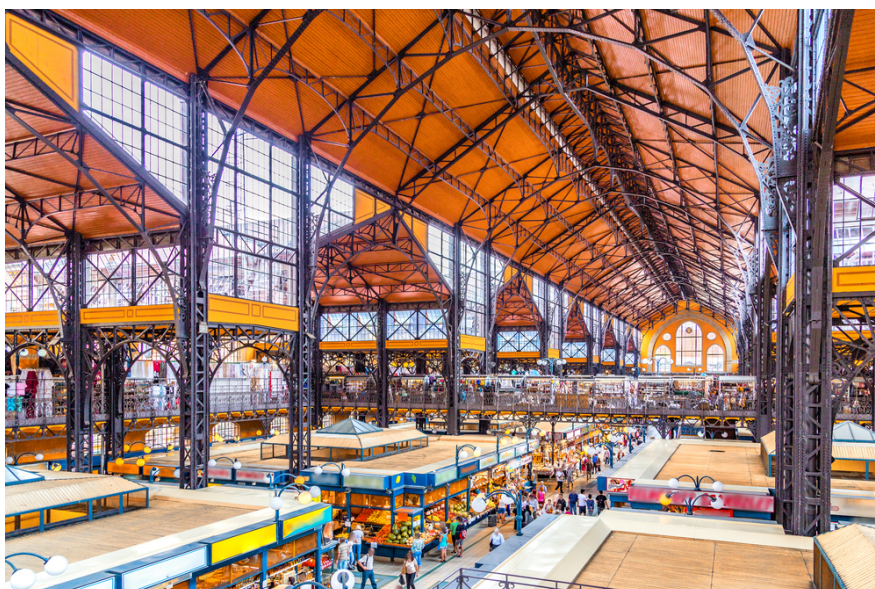


Hungary jobless rate drops to an all-time low

The unemployment rate dropped again after six months of stability, but companies are still facing an uphill battle to hire the appropriate labour force



Source: Shutterstock

3.7% Unemployment rate

Consensus (3.8%) / Previous (3.8%)

Better than expected

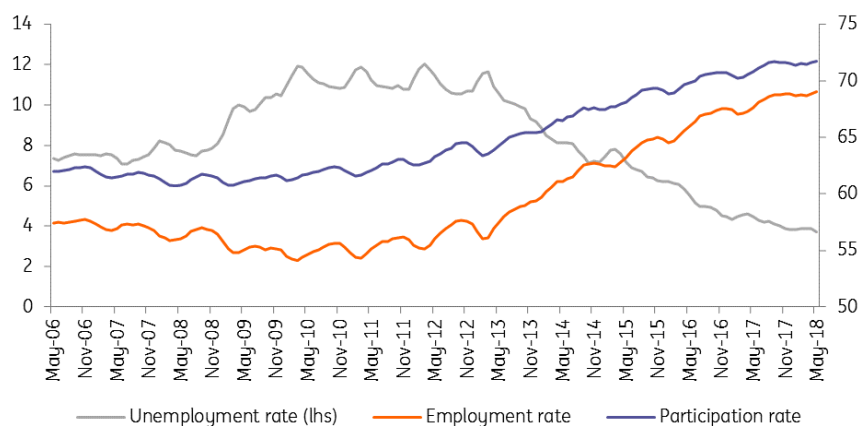
Labour market indicators reach new record

The unemployment rate of the 15–64 age group came in at 3.7% year on year in May 2018, marking a 0.7ppt decrease on a yearly basis. Compared to the previous month, the number of unemployed people dropped by 6.3k, reaching an all-time low of 170k.

4.405 million people were employed in Hungary, exceeding the data from a year go by 1.3%, i.e.

58k, reaching a new record. Meanwhile, the number of economically inactive people shrunk to a level never seen before of 1.804 million. The structure of changes in the labour market has remained favourable, since the number of employed in the primary labour market increased by 108k YoY, while the number of fostered workers and those working abroad fell by 44k YoY.

Labour market trends (%)



Source: HCSO

Against this backdrop, we can argue, that despite the companies' complaints, they are still able to find labour force. However, we see this becoming a challenging situation quite soon. The second straight year with a double-digit wage growth seems enough to tempt the inactive back to the labour market.

At the same time, it's also clear the market has only absorbed those who have not been unemployed for more than 12 months. The number of long-term unemployed (i.e. those who have not been able to find a job for more than a year) is still increasing.

The unemployment rate could remain around the recent level.

Looking forward, we don't expect a significant change in the unemployment rate, meaning it could remain around the recent levels for the remainder of the year.

The major drop in the unemployment rate is only possible with an appropriate economic policy for existing structural problems e.g. skill regarded and the geographical mismatch between the demand and supply side.

Author

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

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