

Hungary: Wage growth accelerates further

Growth of net average wages accelerated in February, mainly due to a more acute labour shortage and partly on some changes in the employee benefit scheme



12.1%

Hungary average gross wages (YoY)

Consensus 11.1% / Previous 10.6%

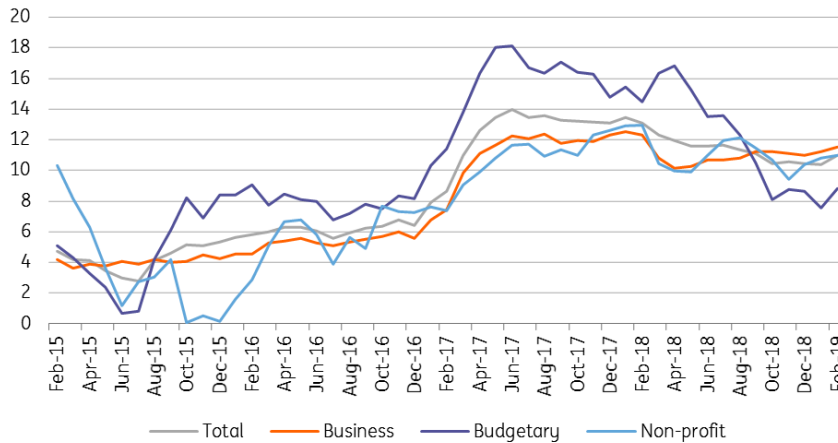
Better than expected

Average gross and net salaries in Hungary rose by 12.1% YoY in February, showing an acceleration compared with January and to 2018 as a whole. The acceleration comes from a strengthened labour shortage pushing companies to pay higher wages. A technical effect is also playing into the story as the government increased taxes on employee benefits so many companies decided to get rid of the benefit scheme, either fully or partly, and have been handing out that money in wages.

Wage growth in the private sector has been higher than in the public sector for seven months. In

February, the difference was marginal, however, as the business sector recorded a 12.1% YoY increase, while wages grew by 11.9% YoY in the public sector.

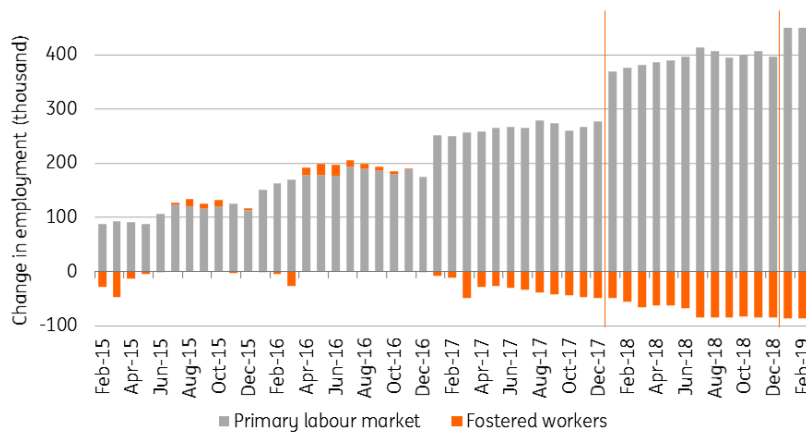
Wage dynamics (3-month moving average, % YoY)



Source: HCSO, ING

Labour demand increased further, reaching a new record high at 3.188 million amidst a decreasing number of fostered workers and increasing employment on the primary labour market. Looking forward, we see wage growth should remain strong in the first half of the year and then soften (a usual seasonality in Hungary).

Labour market trends



Source: HCSO, ING

There is two level shift in the time series (Jan-18 and Jan-19) due methodological and data source changes

Overall, wage growth can remain in the double-digit territory in 2019 as a whole, but with elevated inflation, real wage growth will slow to around 7%.

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