

Hungarian unemployment now at record low

After three months of stagnation, the unemployment rate dropped as the number of unemployed fell to 154.3k. It's hard to see how things could improve any further from here



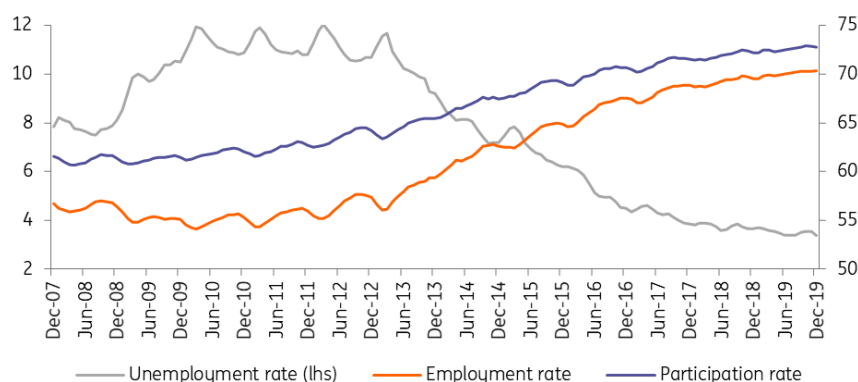
Source: Shutterstock

The unemployment rate of the 15–64 age group came in at 3.4% in December, showing a 0.16ppt improvement compared to the previous three months when the indicator stagnated.

Compared to the data one year ago, it shows a 0.28ppt improvement, causing some upside surprise. The number of unemployed people reached a new record low level, improving the previous one by 5,000, now sitting at 154.3k. So, the improvement of the unemployment rate is partially due to the decreasing figure here. On the other hand, the number of participants in the labour market has been decreasing for three months now, so we hardly can say that the improvement is stemming from new participants entering the labour market.

The number of employed people is hovering around 4.44 million, but this time, it shows a 0.5% increase year-on-year due to the surprisingly low December 2018 reading. Meanwhile, the participation rate is having a marginal declining trend but still measures at 72.8%.

Labour market trends (%)



Source: HCSO, ING

In 2019, the unemployment rate came in at 3.5% on average, matching widespread expectations. We still see that this reading is matching the state of full employment, so we don't count on any major improvements in 2020. We see the unemployment rate to stabilise around this level. This also means that the growth-enhancing effect of improving labour market metrics will be significantly dampened by this year.

However, wage growth is expected to remain sound. Minimum wage increased by 8% from January, while anecdotal evidence is showing that the retail segment is raising wages at around 10% level on average. So, growth in total payroll will still provide a fair boost to consumption.

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