

Hungarian labour market remains resilient

Defying all expectations in a pandemic, the unemployment rate in Hungary remains stable while wage growth remains elevated despite the second wave



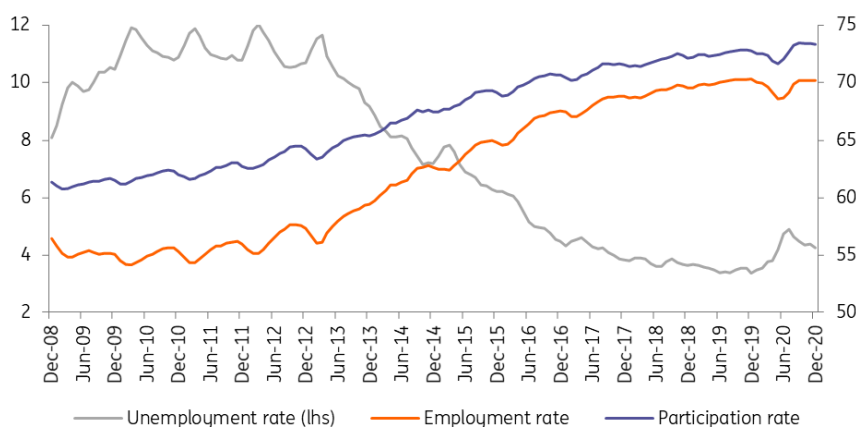
Source: Shutterstock

According to the latest data, the official Hungarian unemployment rate in December came in at 4.3% in the 15 -64 age group. This is only 0.2 percentage point higher than the previous figure.

The number of employed remained more or less stable compared to the previous three-month average, while both unemployment and participation in labour market decreased. This type of move is in contrast with what we saw during the first wave of the pandemic.

It seems that during the second wave, people who became inactive by methodology have been able to find jobs.

Labour market trends (%)



Source: HCSO, ING

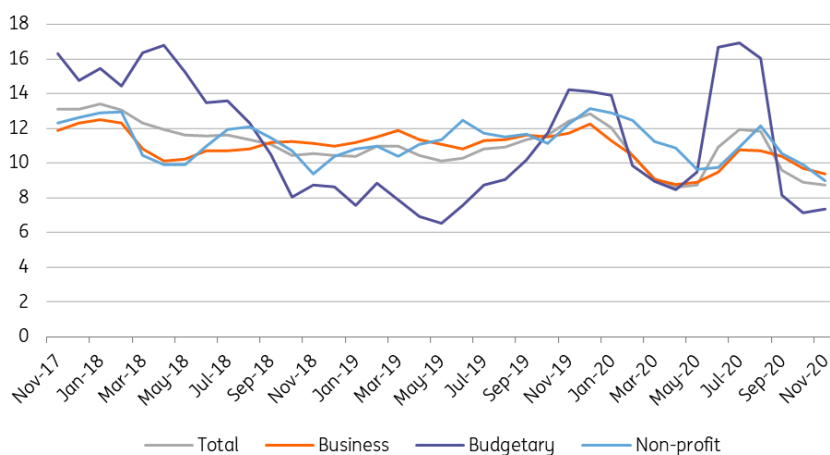
Wages also surprised on the upside. Both gross and net wages rose by 8.6% year-on-year in November 2020, showing stability in the past three months.

The most surprising part is that despite the crisis, there has been a significant increase in one-off premiums and bonuses. But even wages without these one-offs, have also increased by 8.7% YoY in November.

Taking into consideration, that wage growth decelerated by 0.5ppt to 8.9% in the business sector, our best guess is that one-off bonuses were rather stronger in the public sector.

This idea is supported by the fact, that wage growth in the public sector accelerated in November, reaching an 8.1% YoY pace - the highest since July 2020. Moreover, the non-profit sector also showed a strong increase in salaries.

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



Source: HCSO, ING

For now, the Hungarian labour market looks much more resilient during the second wave than we initially thought. Given the latest upside 4Q GDP growth surprises in other European countries, who knows Hungary might surprise us too.

When it comes to 2021, improving employment might help the economic recovery, but the slowing wage growth will dampen this effect. Minimum wages will increase by 4% from February, which suggests that the average increase in salaries should be around that rate. Although this might seem pretty good, this is only half the growth we have seen in the past three years.

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