

Hungary: The second straight month of single-digit wage growth

The drop in non-regular wages continued, so wage growth remained in the single-digit territory in February. The data is still unaffected by the coronavirus



Shoppers in Budapest

9.1%

Wage growth (YoY)

Consensus 8.5% / Previous 9.2%

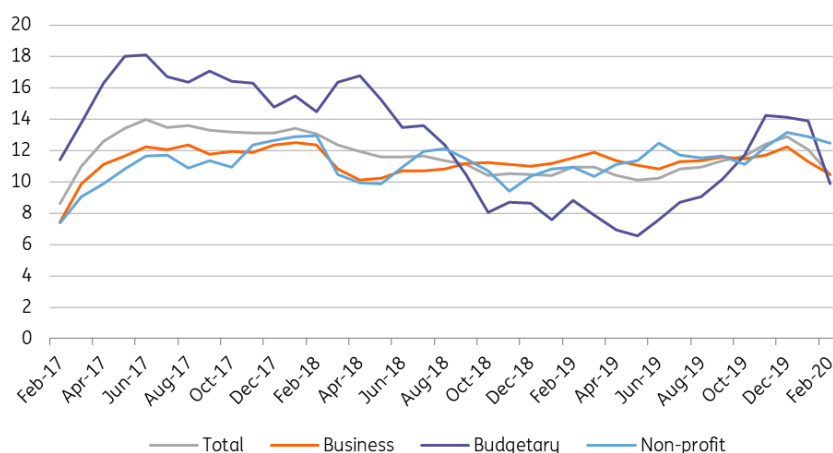
Better than expected

The Hungarian average gross and net wages rose by 9.1% year-on-year in February, showing a 0.1ppt slowdown compared to the January reading. The last time when Hungary posted a single-digit wage growth in two straight months was in 3Q16.

The relatively low wage growth (at least compared to the standard we got used to in the past three years) is the result of changes in non-regular payments. On one hand, this is a usual seasonal pattern. On the other hand, one-off payments and bonuses dropped on a yearly basis in

February, again. According to the Hungarian Central Statistical Office, regular wages increased by 10.0% YoY in January-February, compared to the 9.2% total wage growth.

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



Source: HCSO, ING

In the private sector, wages grew by 9.6% YoY, a 1ppt acceleration compared to the previous month. As employment dropped in the private sector by 0.5% YoY, we see the composition effect might have played a role (e.g. the majority of the layoffs affected the low-earners). Wages in the public sector rose by 7.1% YoY, showing a significant slowdown. It seems that this time, it was rather the public sector which was affected by the bonus-effect. Checking last year's data from February, there was a huge increase in bonuses at that time, so this explains the deceleration.

The Statistical Office's statement drew attention to the fact that the impact of the coronavirus epidemic has not yet been felt in the February data. We are expecting that in March. However, it is difficult to predict the direction of the change in wage growth. We don't know the composition of the layoffs from a wage category point of view, while wage increase in healthcare will clearly be supportive in the months ahead.

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