

Snap | 22 November 2024

Hungarian wage growth moderates but remains strong

Average wage growth in Hungary decelerated in September, mainly due to a slowdown in the corporate and non-profit sectors. However, the strong momentum hasn't yet been reflected in economic output



City commuters in Budapest, Hungary

Average wage growth (YoY, September)

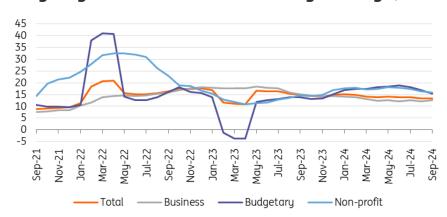
ING Forecast 13.0% / Previous 13.1%

Worse than expected

According to the latest data from the Hungarian Central Statistical Office (HSCO), average gross wages grew by 12.5% year-on-year in September 2024 after a slight slowdown. While this was below market consensus, there have been both positive and negative surprises in previous months, so it is more likely to be a case of general volatility.

Today's data point is in line with the longer-term trend of a slow but steady moderation in the pace of wage growth since the beginning of the year. Indeed, September's wage dynamics have been the lowest so far this year, and this is the first time we have seen a rate below 13%. However, given that expectations at the beginning of the year were for wage growth to fall into single digits in the second half of the year, this figure remains very high.

Wage dynamics (3-month moving average, % YoY)

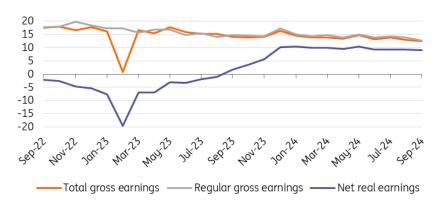


Source: HCSO, ING

Looking at the September data in more detail, the slowdown in average wage growth is now mainly due to wage developments in the corporate and non-profit sectors. The latter is basically of minor importance, so it is more relevant to look at developments in the private sector.

In this sector, the pace of wage growth slowed from 12.5% (August) to 11.9% YoY (September). There was also a general slowdown in the pace of wage growth in agriculture, industry, construction and market services. The real estate sector bucked the general trend and continued to record above-average wage growth. In the public sector, average wage growth remains very high at over 14%. This is due to wage agreements in various sectors, such as education and healthcare.

Nominal and real wage growth (% YoY)



Source: HCSO, ING

The gap between the national average wage and the median wage has continued to narrow, which may be partly due to the increase in the minimum wage and the retreat of the shadow

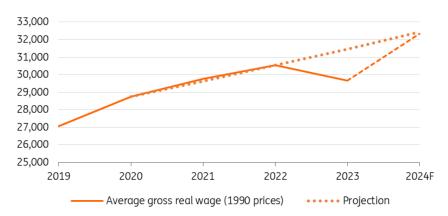
Snap | 22 November 2024 2

3

economy. In addition, growth in regular earnings has been more dynamic (albeit minimal) than in the data with bonuses, so it is likely that (at least partially) developments in one-off payments are behind the slowdown in wage growth in some areas of the private sector. The growth rate of real earnings remains above 9% YoY, which can be considered quite high. However, the positive effects of this are not yet being felt in the economy, as households' propensity to save is high and caution remains strong.

On the basis of the data, we believe that the dynamic wage growth in the competitive sector could continue in the fourth quarter which, taking into account changes in the public and non-profit sectors, should almost certainly lead to average wage growth of over 13% for the economy as a whole. This, together with a gradual unwinding of household caution and stronger demand, could also increase the pricing power and willingness of firms. However, this mainly reflects inflationary risks next year rather than this year.

The level of average gross real wage (1990 CPI adjusted HUF)



Source: HCSO, ING

We expect average annual wage growth of 13.0-13.5% this year and average inflation of 3.6-3.7% in 2024. For the year as a whole, real wage growth could therefore be as high as 9%. While this looks very strong, it would only mean that, on top of last year's fall in real wages, the purchasing power of average wages would be around 6% higher than the real wage level in 2022. In other words, we would still prefer to describe this year's development as a wage catch-up in the light of the sharp fall in 2023.

Authors

Peter Virovacz

Senior Economist, Hungary peter.virovacz@ing.com

Kinga Havasi

Economic research trainee kinga.havasi@ing.com

Snap | 22 November 2024

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit http://www.ing.com.