

## Hungarian unemployment on the rise, but lags reality

The official unemployment rate is rising, but still contains a lot of uncertainty due to methodological issues. By the end of the year, we see the rate at around 8%



Hungarian labour market data is getting better at depicting reality.

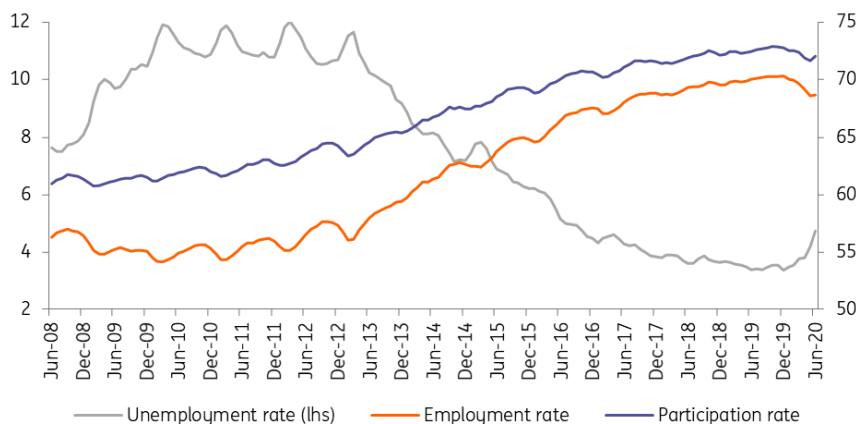
The latest data covers the April–June period, which was impacted by Covid-19. In June, the economy reopened, so people who wanted to find jobs were able to.

Technically (due to the statistical-methodological problems with ILO unemployment definitions) this means a lower number of inactive people and a higher number of unemployed people who are actively seeking jobs. The changes compared to the previous month's data in these two groups were almost identical, reflecting this misclassification issue, which is gradually easing.

Due to this misclassification, the official unemployment rate still sits at 4.7% in the 15–64 age group. The lower-than-expected rate means 214,000 unemployed people on average in the second quarter. In June, we are getting closer to the real unemployment rate: 5.1% meaning 240,000 people without a job.

However, in our view, this still lags reality. According to the administrative data of the National Employment Service, the total number of registered jobseekers increased to 376.3 thousand by June. It equals a higher than 8% in 'true' unemployment rate.

## Labour market trends (%)



Source: HCSO

Slowly but surely, we will get there when it comes to the official unemployment rate. Our best guess is that by the year-end, we will see similar figures.

Reopening and new opportunities in the labour market can help in the short-run, but there are clouds above. The decreasing level of orders in construction and manufacturing means less revenue and increasing pressure to cut costs in the private sector. Then there is the economic policy. Albeit the government introduced several support measures aimed at the labour market, one part of it will come to an end towards the end of summer ('Kurzarbeit'), while the job-creating wage subsidy was restructured in June to target fewer people/companies.

Against this backdrop, based on the number of registered jobseekers and the impact of the changing/ending labour market measures, the official unemployment rate could rise further in the coming months, reaching at least 8% by the end of the year.

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