Hungary: Labour market improves, marginally

The Hungarian unemployment rate is sitting at a record low with a higher number of workers on the primary labour market

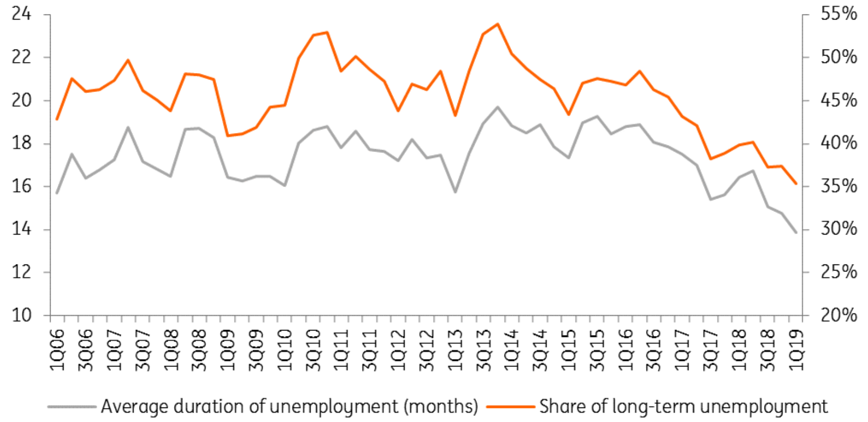
Source: Shutterstock

3.5% Unemployment rate

15-64 age group

The unemployment rate of the 15–64 age group came in at 3.5% in May, a 0.2 percentage point decline on the year. This is a new record low though not necessarily a huge improvement, as the rate of unemployment has been roughly stable since the spring of 2018. The rate of improvement has been slowing due to the depleting potential labour reserve, which is now so low that companies are ready to employ those who were previously labelled unsuitable. Evidence of this can be seen in the decrease in the average duration of unemployment, which dropped to 13.9 months from a record high of 19.7 months in 2013. The share of long-term unemployed (unemployed at least for 12 months) in the total number of unemployed dropped to a record low of 35%.

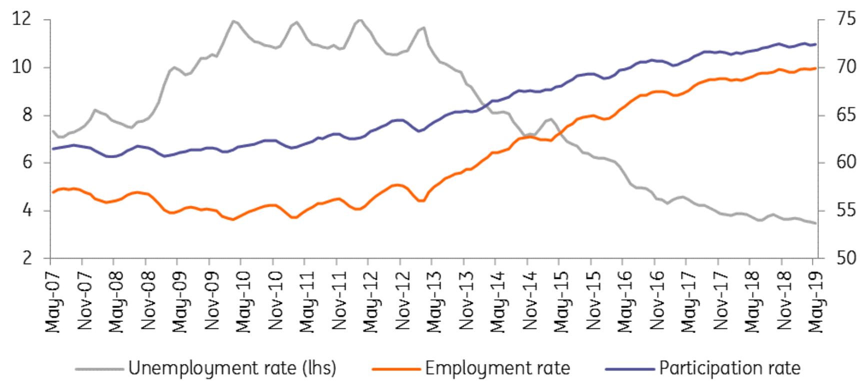
Main characteristics of unemployment



Source: HCSO, ING

When it comes to the structure of the labour market, the positive trend has continued. The number of workers on the primary labour market increased further by 84k year-on-year. This is still a solid improvement though the rate of growth is significantly lower than what we've seen in past years. Meanwhile, the number of fostered workers (who are working in state-financed, low skilled jobs for less than the minimum wage) decreased to 113k, another sign of a depleting potential labour reserve.

Labour market trends (%)



Source: HCSO

All in all, we do not see any major improvement in the labour market going forward. We could experience some improvement related to seasonality but we expect the trend to be broadly stable. Skills and regional mismatches will remain an effective barrier in the short-term without a proper policy solution. We see the unemployment rate stabilising around 3.6% for the whole year in 2019. Full employment will push companies to raise wages and increase tech- and efficiency-related capital expenditures.

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