Positive trends on the Hungarian labour market and within the entire economy

<table>
<thead>
<tr>
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<th>Number of people in employment (aged 15-74 years)</th>
<th>Unemployment rate (aged 15-74 years)</th>
<th>Net wages</th>
<th>GDP growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>May-July 2014</td>
<td>4 million 127 thousand</td>
<td>7.9 percent</td>
<td>June 2014</td>
<td>Q2 2014</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>HUF 155 602</td>
<td>3.9 percent</td>
</tr>
<tr>
<td>May-July 2013</td>
<td>3 million 963 thousand</td>
<td>10.1 percent</td>
<td>June 2013</td>
<td>Q2 2013</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>HUF 150 056</td>
<td>0.5 percent</td>
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<tr>
<td>Difference</td>
<td>+164 thousand</td>
<td>-2.2 percentage points</td>
<td>Difference</td>
<td>Difference</td>
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<td></td>
<td></td>
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<td>Increase of wage in real terms: 4.01 percent</td>
<td>+3.4 percentage points</td>
</tr>
</tbody>
</table>

Source: Ministry for National Economy

The number of people in employment continues to be above the 4 million mark in Hungary

In light of the latest data, the employment situation has continued to improve in Hungary. In the period May-July 2014, the number of people in employment aged 15-74 years was up by 164 thousand, from 3 million 963 thousand one year ago to 4 million 127 thousand. Accordingly, the employment rate improved from 51.9 percent to 54.3 percent in the same period.
Among those aged 15-64 years, the number of people in employment increased from 3 million 931 thousand one year ago to 4 million 97 thousand, up by 166 thousand. As a consequence, the employment rate of this age group improved to 61.8 percent, an increase of 3.1 percentage points over the past one year. Within the same age group, 2 million 217 thousand men were in employment and thus their respective employment rate edged up by 3.1 percentage points to 68.0 percent. Women’s employment reached a new record high with 1 million 880 thousand in employment following an increase of 82 thousand over the past one year. This growth stemmed on the one hand from the decrease of 41 thousand regarding the number of unemployed people and – on the other hand -- from the increase in the number of those returning to the labour market. Within the latter category, the number of those who receive childcare benefit and returned to work has increased significantly.

The employment rate for those aged 15-74 years jumped from 51.9 percent to 54.3 percent year-on-year, gaining 2.4 percentage points. As far as the gender aspect of employment is concerned, indicators have improved for both men and women. The employment rate of men aged 15-64 years was 3.1 percentage points higher, rising to 68 percent, while the rate for women gained 3 percentage points and increased to 55.8 percent.
In comparison to data compiled one year ago, the employment rate among those aged 15-24 years was up by 3.3 percentage points, while those in prime working age, 25-54 years, improved by 2.7 percentage points to 78.6 percent. The employment rate of those aged 55-64 years reached 42 percent, following an increase of 3.3 percentage points.

**Unemployment rate below 8 percent**

According to the flash report of the Hungarian Central Statistical Office (KSH), the unemployment rate continued to drop in the period May-July 2014. The unemployment rate among those aged 15-74 years fell below 8 percent, to 7.9 percent in the observed period.

![Change in the unemployment rate of those aged 15-74 years, over the past one year (percent)](image)

*Source: Hungarian Central Statistical Office (KSH)*

In May-July 2014, the number of jobless people was down by 92 thousand year-on-year. This means that the number of unemployed people fell to 354 thousand and the unemployment rate was down by 2.2 percentage points to 7.9 percent. Thus, the
unemployment rate is at a six-month low, and this indicator was below 8 percent for the last time in the third quarter of 2008.

The unemployment rate of people aged 25-54 years decreased by 2 percentage points, to **7 percent**. The number of unemployed people within the most economically active age group was down by some 66.5 thousand compared to the corresponding period of the previous year. The number of unemployed men as well as women also decreased in comparison to the same period of the previous year, by 2.2 percentage points each.

