

## Hungary virtually at full employment

Hungary's unemployment rate remains at record lows for the third straight month. And the employment rate ticked up slightly



Workers on an assembly line at an Audi factory in Hungary

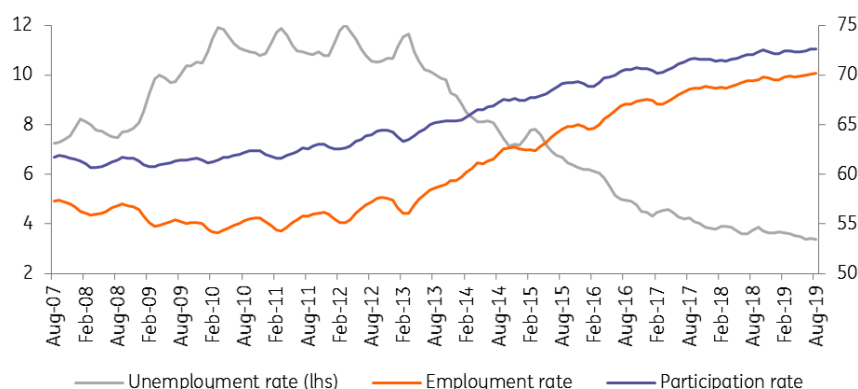
**3.4%** Unemployment rate

Consensus 3.4% / Previous 3.4%

As expected

Hungary's unemployment rate in the 15-64 age group came in at 3.4%, and we can say that those levels seem to be in line with full employment; the rate has now remained unchanged for three months. In the long run, the rate declined by 0.4ppt compared with the same period a year ago. Despite the unchanged unemployment rate, both participation and employment figures are increasing. This means that the number of people coming out from inactivity and starting to look for a job is roughly equal to the number of people who were unemployed but got a job.

## Labour market trends (%)



Source: HCSO

The number of workers in the primary labour market increased further by 61.1k year-on-year, showing a significant deceleration in the pace of improvement. The number of fostered workers (who are working in state-financed, low skilled jobs for less than the minimum wage) came in at 107.8k. With the number of unemployed people sitting at 157k people, it means the pool of potential labour force is lower than ever. So the fierce competition for labour is set to stay with us for a while, pushing wages and salary packages higher.

Amid the optimism, however, there are some signs that the global uncertainty and slowdown is already touching some Hungarian companies. Some of them are delaying previously planned investments, meaning fewer jobs will be created. Others have started cutting jobs or working hours. We still believe that the strong domestic demand and the still low level of costs for exporting companies will provide a cushion for the Hungarian labour market for the next 12 to 18 months. Given all that, we could maintain full employment throughout 2020, but negative risks are clearly rising.

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