

Hungary: Wage growth down to single-digits

Wage growth in Hungary is slowing due to a drop in non-regular pay. The data's from January this year and is still to be impacted by the coronavirus



Hungary's parliament building in Budapest

9.2%

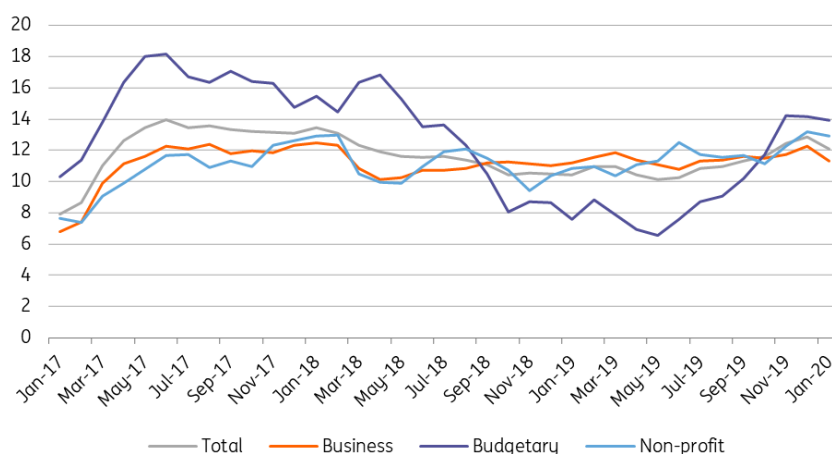
Wage growth (YoY)

Consensus 10.7% / Previous 13.1%

Worse than expected

Hungarian average gross and net wages rose by 9.2% on a yearly basis in January 2020. This is the first single-digit uptick since April 2019. The significant slowdown compared to the year-end is due to the effect of non-regular payments. In the past few years, November and December wage data was highly distorted by one-off bonuses and premiums. As these types of payments are quite scarce in January, the drop in average wage growth isn't unusual. According to the Hungarian Central Statistical Office, regular wages increased by 10.3% YoY in January, showing that bonuses are indeed responsible for that slowdown.

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



Source: HCSO, ING

Wage growth in the public sector came in at 11.0% YoY in the first month of 2020, showing only a 0.5ppt drop from the previous reading. On the other hand, salaries rose at a slower pace in January in the private sector. The 8.6% year-on-year increase means that this sector's wage growth was affected by the absence of one-off payments and bonuses. This reading matches the March 2018 data, meaning it is the lowest growth rate in wages since 2016. Another reason behind the low wage growth could be the fact that for the first time since 2013, the number of employed in the private sector dropped on a yearly basis.

Author

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

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 www.ing.com.