

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%

Gross wage growth (YoY)

Consensus 11.4% / Previous 11.5%

Higher than expected

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.

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 <http://www.ing.com>.