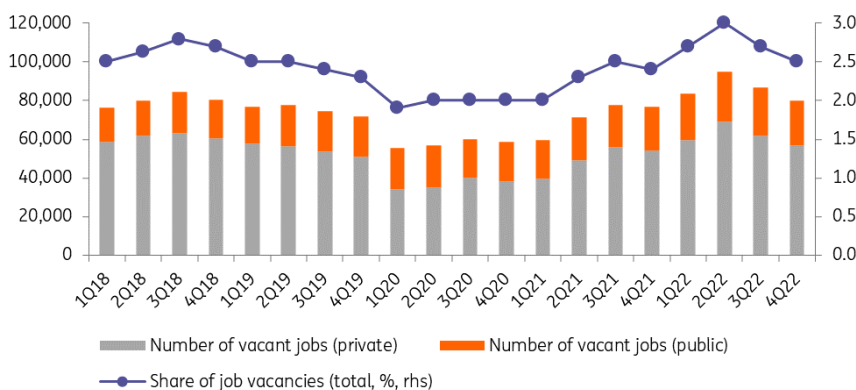


Source: HCSO, ING

Looking at the official (three-month moving average) data over a longer time period, the picture remains unchanged; the employment rate is falling, albeit at a slow pace. Businesses (especially in energy- and labour-intensive sectors) have therefore started to adapt to the changing environment to reduce their costs. The number of unemployed is also rising, as some of the workers that have been made redundant cannot find new jobs immediately due to geographical and/or skillset mismatches, in addition to the falling number of job openings.

The number of labour market participants also remains substantially higher than a year earlier. As we pointed out [in our previous note](#), this development indicates that another source of the rise in unemployment is high-flying inflation. More and more people are returning to the labour market, starting to actively look for work, matching the official definition of being unemployed. However, the rising supply of labour is not necessarily meeting the demand. Roughly half of firms have enacted a hiring freeze in the current economic climate, so those who are showing up as new job seekers won't be able to immediately find jobs.

## Job vacancy dynamics



Source: HCSO, ING

Looking ahead, we expect no change in trend regarding the gradual weakening of the Hungarian labour market. We expect that the share of vacant jobs will decline due to a combination of hiring freezes and the removal of existing but unfilled positions. Thus, the upcoming months' labour

dynamics will much more reflect a marked slowdown in the recruitment process, rather than mass firings. Our forecast suggests that the Hungarian economy could remain in a technical recession in early 2023 and we expect stagnation in the second quarter. In such an environment, we have a hard time imagining a sudden turnaround in the labour market.

A gradual recovery of the economy could take place in the second half of the year, which suggests that the unemployment rate could continue to rise at a slow pace, peaking somewhere around 4.5%. We expect a decline in unemployment only towards the end of the year, as the economic outlook clearly improves, which could be accompanied by a pick-up in labour demand. On the other hand, rising demand for labour accompanied by the still tight labour market could put upward pressure on wages, which could further fuel the domestic inflation pressure in the Hungarian economy.

## 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 [www.ing.com](http://www.ing.com).