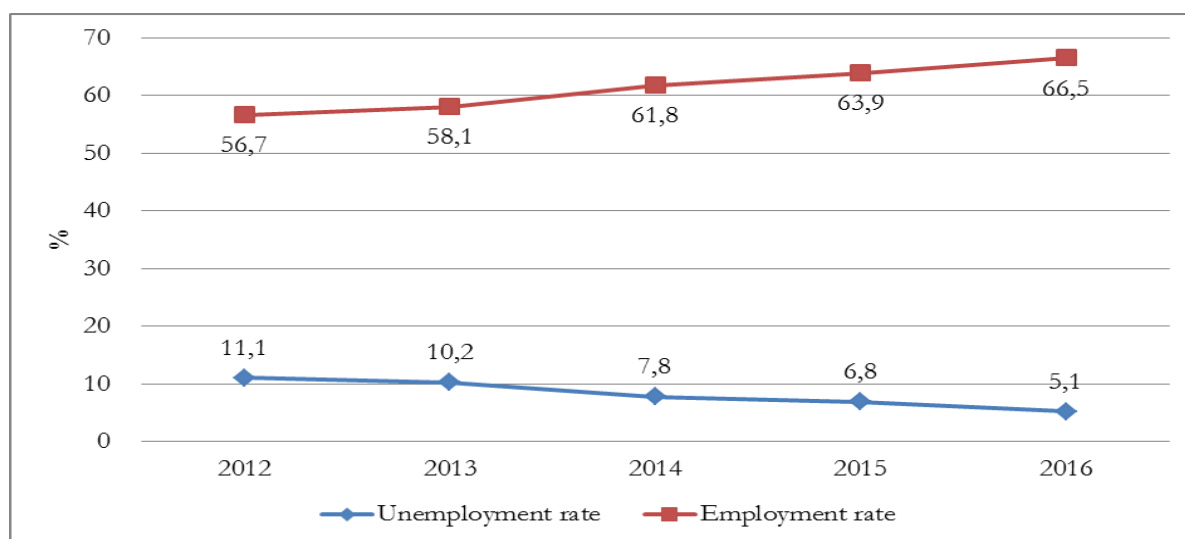


### *A higher employment rate and a lower unemployment rate registered again in Hungary*

According to the latest report of the Hungarian Central Statistical Office (KSH), in the period December 2016-February 2017 Hungary's downward unemployment and upward employment trends have remained in place. In the observed period, the employment rate has hit the highest and the unemployment rate has hit the lowest respective figure in two decades.

In the observed three-month period, the employment rate rose to 67.1 percent, up by 2.4 percentage points, year-on-year. The number of people in employment aged 15-64 years has thus increased from 4 million 204 thousand to 4 million 326 thousand. The number of unemployed people aged 15-74 years was down by 73 thousand, to 203 thousand, compared to 2015. In the observed period, the unemployment rate of this age group has edged down to 4.4 percent, a decrease of 1.7 percentage points compared to the corresponding period of the previous year. Consequently, the unemployment rate has hit the lowest point in two decades, having fallen to 40 percent of the figure registered in 2012 (Fig. 1).

*Fig.1: Unemployment and employment rates*



*Source: Hungarian Central Statistical Office*

**The number of people in employment** – despite a decrease in the pool of potential labour force aged 15-64 years – rose by 122 thousand. The share of men, with 65 thousand, was larger within the increase than that of women, 56 thousand. The employment rate of people in prime



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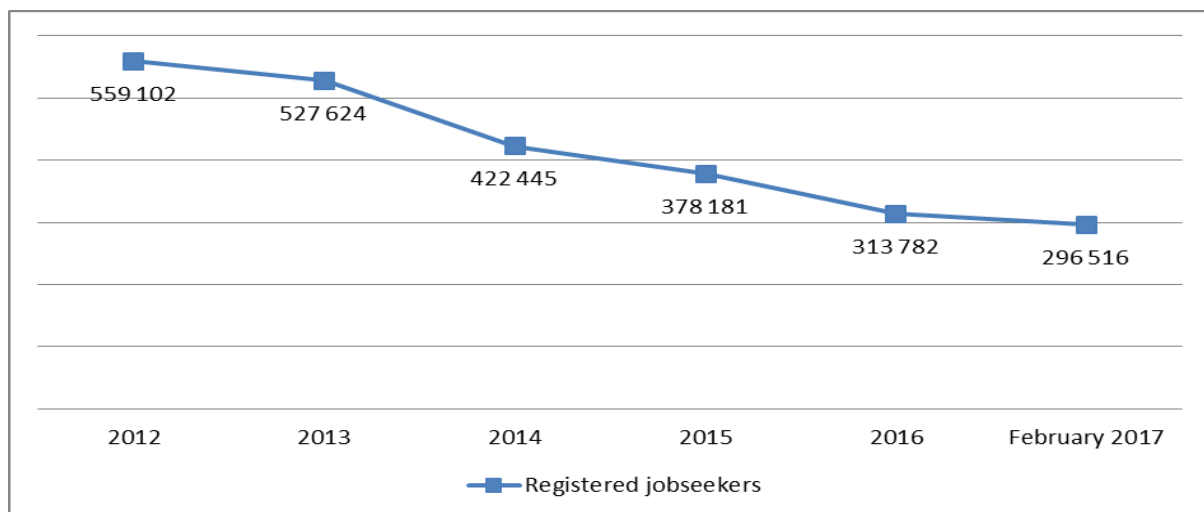
working age, 26-64 years, increased to 72.1 percent, edging closer to the 75 percent target set by the EU for the year 2020. Dynamic employment growth was the result of the rising number of vacancies and increasingly favourable labour market conditions. In the fourth quarter of 2016, 55 526 vacancies were registered, up by 23.8 percent compared to Q4 2015.

