

## 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

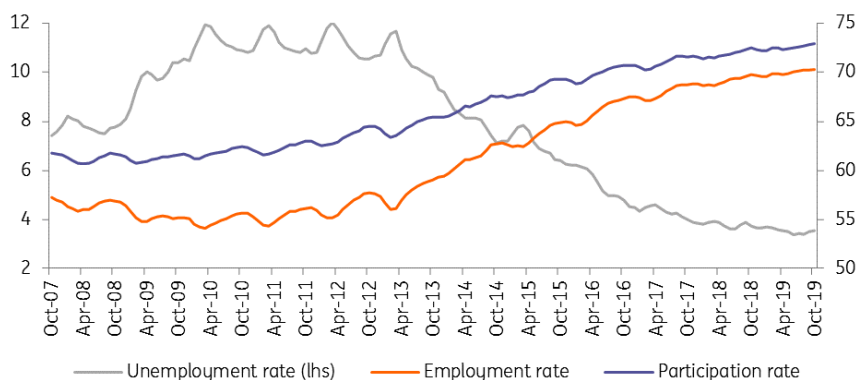
The unemployment rate of the 15–64 age group came in at 3.5% in October - a 0.2 percentage point drop on a year-on-year basis. It also shows a 0.04ppt increase compared to the previous month.

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.

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