

Hungary: Steady labour market data is an illusion

Official labour market statistics paint a rosier picture than the reality. The unemployment rate could be around 6% by now. Wage data doesn't include those who are now working part-time due to the Covid crisis, so purchasing power is increasing less than wage growth

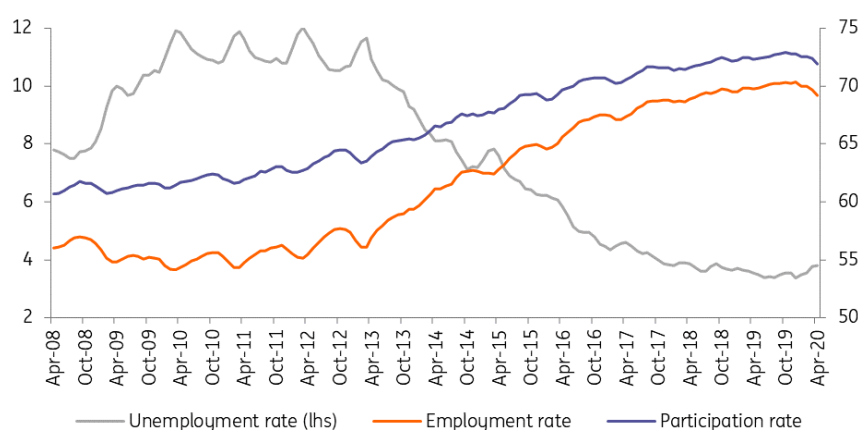


Before we talk about the official unemployment rate, we need to talk about the flaws around the statistics. First of all, this data covers the average of a three-month period. So, when we are talking about the April unemployment rate, it covers February-April. Moreover, this survey – to make it suitable for international comparison – is based on the International Labour Organisation (ILO) definition. This counts unemployed people as those who have lost their jobs, are actively seeking work and/or could start a new job within two weeks. It's clear that in such a crisis of lockdowns and curfews, these definitions make it impossible to measure unemployment.

Against this backdrop, the official 3.8% unemployment rate in April hardly paints a realistic picture. However, the Statistical Office revealed that in February-March, 129,000 jobs were lost. Add to this the previous 170,000 and we are looking at 300,000 unemployed people. According to the administrative data of the National Employment Service, the total number of registered jobseekers increased to 331,000. All in all, this could mean that the realistic unemployment rate could be

around 6%.

Labour market trends (%)



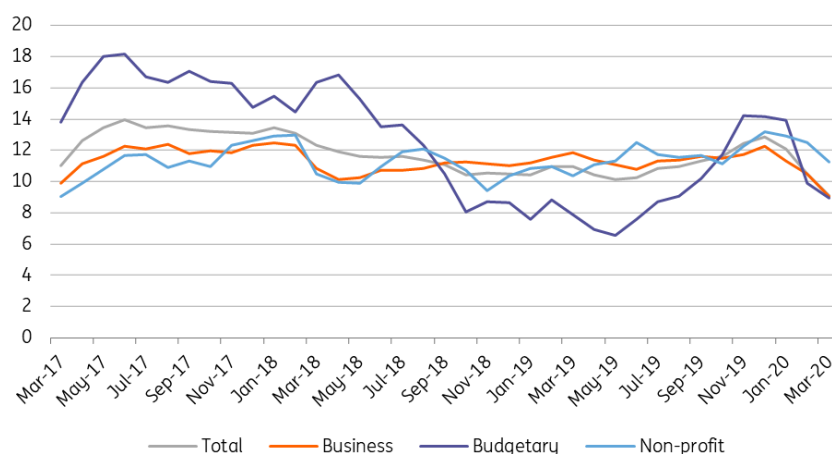
Source: HCSO, ING

Looking forward, the unemployment rate is expected to increase significantly in the coming months. Even if we see economic activity improving in the second half of the year, the labour market will lag behind. As a result, we expect the unemployment rate to stand at around 7-8% by the year-end.

As with unemployment, wage statistics are also flawed in the current environment, making it more difficult to understand the full story. Hungarian average gross and net wages rose by 9.0% year-on-year in March, showing a 0.1ppt slowdown compared to the February reading. The last time Hungary posted single-digit wage growth in three straight months was in 2016. However, 9% wage growth still looks pretty solid and should be more than enough to support consumption.

Looking at the detail, wage growth in the private sector slowed somewhat to 9% YoY in March. Public sector workers enjoyed faster wage growth, earning 8.7% more than a year ago, on average. The latter is due to a wage agreement in public administration, defence and compulsory social security. These figures are far from terrible.

Wage dynamics (3-month moving average, % YoY)



Source: HCSO, ING

The reality, however, is that wage statistics cover only those who are working full-time. One important development of the Covid-19 crisis is/was that a lot of people who worked full-time are now working only part-time. This means they are earning less and have less money to spend. So, despite official statistics suggesting that purchasing power has remained untouched, in reality, it has fallen significantly. According to the latest data from the government, 120,000 people (~3% of labour force) have applied for the “Kurzarbeit” programme.

Looking forward, despite official statistics which are expected to show 8-9% year-on-year wage growth in the coming months, purchasing power will increase at a much slower pace or even stagnate. In addition, as consumer behaviour tends to change in a crisis situation, with increased savings and a drop in the propensity to consume, wage data will hardly reflect what we can expect in household consumption. To put it plainly, labour market statistics are an illusion.

Author

Peter Virovacz

Senior Economist, Hungary

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.