

Hungary: Decent wage growth in July

Wage growth remained strong in July, mainly driven by the business sector. Despite the worsening external environment, corporate employment intentions are still high, driving employment and thus further wage increase

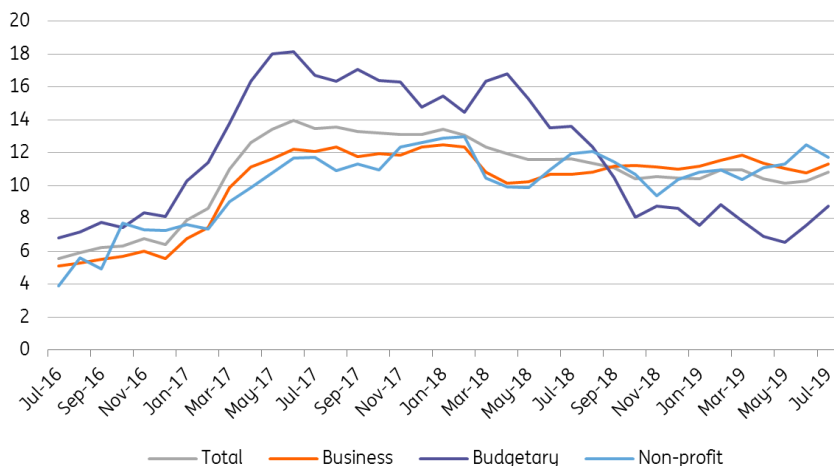


Source: Shutterstock

The Hungarian average gross and net wages remain strong in July, reaching a 10.7% year-on-year increase.

The pace of growth even showed a slight acceleration compared to June, and also exceeded the average of 1H19. Actually, the decent reading was the product of two offsetting factors. While wages in the business sector showed an almost 12% YoY increase, it was counterbalanced by the 7.1% yearly growth in the public sector, despite the general wage increase in healthcare. Since September 2018, the business sector has been outperforming the public sector in terms of wage growth.

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

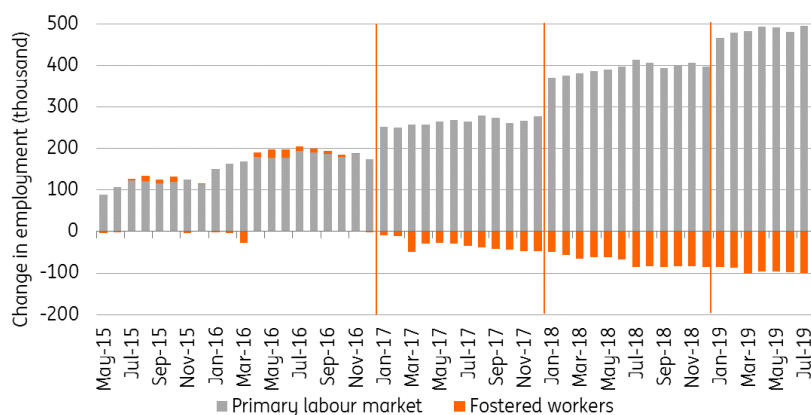


Source: HCSO, ING

Wages in the manufacturing and construction sector, as well as in agriculture and the retail sector (which have been most severely hit by labour shortage) increased well above the average. This basically supports the view that the process is mainly driven by the tight labour market, while the reduction of social contribution tax in July just added to it. The expensive labour force is weighing more and more on product and service prices, as productivity lags behind nominal wage increase.

When it comes to employment, it showed a seasonal increase in July, while the yearly average is really close to full employment. The number of all workers rose by only 0.5% since January, while employment dynamics in the primary labour market was almost twice as strong. This means that both unemployment and the number of fostered workers could decrease in the period, providing some extra human resource for companies to hire, while at the same time reducing costs and rising tax income for the budget.

Labour market trends



Source: HCSO, ING

There is three level shift in the time series (Jan-17, Jan-18 and Jan-19) due to methodological and data source changes

However, even if the tight labour market and the double-digit wage growth remain with us for the rest of the year, there are some ominous signs of the looping negative effects of the worsening external environment. A couple of domestic companies have announced cutbacks, some have cancelled or delayed investments, mainly due to global uncertainties.

Yet overall these haven't really had a huge impact on the macro level, the labour market sentiment is still rather optimistic, with a strong corporate employment intention.

Author

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

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 www.ing.com.