

## 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.

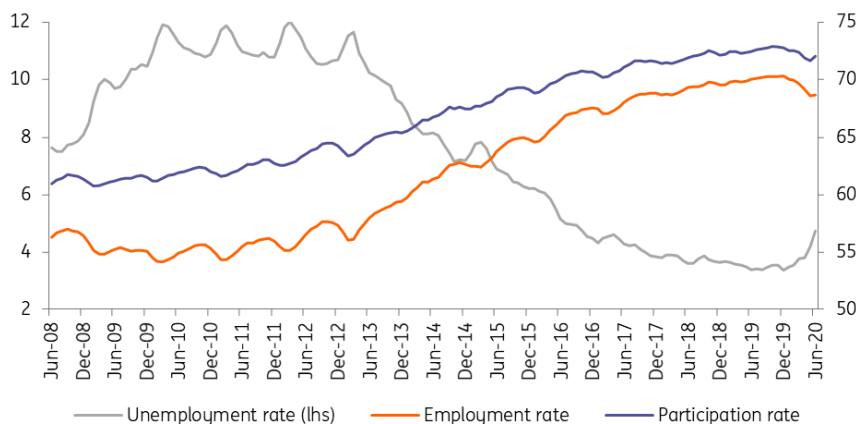
The latest data covers the April–June period, which was impacted by Covid-19. In June, the economy reopened, so people who wanted to find jobs were able to.

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.

### Author

**Peter Virovacz**

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto: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](http://www.ing.com).