

Snap | 6 January 2020 Hungary

# **Hungary: Salaries rise further**

Both public and private sector wages increased at a double-digit rate on a yearly base in October, putting more pressure on cost effectiveness



Workers on an assembly line at an Audi factory in Hungary

11.6%

Average gross wages (YoY)

Consensus 11.7% / Previous 11.8%

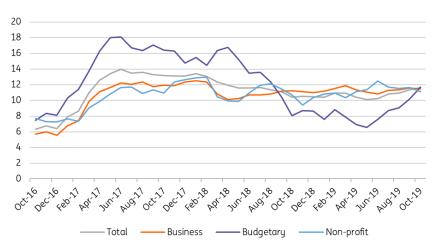
Lower than expected

Hungary's average gross and net wage growth came in at 11.6% year-on-year in October, showing only an incremental slowdown compared to the September data. Both public and private sector average salary increases slowed by 0.1 percentage point compared to the previous month, remaining in double-digit territory. Public sector wage growth of 11.7% YoY was mainly driven by the public administration subsector, where the Statistical Office measured a 17% yearon-year rise in salaries.

In the private sector, the 11.5% yearly-based wage increase fits the trend of 2019. Wages rose by double digits almost everywhere, but agriculture was a significant surprise with a 15.5% YoY increase, a multi-year high. In sectors most affected by labour shortages, wages have been rising

Snap | 6 January 2020 1 at an above-average pace. These include the construction and manufacturing sectors, along with the retail sector as well as financial activities among the most important service providers.

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



Source: HCSO, ING

According to institutional statistics, employment rose by 0.4% compared to January. However, on the primary labour market, this was 0.9%, so the number of fostered workers (taking state financed jobs with low value added) dropped further and now sits around 99k, 13% lower compared to the start of the year.

## Our wage growth forecast in 2020 sees upside risks

We don't think there was a significant change in the labour market in the remainder of 2019, so the average wage growth will likely remain around 11% year-on-year. Coming into 2020, we see a mild slowdown to a high single-digit rate. This is because of the 8% increase in the minimum wage, which used to be a sticking point for employers. Moreover, as labour shortages are slowly but surely easing (with a mildly worsening growth outlook and the high level of investment in technologies), it also offers some relief to wage pressures. Our 9% wage growth forecast in 2020 sees upside risks as we might see the government carrying out wage settlements in the public sector through the year.

#### **Author**

# **Peter Virovacz**Senior Economist, Hungary <a href="mailto:peter.virovacz@ing.com">peter.virovacz@ing.com</a>

Snap | 6 January 2020 2

#### 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.

Snap | 6 January 2020 3