

Hungary: Wage growth continues, with a twist

The increase of wages slowed somewhat in March, mainly due to the private sector. Nevertheless, the big picture remains optimistic



11.3%

Average Gross Wages (YoY)

Consensus (11.7%) / Previous (11.9%)

Lower than expected

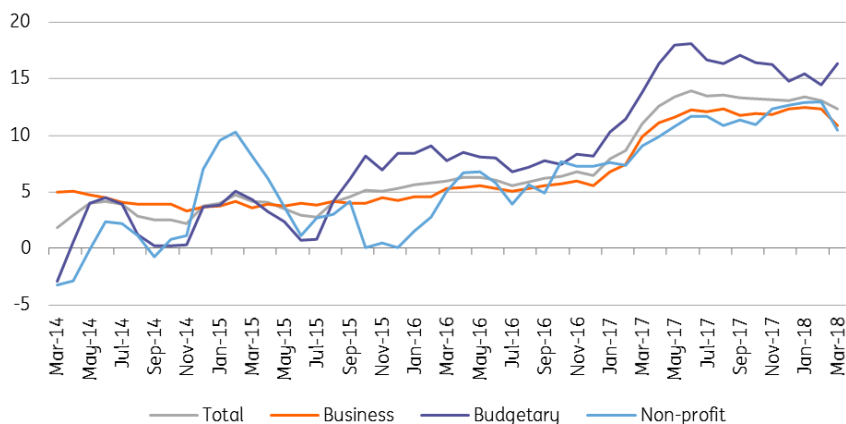
Wage growth slows

Average gross and net monthly earnings increased by 11.3% year-on-year in March 2018, falling short of wage growth in the last two months and slightly below market expectations.

Wages increased by 8.6% YoY in the business sector and by 19.3% YoY in the public sector. While the growth rate of earnings in budgetary institutions was in line or even outperformed expectations, the business sector disappointed. A possible explanation could be that the wage structure of the business sector has slowly started to adapt to a lower rise in the minimum

wage for skilled and unskilled workers (12% and 8%, respectively compared to the 25% and 15% in 2017). When it comes to the public sector, the main source of wage growth stems from the enormous increase (474% YoY) in premiums and bonuses.

Wage growth (% YoY, 3m-mav)

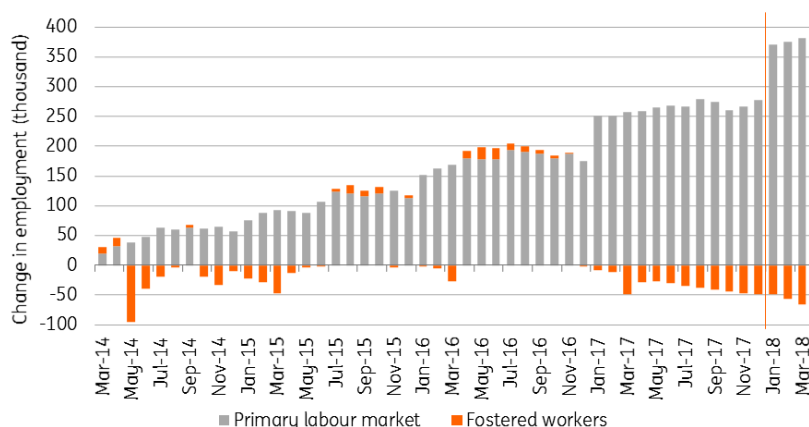


Source: HCSO, ING

Demand for labour rises

Regarding the demand for labour, the picture remains rosy. The number of workers in the primary labour market increased by 124k in a year while the number of fostered workers (employed by the government and paid less than minimum wage) decreased by 16.7k YoY to 132.6k.

Evolution of labour demand (Jan-14=0)



Source: HCSO, ING

What to expect

The first quarter shows favourable developments in the labour market with a dynamically increasing wage bill at the national level. When it comes to the rest of 2018, we still see double-digit real wage growth as a possibility due to the significant labour shortage in the economy and the ongoing wage settlements in the public sector.

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