

Hungary: Real wage growth slows

Wage growth is still strong in Hungary but real wages are rising at a slower pace due to increases in inflation



The biggest market in Budapest

13.1%

Average gross wages (YoY)

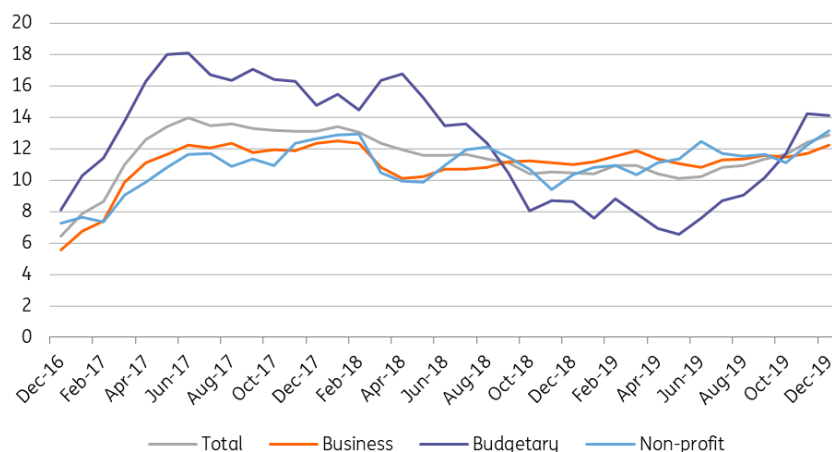
Consensus 13.3% / Previous 13.9%

Worse than expected

Hungarian average gross and net wages rose by 13.1% on a yearly basis in December, showing a slowdown compared to the previous month. As in November, wage growth data was affected by one-off bonuses and premiums, notably seen in the private rather than the public sector this time around.

Wage growth in the public sector came in at 11.5% YoY in the last month of 2019, significantly lower than the 19.2% increase measured in November. In contrast, salaries rose at a faster pace in December in the private sector. The 13.2% year-on-year increase was also higher than the 2019 average (11.6%). Details will show that not every subsector closed a good year.

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



Source: HCSO, ING

In December, wages increased above the national average in agriculture and manufacturing. Workers in mining and quarrying faced a whopping 25% YoY wage rise, probably thanks to bonuses. Employees in the energy sector were not so lucky as wages dropped by almost 3%. It's hard to imagine that regular wages decreased, so we guess that yearly incentives and bonuses decreased significantly in this sector.

When it comes to 2019 as a whole, both gross and net wages rose by 11.5% compared to 2018. However, the double-digit wage growth (the third year in a row) is complemented by accelerating inflation, so net real wage growth came in at 7.7% YoY. It is still strong but shows a significant drop compared to the previous two years, when real wages rose by 10.3% and 8.3%, respectively.

Increases to the minimum wage are an important indication as to how things will look throughout 2020. This rose by 8% from January, while based on anecdotal evidence, public servants in some sectors and private employers are increasing pay by or more than 10%. However, due to accelerating inflation, even with a fourth year of double-digit wage growth, we see net real wage growth sinking to below 7%.

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.