**The unemployment rate** in the age group of 15-74 years fell substantially in the case of both men and women in comparison to the same period of 2015. In the period December 2016-February 2017, the indicator edged lower by 1.5 percentage points to 4.5 percent in the case of men, and it was down by 1.8 percentage points to 4.4 percent in the case of women. The number of jobless men and women declined at a similar extent, by 36 700 and 35 900, respectively.

The latest report of the National Employment Service shows that in February 2017 296.5 thousand jobseekers were registered. This is 19.1 percent, or some 70 thousand, lower than it was one year before. The monthly average number of jobseekers was at the lowest level in ten years (Fig. 2.).

The number of men registered as jobseeker was 150.1 thousand, down by 20 percent, while that of women was 146.4 thousand, a decrease of 18 percent year-on-year. The number of the long-time unemployed, those who are out of work for more than one year, fell by 19.4 percent compared to the figure one year before. The long-time unemployed accounted for 26.6 percent of the total number of jobseekers.

*Fig.2: Number of registered jobseekers, 2012-February 2017*



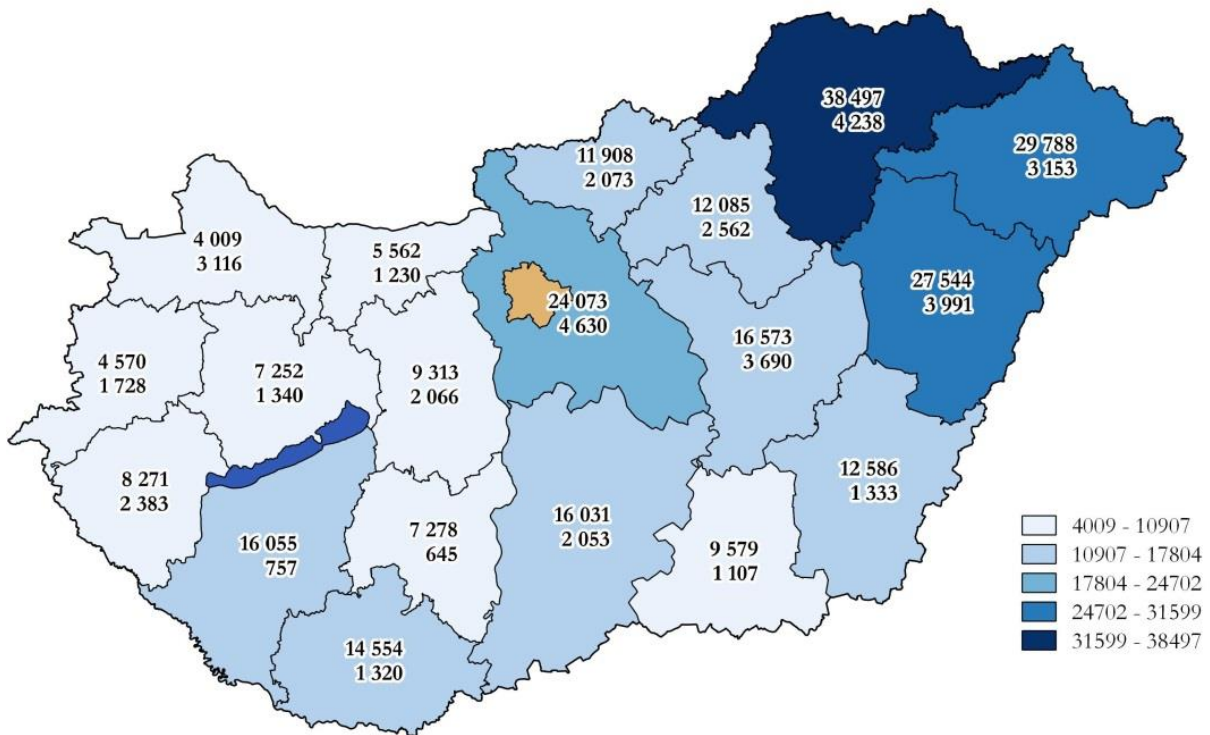
*Source: National Employment Service*



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The **number of registered jobseekers** was the highest, 73 905, in the Northern Great Plain region, which shows a decrease of 14 percent compared to February 2016. The counties with the highest number of registered jobseekers were Borsod-Abaúj-Zemplén (38 thousand), Szabolcs-Szatmár-Bereg (30 thousand) and Hajdú-Bihar (28 thousand). The highest number of notified vacancies was reported from Budapest as well as Pest and Borsod-Abaúj-Zemplén counties in the month of February 2017.

