

Snap | 28 June 2019

HUNGARY

Hungary: Wage growth drops to single digits

Wage growth at the national level continued to decelerate due to developments in the public sector while business sector wages are still seeing double-digit increases thanks to labour shortages



Workers on an assembly line at an Audi factory in Hungary

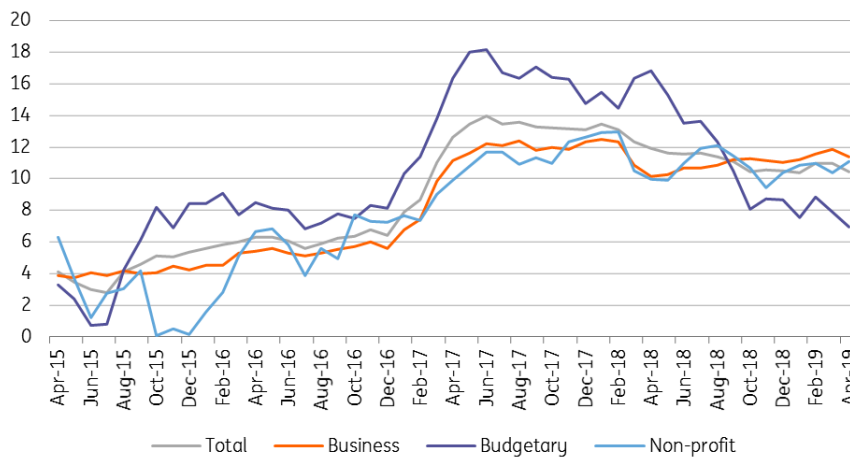
9.0% Average Gross Wages (YoY)

Consensus (10.6%) / Previous (10.2%)

Lower than expected

Hungary's average gross and net salaries increased by 9% year-on-year in April, another significant deceleration. Moreover, this is the first single-digit salary increase since January 2017. The slower than usual wage growth is mainly due to developments in the public sector. There have been no further wage agreements of late and last year's significant bonus payments provided a high base. Against this backdrop, it is no surprise that wages increased by only 3.5% year-on-year in the public sector, the worst reading since 2015.

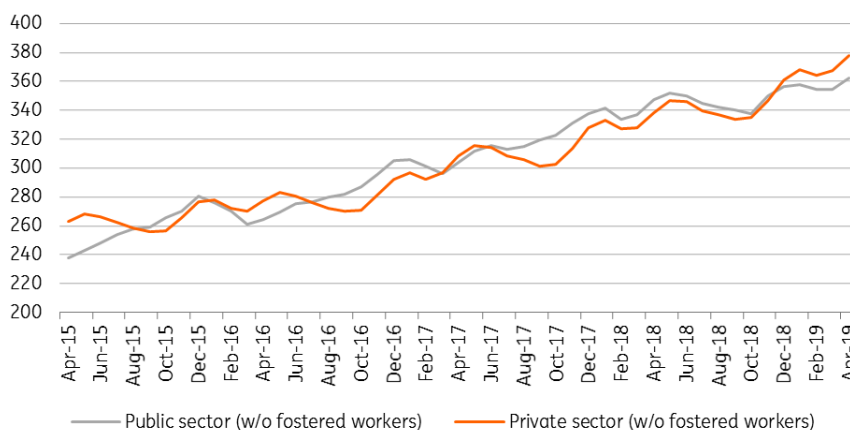
Wage dynamics (3-month moving average, % YoY)



Source: HCSO, ING

Wages in the business sector, however, have remained strong, though decelerated to 10.3% YoY in April. The fight to hire or keep workers has pushed wages higher, at an above-average pace in manufacturing and construction. Services sector data contained some surprises, as wage increase in information and communication decelerated sharply, while among public services, public administration and defence workers faced a 0.5% YoY wage drop. This significant decoupling between public and private sector wages could intensify the debate over the need for another round of public sector wage settlements, as the sector pay gap has started to increase again.

Evolution of sector pay gap (thousand HUF, gross, 3-m moving av.)



Source: HCSO, ING

Looking forward, we expect wages to remain strong in 2019, posting a 10% year-on-year increase on average. The main driver remains strong labour demand in the business sector.

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