

## Hungary: Productivity increase doesn't seem to harm the labour market

The Hungarian unemployment rate shows only an incremental increase, despite the latest round of lay-offs due to automation and digitalisation in the business sector



Source: Shutterstock

**3.5%** Unemployment rate  
Consensus 3.5% / Previous 3.5%

As expected

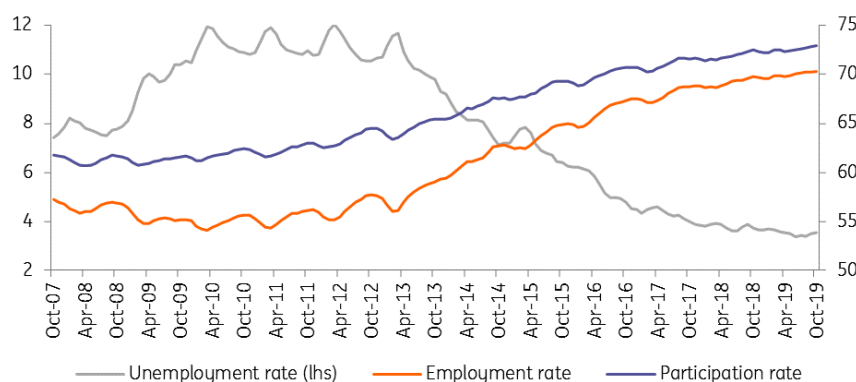
The unemployment rate of the 15–64 age group came in at 3.5% in October - a 0.2 percentage point drop on a year-on-year basis. It also shows a 0.04ppt increase compared to the previous month.

Overall, we can say that the labour market stabilised around the recent unemployment level, but the truth is that we can see a minor increasing trend in the time series. In our view, this

development is tied to the recent changes among the most productive companies, as they roll out the latest digitalisation and automation projects, and we see headlines about lay-offs. However, the vast majority of the freed-up labour force has been absorbed by the less productive, yet labour-intensive companies.

The number of employed people is hovering around 4.44 million, showing only a 0.1% increase year-on-year. This also supports our view, that the fluctuation is rather happening within the employed group rather than having new entrants in the labour market.

## Labour market trends (%)



Source: HCSO, ING

On the details, the number of workers on the primary labour market was up by 29.7k year-on-year, 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 110.8k, a minor increase compared to the previous month.

We see the labour market to maintain its strong footing as long as the Hungarian economy is booming at the recent (or close to recent) rates. Constant improvement in productivity supports potential growth, while also provides new (just laid-off) labour force for the less productive companies, who are suffering from a labour shortage.

Against this backdrop, the majority of the business sector can be a winner, while the unemployment rate can be maintained around 3.5% in 2019 and 2020.

## 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 <http://www.ing.com>.