

Hungary sees a one-off wage boom

The extremely strong wage growth seen in Hungary in June was assisted by the bonus paid to healthcare workers, but coronavirus furlough schemes might have also helped



15.6%

Average gross wages (YoY)

Consensus 9.0% / Previous 9.4%

Better than expected

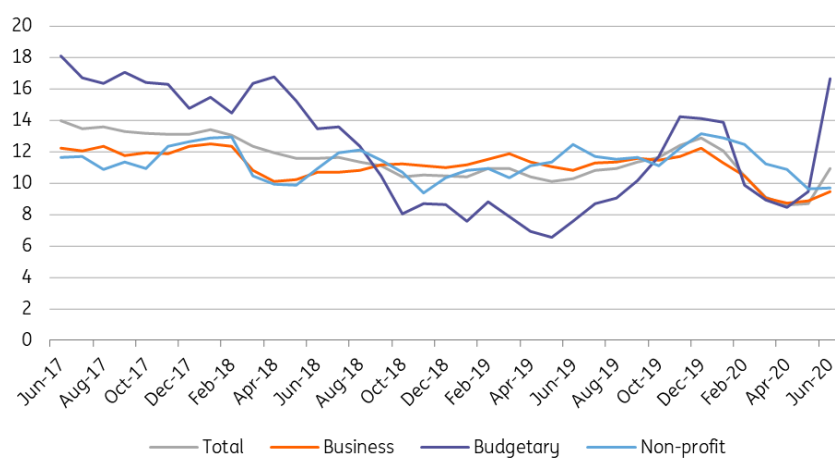
Both gross and net wages in Hungary rose by 15.6% year-on-year in June 2020.

The extraordinary wage increase was largely related to a one-time extraordinary allowance of HUF 500,000 allocated to healthcare workers. If we only consider the data adjusted for such extraordinary benefits, then regular gross earnings also show an increase of 10.6% YoY. So, wage dynamics have improved not only due to the jump in premiums.

The details show that the wage increase of more than 30% in the public sector was clearly due to the bonus paid for healthcare workers (+88% YoY).

At the same time, earnings in education also increased by 14.5% YoY.

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



Source: HCSO, ING

Wage dynamics have also strengthened in the private sector - the 10.8% YoY wage increase in June has been the highest this year.

Wages have risen significantly especially in manufacturing, which is presumably related to restarting production lines. As long as production stalled, workers earned only their base salaries, but as factories restart production, it automatically triggered an increase in wages. There was also double-digit wage growth in the accommodation and catering sector.

In our view, this is due to the impact of government-financed coronavirus furlough schemes, which provided an extra allowance for three months.

Looking forward, a near-double-digit growth may persist until the end of the summer due to labour market programs. The 9.9% wage increase seen in the first half of 2020 could even be sustained in the second half.

Against this backdrop, wage growth could be around 9-10% on average this year. But as the second-round effects of the first wave of Covid-19 spill over into the real economy, wages will be the first in line to absorb the shock. So, despite a strong 2020, next year, wage growth could be much weaker.

Author

Peter Virovacz

Chief Economist, Hungary

peter.virovacz@ing.com

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