

## Hungary: Initial labour market shock may be over

The July labour market data shows improvement as the initial shock of the Covid crisis fades. However, question marks remain over possible second round effects

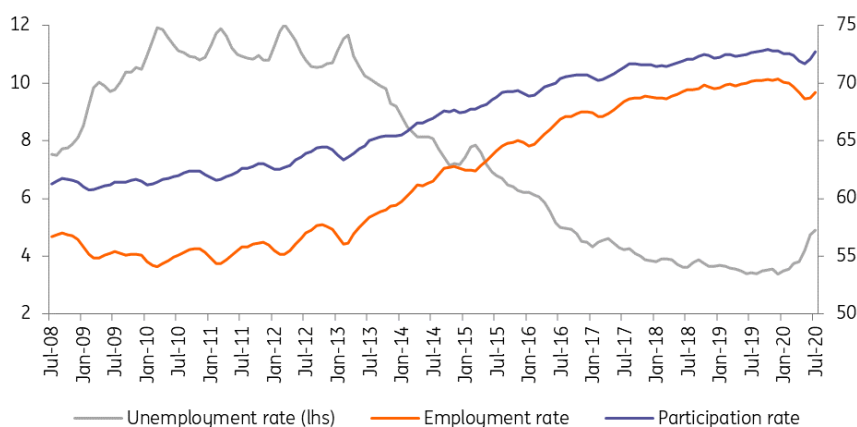


Workers on an assembly line at an Audi factory in Hungary

Labour market data in Hungary is getting better at reflecting reality. Perhaps more important, it's simply getting better. The latest official data covers the May-July period, meaning that the impact of reopening is more reflected in the data. The Statistical Office released the standalone July dataset, too.

The official unemployment rate (May-July) sits at 4.9% in the 15-64 age group, only 0.2 percentage points higher than the previous figure. On a yearly basis, this means a 1.5ppt higher rate of joblessness. The last time we had an almost 5% unemployment rate was back in mid-2016. The number of unemployed people on average was 223,000. According to the administrative data of the National Employment Service, the total number of registered jobseekers was above 378 thousand in the May-July period, on average.

## Labour market trends (%)



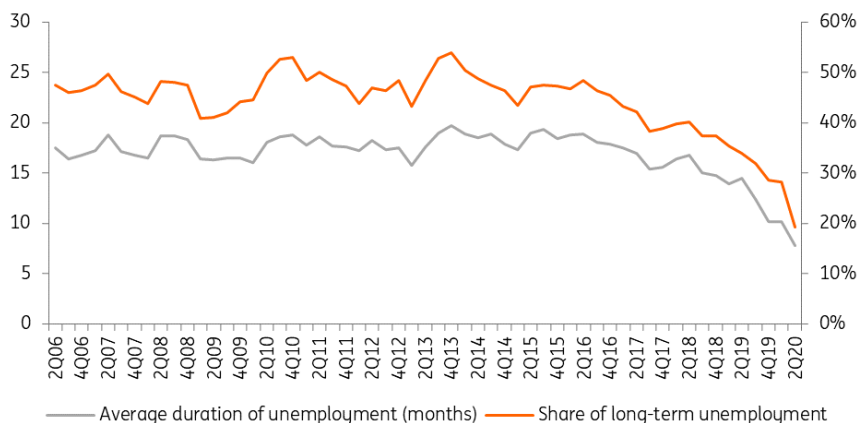
Source: HCSO, ING

Thus, interpreting the data remains cumbersome, with many inconsistencies in each data source. Presumably, it is still typical that many people who actually lost their job did not meet the statistical-methodological conditions to be classified as unemployed. However, the data is getting better at reflecting reality as the number of economically inactive people has fallen significantly again, and this change is broadly in line with the decrease in the number of unemployed and the increase in the number of employed.

This also shows that many people returned to the labour market in July and according to the official calculation of the HCSO, the unemployment rate stood at 4.7%, i.e. it decreased compared to June. Therefore it seems that the initial shock in the labour market has dissipated and a gradual improvement is on the way. However, there are some clouds above.

The new set of data also shows that people are finding it very difficult to find a job in three months (the duration that an unemployed person is entitled to job seeker's allowance). The average duration of unemployment was nine months in 2Q20, with 19% of the unemployed population looking for a job for at least a year, meaning they were long-term unemployed.

## Long-term unemployment



Source: HCSO, ING

Government subsidies in the labour market run out at the end of the summer and by year-end. Despite another economic stimulus package in the pipeline, we have seen the number of new Covid-cases rising rapidly, which could trigger another set of lockdown measures. In addition, revenue shortfalls due to the reduced level of orders are putting increasing pressure on the manufacturing and construction industries. All of this could bring huge uncertainty in the labour market and could easily push the unemployment rate higher due to second round effects.

## 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).