Hungary: Heavy industry and hospitality lead wage growth

Average wage growth remained in double-digit territory in June. But a 30-month low in wage growth from the construction sector could be a sign that the recent golden age is coming to an end

Workers on an assembly line at an Audi factory in Hungary

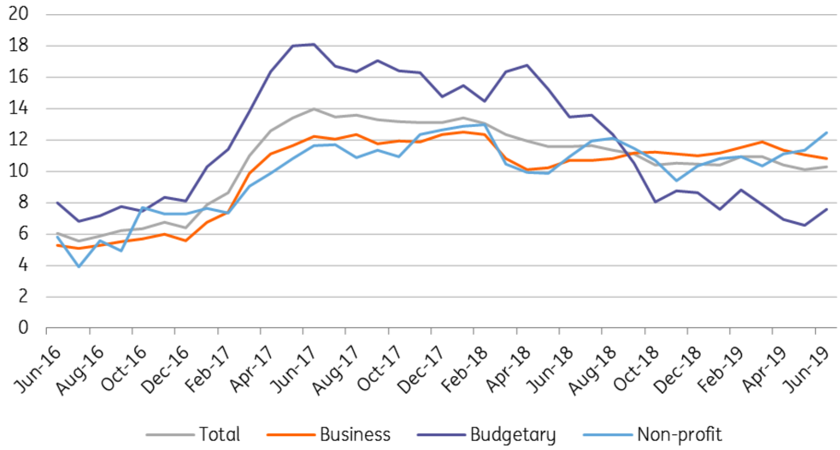
10.6% Average gross wages (YoY)

Consensus 10.6% / Previous 11.2%

As expected

Hungary's average gross and net wage growth came in at 10.6% YoY in June, remaining in double-digit territory once again. The data is a touch lower compared to May, which is mainly due to the public sector as a whole, where wages rose by 'only' 8.4% YoY. In the meantime, wages in the non-profit sector increased by 13% year-on-year, while businesses raised wages by 11% on average.

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



Source: HCSO, ING

Wages increased well above average in the heavy industry and agricultural sectors as seasonal jobs kicked in. The biggest surprise was in construction, where the 7.6% YoY wage growth was the lowest in 30 months and only the third time when wages did not increase at a double-digit rate. This might be a sign that the new golden age in the sector will come to an end sooner rather than later. Wage increases in services were quite mixed, but the hospitality sector was an outlier, with a 14% YoY rate. The start of the summer season pushed companies to increase wages as they faced labour shortages and found themselves in fierce competition for seasonal workers.

We see wages hovering around the 10.6% YoY rate, which was the average in the first half of 2019. Labour shortages will remain an important element but it is just a matter of time before companies start to cut back on labour as the global backdrop affects wage growth. As uncertainty hits confidence, workers could decide to save, rather than spend their higher wages. So despite the still elevated wage increases, we might see a lower propensity to consume in the second half of the year.

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