

Hungary: Unemployment at record low

Hungary's unemployment rate has room to improve further but the pace is likely to slow

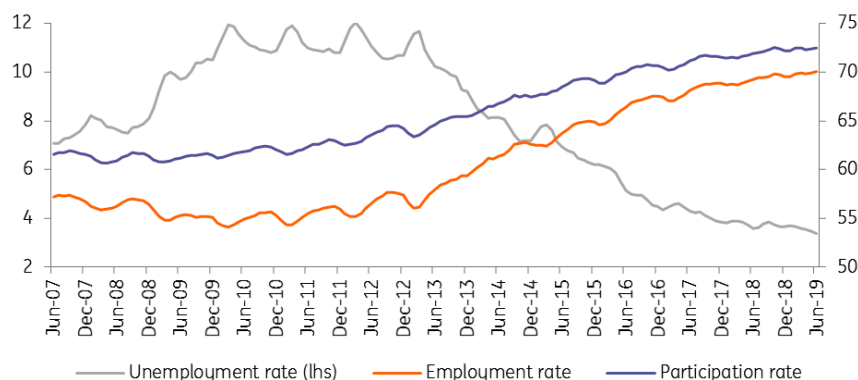


Source: Shutterstock

3.4% Unemployment rate
15-64 age group

The unemployment rate of the 15-64 age group came in at 3.4% at the end of 1H19, showing a 0.2 percentage point decline in 12 months. While this marks a new record low level, the improvement is marginal. The better-than-expected reading is due to falling unemployment among women while joblessness among men stagnated. This suggests that the potential labour reserve is clearly depleting and even a marginal improvement will be really challenging. Moreover, if we add the expected domestic and global slowdown into the picture, the labour market might stop showing any improvement at all quite soon.

Labour market trends (%)



Source: HCSO, ING

The structure of the labour market also supports our view that the continued improvement will stop sooner rather than later. The number of workers on the primary labour market increased further by 84.5k year-on-year. This is a good number but still significantly lower than that registered in previous years. The number of fostered workers (who are working in state-financed, low skilled jobs for less than the minimum wage) dropped to 108.7k, another sign of a depleting potential labour reserve. Moreover, among the 155k unemployed, almost 36% has been trying to find a job for more than a year, meaning that there is a glaring structural mismatch in the labour market.

Looking forward, we do not see any structural improvement in the labour market in the remainder of the year, meaning that the unemployment rate will likely hover around recent levels. We could see some seasonality-related improvements, but trend-wise we see a stabilisation before a slowdown in economic activity takes its toll on the labour market. In the short term, the mismatch between skills and regionals remains an effective barrier while in the longer run, demand for labour will become the main obstacle for further improvement. However, as long as the mismatch remains the main issue, we see a strong push for wage growth and increased capital expenditure in the business sector.

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