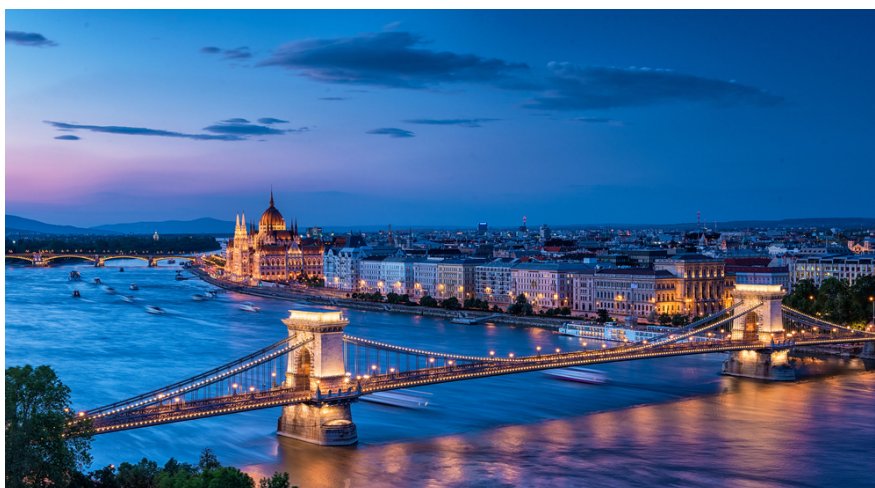


Hungary: Employment drops even before Covid-19

The number of employed people dropped on a yearly basis in Hungary for the first time in ten years in February and this happened before the Covid-19 impact reached the labour market



Source: Shutterstock

3.5%

Unemployment rate (15-64 age group)

Consensus 3.4% / Previous 3.5%

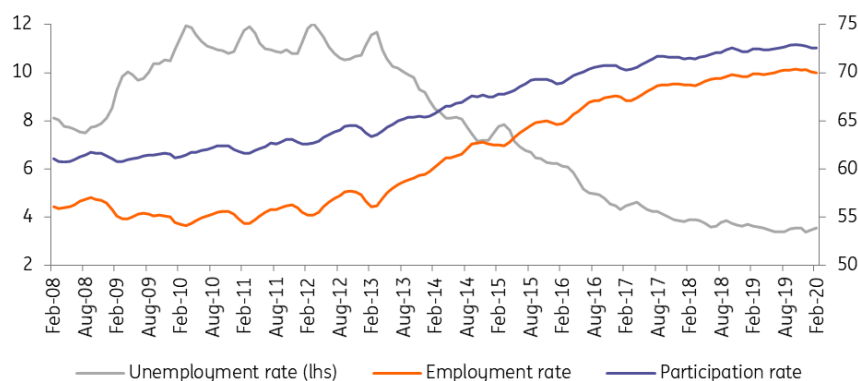
Worse than expected

Considering that the recent labour market data does not yet cover the period affected by the coronavirus, it's not possible to draw meaningful conclusions from the Hungarian Central Statistical Office (HCSO) data. The February data reflects the processes of the previous months.

The unemployment rate of the 15-64 age group remained at 3.5% in February, showing 0.06ppt increase compared to the previous month. Within a year, the jobless rate improved by 0.09ppt. Meanwhile, the decline in the active population continued, which is reflected by the participation rate. This rate dropped by nearly 0.5ppt over five months and is now at 72.5%. Parallel to this, the

employment rate has fallen, meaning that retirement is likely to drive this process. But employment is not just simply dropping on a monthly base. It shows a 0.4% decrease compared to the same period from a year ago, posting the first yearly decline in ten years.

Labour market trends (%)



Source: HCSO, ING

Thus, the labour market has moved around full employment in early 2020, we expect these statistics to begin deteriorating rapidly from this strong level in the coming months.

The biggest question mark now is how many workers and/or jobs could have been affected by the first wave of economic impacts due to Covid-19. If we take the government's guesstimate (30-40k) as a starting point, the unemployment rate would jump from the current 3.5% to at least 4.5% within three months (as the Hungarian labour statistics are representing three-month averages). In the coming quarters due to second-round effects, it is possible to see this ratio to jump to the 7-8% range.

In the meantime, the number of people working from home might have reached (according to our back of the envelope calculations) one million or 22-23% of the labour market.

To put this into context, in early-2018, when HCSO made its first (and so far last) report about home office, only 144k or 3.7% of the total workforce was working from home.

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