

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%

Lower than expected

Average gross wages (YoY)

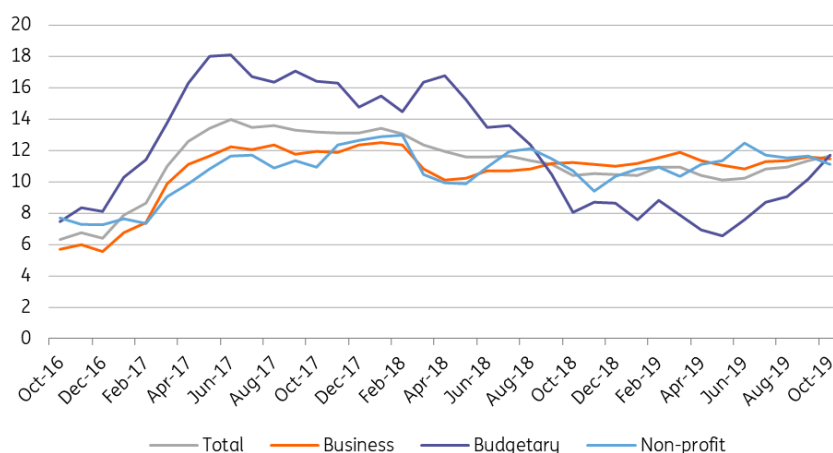
Consensus 11.7% / Previous 11.8%

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% year-on-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

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.

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