

## Hungary: More money to spend

Wage growth remained in double-digit territory in September and even strengthened slightly, as public wages increased significantly



People on the Széchenyi Chain Bridge, Budapest

# 11.8%

Higher than expected

Gross wage growth (YoY)

Consensus 11.4% / Previous 11.5%

Hungary's average gross and net wage growth accelerated by 11.8% year-on-year in September. Stronger wage growth in the past couple of months has been mainly due to the public sector. September's result was largely due to wage settlements for healthcare and social workers, who now earn 21% more than a year ago. The business sector data came as no surprise, as the 11.6% YoY salary increase roughly matched the trend of 2019. The minor acceleration was due to strengthening wage growth in manufacturing and agriculture.

Wages have been rising by double-digits almost everywhere, with only a handful of exceptions. Mining, finance and real estate are among the business sectors where growth has been in the high-single digits. Salaries in education are increasing by just 3% year-on-year.

Employment rose by 0.14% compared to the start of the year. However, on the primary labour market, employment rose 0.6%, so the number of fostered workers dropped further and now sits at 98.7k, down 12% from the start of the year.

The tight labour market and thus strong double-digit wage growth could remain with us for the rest of the year as we don't expect the labour shortage to ease materially. Despite recent headlines about layoffs, unemployed workers are being re-hired quickly by companies in need of labour, and we believe this type of movement won't affect wages. Next year, we see minimum wages increasing by 10% and some tax cuts (maybe including personal income tax) are also expected, suggesting the strong increase in real disposable income will continue.

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