

## Hungary: Wage growth finishes strong

Gross and net wages rose by 13.5% year-on-year in December 2017. Considering inflation, real wages increased by double-digits in 2017 as a whole



Source: Shutterstock

# 13.5%

Net wage growth (YoY)

Consensus (14.2%) / Previous (13%)

Worse than expected

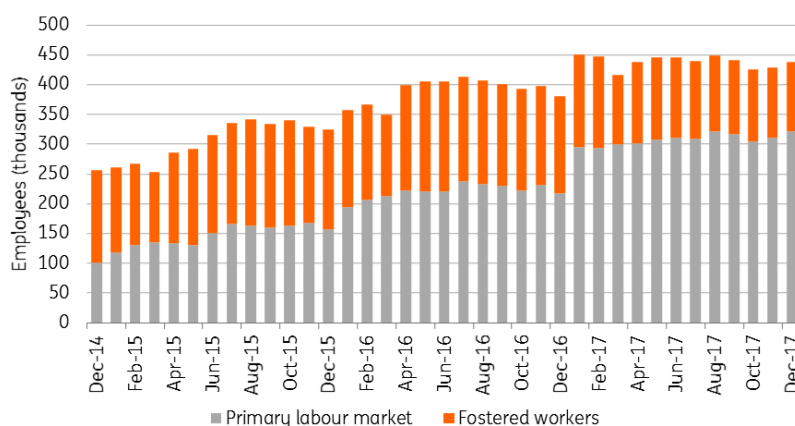
Average gross and net monthly earnings increased by 13.5% YoY in December, exceeding the 12.9% YoY average reading in 2017. Compared to market expectations, which were hoping for 14.2% YoY, the December data has caused a slight downside surprise.

Wages increased by 13.6% YoY in the public sector, but they were slightly less dynamic in the private sector, rising by 13.1% YoY. There is no change in the big picture, but the main drivers behind the double-digit growth have remained the settlements in the public sector, the rise of minimum wages (both for skilled and unskilled labour) along with the labour shortage in the business sector.

Given the labour demand, the positive trajectory has continued.

As recruitment in the primary labour market is still robust, the number of workers in the primary labour market increased by 103.5k YoY. On the other hand, the number of fostered workers decreased by 47k YoY to 150k. In 2017, as a whole, labour demand in the primary labour market increased by 3.1% YoY.

## Evolution of labour demand (Jan-13 = 0)



Source: HCSO, ING

When it comes to 2018, we expect continuous wage growth as minimum wages continue to rise (8% for the unskilled and 12% for the skilled) and the constantly challenging labour shortage.

On a yearly average, considering the slight increase in CPI (2.6% YoY) and the expected 8% YoY net wage growth, Hungary won't be touching the double-digit real net wage growth territory in 2018.

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