Hungary: Labour shortage pushes wages higher

Net average wages increased by 11.3% year-on-year in 2018 as a whole, while real wage growth showed a more significant slowdown to 8.2% on a yearly basis due to the strengthening in inflation.

Hungarian average gross and net salaries grew by 10.2% YoY in December, helping average wage growth to remain in double digit territory at 11.3% YoY in 2018 as a whole. This is a minor slowdown to the previous year’s 12.9% salary increase. When it comes to real wages, the significant pick up in consumer prices has taken a toll, with growth decelerating from 9.9% in 2017 to 8.2% YoY in 2018.

Wage growth in the private sector has come in stronger than in the public sector for the fifth time in a row, but taking into consideration the whole year, both sectors showed double-digit improvement at 11% and 12%, respectively.
Labour demand on the primary labour market increased further by 27k between January and December, showing a 0.9% rise. The number of fostered workers dropped by 36k, thus the total figure came in a bit lower.

Looking forward, it is really hard to estimate the outlook for wages in 2019, as the Statistical Office is changing its methodology from January. Another important consideration is the huge makeover in fringe benefits, as the government has increased taxes on these. It should push companies to compensate affected workers in their salaries, at least partially, but at the end of the day, due to the different taxation, workers will face a lower increase in real disposable income than the official wage statistics will show. Finally, real wage growth is expected to show further slowdown in 2019 due to rising inflation.
Peter Virovacz
Senior Economist, Hungary
+36 1 235 8757
peter.virovacz@ing.com
Disclaimer

"THINK Outside" is a collection of specially commissioned content from third-party sources, such as economic think-tanks and academic institutions, that ING deems reliable and from non-research departments within ING. ING Bank N.V. ("ING") uses these sources to expand the range of opinions you can find on the THINK website. Some of these sources are not the property of or managed by ING, and therefore ING cannot always guarantee the correctness, completeness, actuality and quality of such sources, nor the availability at any given time of the data and information provided, and ING cannot accept any liability in this respect, insofar as this is permissible pursuant to the applicable laws and regulations. This publication does not necessarily reflect the ING house view. This publication has been prepared solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. 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).