Hungary: Unemployment rises on seasonal factors

Hungary's unemployment rate increased marginally due to seasonal factors but underlying developments show an exceptionally strong and stable labour market

People on the Széchenyi Chain Bridge, Budapest

3.4%

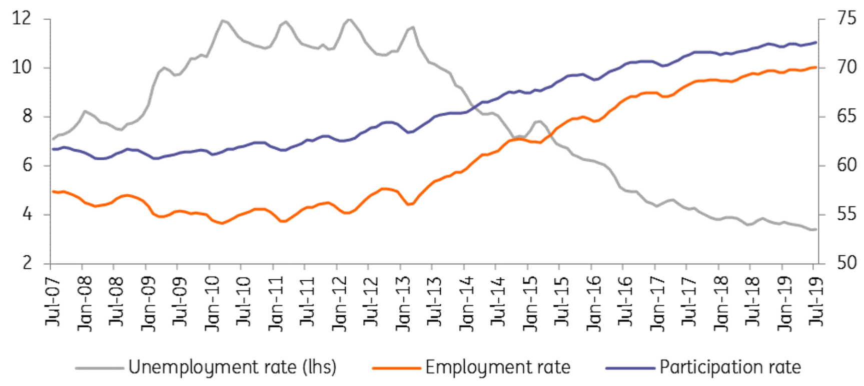
Worse than expected

Hungary unemployment rate

Consensus 3.3% / Previous 3.3%

The unemployment rate in the 15-64 age group came in at 3.4% in July, showing a 0.2ppt decline compared with the corresponding period of the previous year. Compared to June, the indicator shows an incremental increase, but it is just the usual seasonal movement in the Hungarian labour market. Getting rid of the seasonality, we see a strong labour market stabilising around record low unemployment and record high participation rates. The number of employed people increased by 0.3% YoY, while the number of participants went up by 0.1% YoY. The pace of improvement slowed in both readings. This also paints a picture of a clearly depleting potential labour reserve and even a marginal improvement will be really challenging. Given the global backdrop, companies might easily decide to shut down hiring projects and expansion activities.

Labour market trends (%)



Source: HCSO, ING

When it comes to the details, the number of workers on the primary labour market increased further by 73.3k year-on-year, a significantly lower amount than in the previous years. The number of fostered workers (who are working in state-financed, low skilled jobs for less than the minimum wage) came in at 109.7k. Moreover, among those157k unemployed people, more than 37% have been trying to find a job for more than a year, meaning that there is a major structural issue in the labour market.

Looking forward, we do not see any structural improvement in the labour market in the remainder of the year, or even in 2020. Unemployment rate can hover around the recent level. As global uncertainties are mounting, it seems that the next big thing can be a structural increase in the unemployment rate as companies cutting back employment expectations. It also would mean, that we won't have the time and opportunity to see the labour market policies becoming effective solving the structural mismatches before the slowdown spills over into the labour market.

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