

Hungary: Public workers get big wage bonuses

Hungary's average wage growth comes in higher than expected as public servants received significant premiums in November



People in Budapest

13.9%

Average gross wages (YoY)

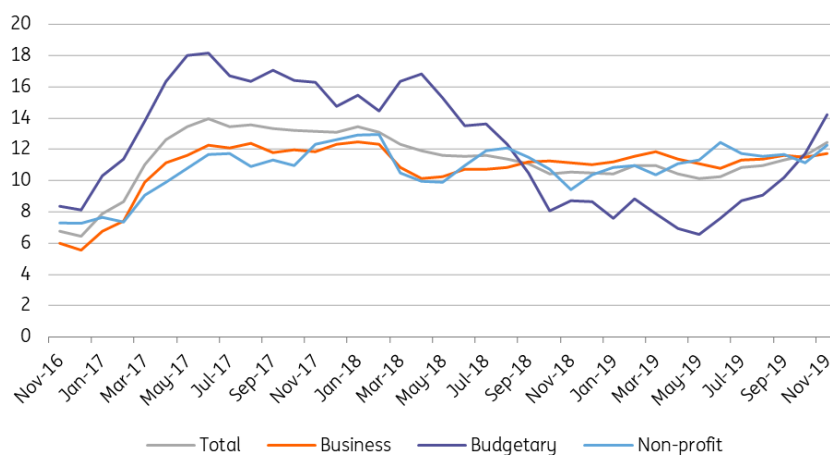
Consensus 11.2% / Previous 11.6%

Better than expected

Hungarian average gross and net wages rose by 13.9% in November, posting the strongest year-on-year increase since June 2017. Both public and private sector average salary increases accelerated, although the public sector saw the biggest jump. Wage growth there came in at 19% YoY, significantly higher than the 12% increase measured in the previous months. Those working in public administration, defence and social security saw a 29% jump on average in salaries in November. Against this backdrop, this significant pickup in wage growth is just a one-off phenomenon and not the start of a new trend.

In the private sector, the 12.1% yearly-based wage increase doesn't count as an outlier, albeit it is a touch higher than the eleven-month average in 2019. Wages rose by double digits almost everywhere, but the acceleration in business wage growth is tied to three sectors: energy, water & waste management and transportation & storage.

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



Source: HCSO, ING

Employment rose by 0.5% compared with January 2019. However, on the primary labour market the dynamics were almost 1.0%, so the number of fostered workers (who are employed by the government and paid less than the minimum wage) dropped further and now sits below 99k, 13.6% lower compared with the start of the year.

2020 could be the fourth year in a row with a double-digit wage increase

Taking into consideration the first eleven months of 2019 (11.2% wage growth), we can be almost sure that the full-year average will remain above 11%, basically matching the 2018 figure. On the other hand, inflation accelerated, so real wage growth slowed somewhat, but the 7.5% real net wage increase still provides a significant boost to consumption. As for 2020, we also need to look at the increase in the minimum wage, which rose by 8% from January. Anecdotal, retailers are set to raise wages by about 10 to 15%. Given the accelerating inflation, employers will face a tough negotiating period ahead. We can easily see double-digit net wage increases for the fourth year in a row.

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 www.ing.com.