

Main results of IEER's Short-Term Labor Market Forecast for 2018

Summary

The following summary comprises the latest results gained from the largest representative survey series on the Hungarian labor market. During the study 6832 company leaders' answers on employment, on the company's business situation, and on the company's future expectations were registered and analyzed. The history of the survey series targeting short-term expectations of the labor market goes back to the years following the regime change of 1989-90 in Hungary. The latest survey in this research program took place between September and October, 2017 as the tenth occasion of the collaboration between the Hungarian Ministry for National Economy and the Institute for Economic and Enterprise Research (IEER) to forecast the short-term economic prospects of the private sector, and to review corporations' labor market decisions in an empirical study.

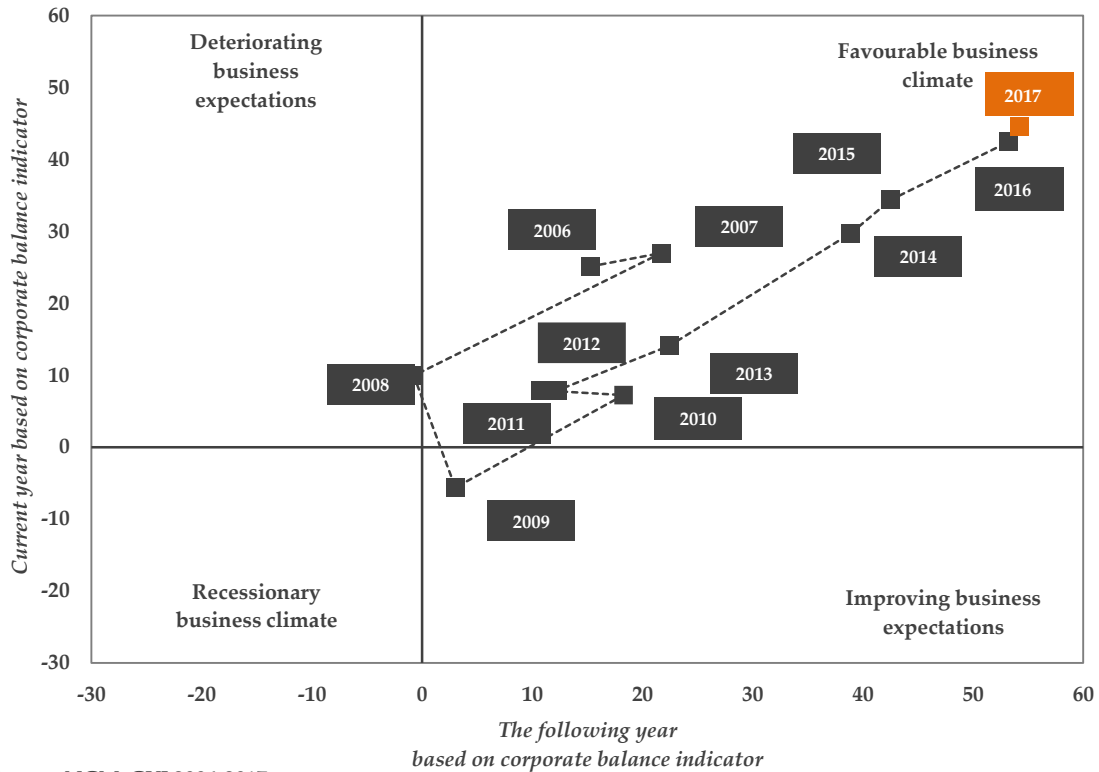
The survey

During the survey co-workers from county governmental offices and from the IEER Institute questioned altogether 6832 company leaders about their current and expected labor force demand. The results can be considered to be representative by the companies' geographical location, economic sectors and size (headcount).

Business situation

According to the Short-Term Labor Market Forecast for 2018 the subjective corporate business situation assessment has further improved after the positive shift that happened last year. The value of the general business situation balance indicator is 45 points – that is those who consider their business situation fairly favourable constitute the majority with 45% compared to those who think their business situation is not favourable. Business expectations for 2018 are more optimistic than any time in the previous years. The value of the future business situation balance indicator is 54 points.

Figure 1: Subjective assessment of the current and expected general business situation, 2006-2017



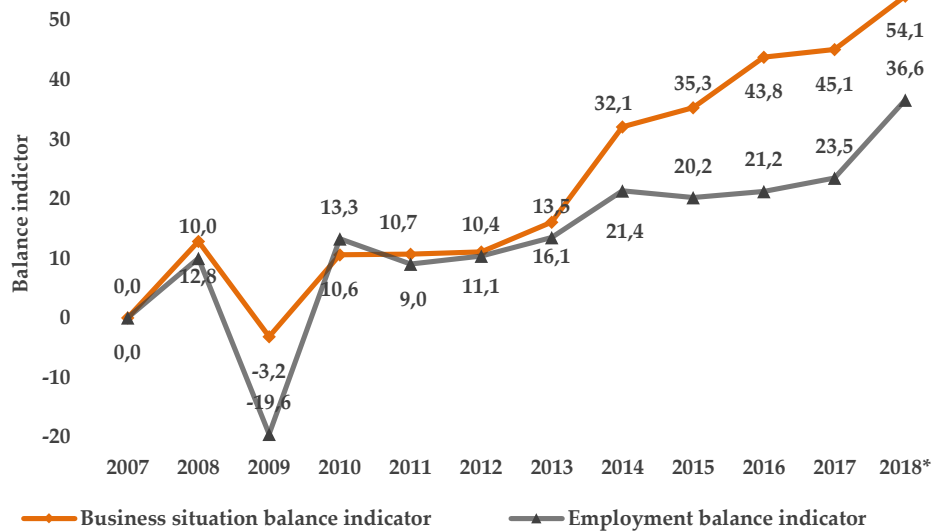
Source: NGM, GVI 2006-2017

Change in the headcount in the private sector

According to this year's Short-Term Labor Market Forecast in 2017 the number of those companies that increased their headcount was 24 percentage points higher than that of those companies that reduced their headcount. This rate was 21 percentage points in 2016. For the year 2018 the corporate balance indicator is at 37 points, which means that companies planning to increase their headcount form a majority with 37 percentage points compared to those companies that plan headcount decrease. It should be noted that the improving trends concerning employment does not prove to be as strong as the trend that can be observed in connection with the improving business situation.



Figure 2: Balance indicators of business situation and employment, 2007-2018



According to the raw data of the survey if the companies' plans and intentions are to be summed up, then there is a 2.5 percentage point increase in employment for 2018. To have a realistic estimate for employment, it is important to consider what the actual labor force demand was compared to the corporate planned demand among the surveyed companies in the past. Making the estimation model adaptive with such an impact correction then only a 1.3% increase in employment is likely for 2018. According to the corrected estimation in economic services a 1.9% and in agriculture a 3% decline in employment can be expected. But in the field of retail a 0.5%, in the case of industrial companies a 1.6%, and in case of construction companies a 4.9% increase is prognosticated. It is important to highlight that raw company expectations are the most favourable in case of industrial companies, and in all sectors the raw company expectations imply a headcount increase. According to the corrected forecast for 2018 among companies with relevant export activities a 3.4% employment increase is to be expected.

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