

## Hungary: Unemployment rate is on the decline

The labour market has continued to improve after the initial pandemic-induced shock. However, second-round effects will hit the market in the autumn as will a second wave of Covid-19

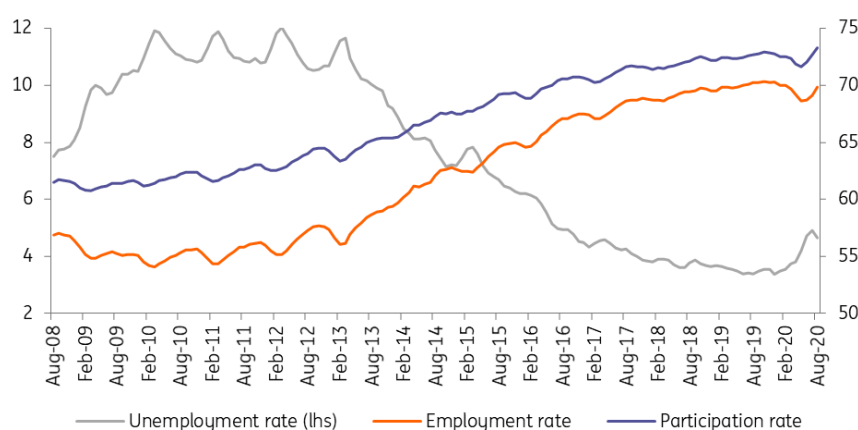


Workers on an assembly line at an Audi factory in Hungary

According to the latest set of data released by the Hungarian Central Statistical Office, the official unemployment rate in the June–August period stands at 4.6% in the 15–64 age group. This is 0.3 percentage points lower than the previous figure - the first improvement since the end of 2019. Despite positive developments in the summer, the rate of joblessness is still 1.3ppt higher than it was a year ago.

The number of unemployed people on average was 213,300 in the aforementioned three-month period. According to the administrative data of the National Employment Service, the total number of registered jobseekers was still above 362,000 in the June–August period on average. However, the latter statistics also show improvement. So, inconsistencies remain, but at least the changes are pointing in the same direction.

## Labour market trends (%)



Source: HCSO, ING

Back to the official statistics. The August 2020 figure (the one-month data) shows significant improvement. The unemployment rate dropped to 3.9%, showing a 0.7ppt decrease compared to July. It seems that after the initial Covid shock, the economy is getting better and better. Capacity utilisation is improving in manufacturing, while services are also inching closer to a normal course of business (sort of). Overall, it seems that the worst is now behind us.

However, this statement is rather too complacent, as summer data is not showing the second-round effects of the first wave. Moreover, the short-time work scheme in Hungary ended in August, and a lot of employers decided to lay off workers as the economic situation and outlook haven't improved enough to preserve all of the previously supported jobs. This impact will only show up in the September data. On top of that, a second wave of Covid-19 hit the country in September. This means stricter social distancing measures, restricting opening hours in the leisure and hospitality sector and closed borders impacting tourism. Against this backdrop, we see a hit to the labour market in these sectors in the autumn, which will negatively impact the overall statistics.

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