

## 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)

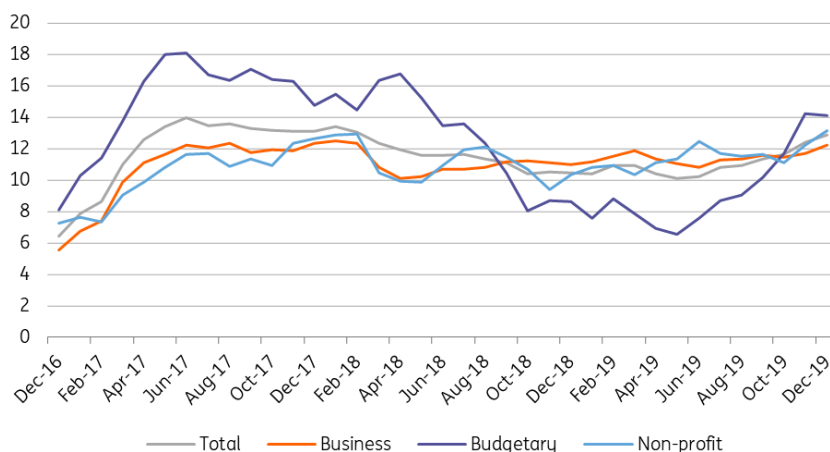
Consensus 13.3% / Previous 13.9%

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%.

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