

Difficult to see the Hungarian labour market trends clearly

Despite easing containment measures from April onwards in Hungary, the unemployment rate increased, reflecting late labour market feedback from the third wave of Covid-19



The biggest market in Budapest

4.4%

Unemployment rate (April)

ING forecast 4.2% / Previous 4.0%

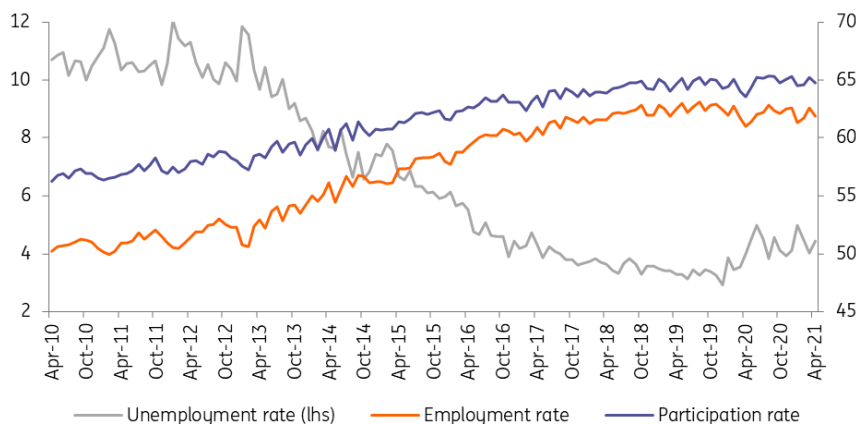
Worse than expected

Recently, the market had become used to upside surprises regarding the Hungarian economy, hence the widespread expectation of improving labour market statistics in April. We were an outlier, seeing the worsening trend based on past experiences of a delayed negative labour market impact.

Even though the reopening started in April, statistics show the number of employed people decreasing and the number of unemployed increasing on a monthly basis. The unemployment

rate came in 0.4 percentage points higher than a month ago, sitting at 4.4% in April. Employment decreased by more than 1.2% MoM. This suggests that the lay-offs triggered by the third wave of Covid-19 and the related containment measures appear with a lag in the labour market metrics.

Labour market trends (%)



Source: HCSO, ING

The impact on the unemployment rate could have been worse, but due to statistical-methodological issues, the majority of people who lost their jobs ended up in the group of inactive labour force, reducing the participation rate in the Hungarian labour market.

Changes in activity, employment and unemployment



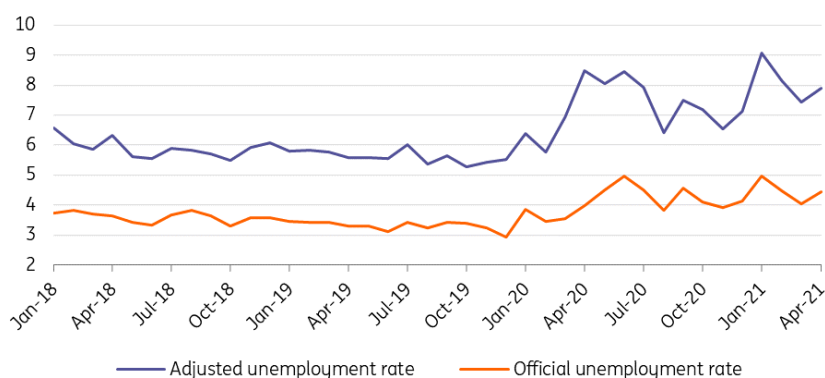
Source: HCSO, ING

In addition, the underemployed and part of the inactive labour force count as the potential labour reserve.

Due to methodology issues, the potential labour reserve will probably better explain the recent labour market situation. Workers who were inactive and want to work but not looking for a job or looking for work but unable to start work within two weeks are part of the potential reserve.

These groups added to unemployment leads to an adjusted unemployment rate, which is – according to our estimates – sitting close but below 8%, in contrast with the official 4.4% reading.

The official and adjusted unemployment rates (%)



Source: HCSO, ING

April 2021 data is ING estimation

Going forward, real changes in the labour market will be measured better by this adjusted reading, as we will see a lot of “inactive” people taking a job right away as reopening ripples through the labour market, which means that both participation and employment will increase, and won't impact the official unemployment rate much.

In contrast, the potential labour reserve will shrink significantly, showing the real impact of the reopening, suggesting continuous support to the rebound in economic activity.

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.