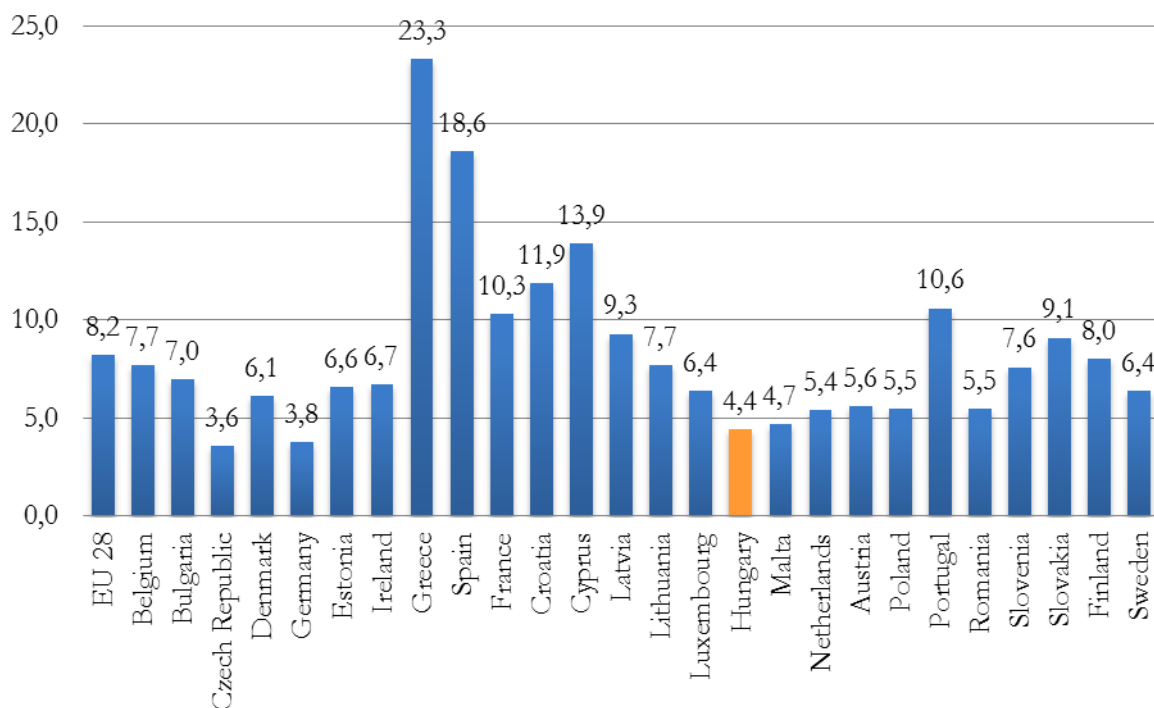
*Fig. 3.: Number of registered jobseekers (upper figure) and notified vacancies (lower figure)*



*Source: National Employment Service*

**Eurostat surveys also confirm positive trends on Hungary's labour market.** In Q4 2016, the number of people in employment was up by 1.9 percent compared to the corresponding period of 2015. This places Hungary in the middle of the EU's employment growth ranking. In terms of unemployment rates, Hungary comes as third on the ranking, behind only the Czech Republic and Germany. The unemployment rate averaged 8.2 percent in the EU in the last quarter of 2016.

**Fig.4: Unemployment rates in the EU, Q4 2016 (%)**



Source: Eurostat

In January 2017, **gross wages in Hungary** averaged HUF 273 800, up by 10 percent year-on-year. This growth was mainly the result of the 15 percent minimum wage and the 25 percent guaranteed minimum wage hikes as well as wage increases in the public sector. Employees in the financial and insurance activities section earned the highest gross wages, while those working in human health and social work activities received the lowest wages. The net wage excluding and including the family tax allowance was HUF 182 100 and HUF 189 900, respectively. Accordingly, net wage growth was also as high as 10 percent.

Hungary's labour market has been characterized by increasing supply-side competition. It is becoming more and more difficult for enterprises to find and keep skilled labour. Government measures are aiming to narrow the wage gap with the EU, for example through the annual increase of the minimum wage and the guaranteed minimum wage; tax incentives, a higher contribution to the cost of commuting as well as lower corporate income tax and payroll taxes. These measures aim to ensure the competitiveness of enterprises despite the wage pressure generated by rising real wages.