

## Hungarian unemployment edging upwards

Even though the unemployment rate is edging up slowly, it's still unclear what's going on in the labour market in Hungary. We think the real unemployment rate is sitting somewhere around 7.5%



Shoppers in Budapest

As we've highlighted previously, there are methodological issues which make hard to understand labour market statistics.

As a quick reminder, unemployment data covers the average of a three-month period. So, when we are talking about the May unemployment rate, it covers March-May.

Moreover, this survey – to make it suitable for international comparison – is based on the International Labour Organisation (ILO) definitions. So, only those people count as unemployed who have lost their jobs and are actively looking for work and/or can start a new job within two weeks. As Hungary remained in lockdown in May, it means that these ILO definitions make it almost impossible to measure the unemployment rate as it is in reality.

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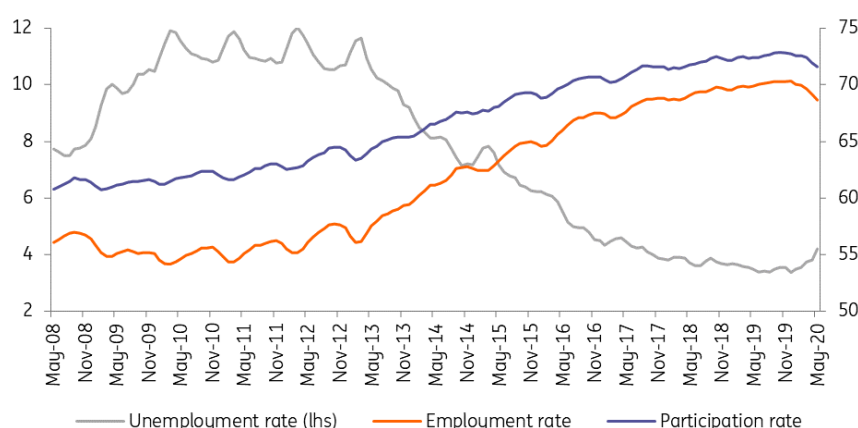
*The real unemployment rate could be rather around 7.5%*

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With that in mind, the official 4.2% unemployment rate (15-64 age group) in May hardly paints a realistic picture, in our view.

Based on the data provided by the statistical office, in the three months affected by Covid-19 (March-May) roughly 160 thousand people lost their jobs. Adding this to the previous 170,000 unemployed, we are sitting at 330 thousand. The official unemployment data sits at around 190 thousand. According to the administrative data of the National Employment Service, the total number of registered jobseekers increased to 363 thousand by May. This could mean that the real unemployment rate could be rather around 7.5%.

## Labour market trends (%)



Source: HCSO, ING

Hopefully, the official number of unemployed and in parallel the unemployment rate will be in more sync with reality in June when the re-opening phase impacts job-seeking opportunities.

Even if we see economic activity improving in the second half of the year, the labour market will lag as its economic inertia is much greater.

So, by the end of the year, the unemployment rate is likely to be around 8%.

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