

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%

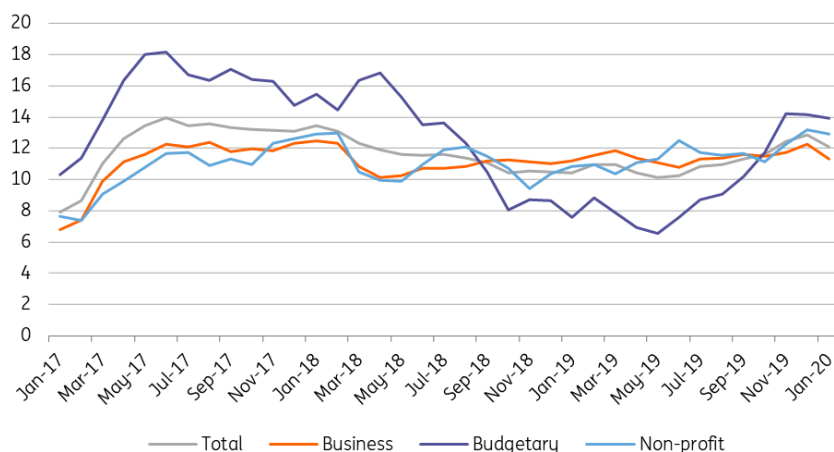
Wage growth (YoY)

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.

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