A drop of this size in the unemployment rate is outstanding even from an EU perspective. On the basis of data from the month of July, Hungary’s unemployment rate showed the largest improvement over the past one year compared to other EU member states. According to Eurostat data published last Friday, over the last 12 months unemployment was lower in twenty-two member states, unchanged in three of them and it was higher in three of them (Finland, Italy and Luxembourg). As the statistical body of the EU reported, the seasonally adjusted headline unemployment rate of Hungary was 8.1 percent in July, signalling a drop of 2.3 percentage points over the past year. This implies that there were only eleven member states within the EU where this indicator was better than Hungary’s. As an especially positive development, within the entire EU the largest drop in women’s unemployment was also registered in Hungary, as this indicator improved to 8.2 percent. Furthermore, Hungarian data are much better in both aspects than the EU average: the headline unemployment rate as well as that of women were both down by 2.1 percentage points.

The lowering of taxes on labour, the Job Protection Action Plan, the Government’s focused employment measures and the positive economic U-turn of 2013 have all played a key part in boosting the number of people in employment and combating unemployment. Excellent macroeconomic data are also indicating that Hungary’s economy is rebounding.

In the coming years, the Government aims to keep the number of people in employment above the 4 million mark and to reduce the number of unemployed people to below the so-called frictional unemployment level of 300 thousand. In addition, the Government is focusing on
bolstering an already ongoing process and promote the private sector’s role in employment growth instead of public work schemes.

**Significant increase of wages in real terms in the month of June**

As the latest KSH data show, wages in real terms gained 4 percent in June, year-on-year. By boosting consumption, this development also fuels the entire economy. In June 2014, the number of people employed by enterprises with at least five employees was up by 55 thousand year-on-year which growth figure has been unprecedented since the end of 2010.

In June 2014, average gross wage was HUF 237 600, while net wage – excluding family tax allowance – averaged HUF 155 600. Gross and net wages within the national economy grew both by 3.7 percent, while the tax burden remained unchanged. Taking into account an average inflation rate of 0.3 percent, wages in real terms were 4 percent higher, even in case the effect of family tax allowances with an extended scope is excluded.

In January-June 2014, the average gross wage of full-time employees was HUF 235 000. Within that, the average gross wage of private and public sector employees – excluding public work employees -- was HUF 250 800 and HUF 235 800, respectively.

In the first half of this year, within the national economy wages in real terms increased by 3.1 percent in case the growth within public work schemes is taken into consideration and by 5.8 percent without that sector (the effect of family tax allowance excluded). Improvement has been observed in each economic sector: wages in real terms were up by 5.1 percent at enterprises, by 7.7 percent in the public sector and by 8 percent at non-profit organizations, compared to January-June 2013. The real wages of public work employees was on average 0.6 percent higher in the first half of 2014. In light of preliminary estimates, the extension of the scope of family tax allowance has generated additional real wage growth of 0.8 percent on average.

The wages in real terms of public work employees increased on average by 0.6 percent in the first half of 2014, year-on-year. The expected further increase of real wages is seen to contribute – through boosting consumption – to the expansion of the economy and thus the latest prognoses are forecasting GDP growth of above 3.1 percent.
GDP

The growth of Hungary’s GDP in the second quarter was as much as 3.9 percent, which constitutes the largest increase within the EU28 bloc. The industrial, construction, services and agricultural sectors were the most dynamic divisions. The almost 20 percent increase of investment volume gives reason to be optimistic also with regard to future developments. The high growth of investment volume is indicating an upturn in development projects and jobs. General government budget deficit remained below 3 percent even in this exceptional growth environment. Household consumption growth jumped to an eight-year record high of 2.4 percent that confirms the Government’s former assumption that households have been spending more and more of their higher incomes and that, in turn, is also underpinning the momentum of Hungarian economic growth.

Although the Russia-Ukraine conflict is likely to damped growth in the second half of the year, GDP growth for 2014 is still expected to be above 3.1 percent.
Contribution of economic sectors to GDP growth(%, production side)