

## 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)

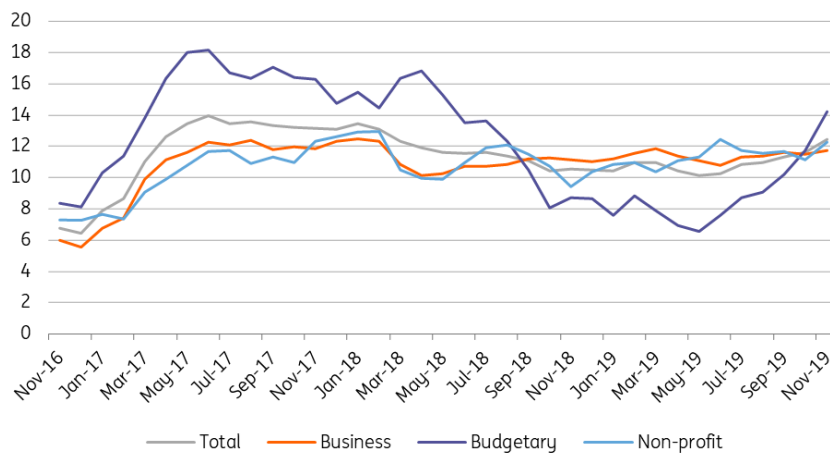
Consensus 11.2% / Previous 11.6%

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.

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

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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. Anecdotally, 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.

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