

## Unstoppable Hungarian wage growth continues its ascent

Wage growth remained in the double-digit territory with robust public sector data. We see this trend staying with us for the remainder of the year as we don't expect any spill-over from the real economy in the short-run



Source: Shutterstock

# 11.5%

Average gross wages (YoY)

Consensus 11.2% / Previous 10.7%

Higher than expected

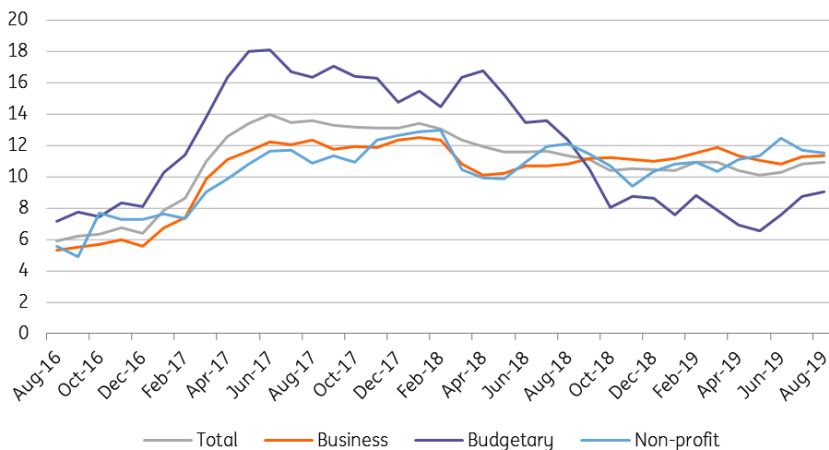
The Hungarian average gross and net wage growth accelerated in August by 11.5% year-on-year.

The strengthening wage pressure is mainly due to the public sector, where the pace of growth picked up remarkably. After a 7.1% reading in July, August wage growth came in at 11.7% YoY -

the second-highest this year. The main driver behind it is the low base of last year, as there was a huge drop in premiums and one-month bonuses in the public sector a year ago.

However, business sector data caused no surprise as the 11.4% YoY salary increase fits in with the trend for 2019.

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

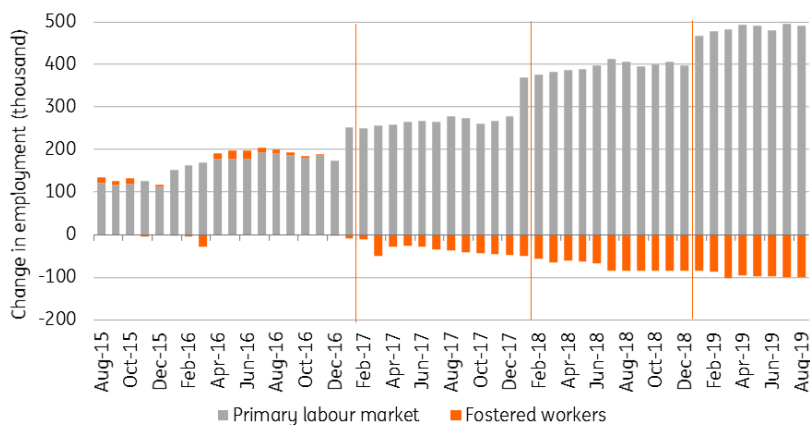


Source: HCSO, ING

Wages in the manufacturing, construction and agriculture sector saw above-average growth. In the services sector, wholesale and retail, accommodation and food services and professional and scientific activities are the three main areas driving wages higher.

### Labour market trends

There is three level shift in the time series (Jan-17, Jan-18 and Jan-19) due to methodological and data source changes



Source: HCSO, ING

When it comes to employment, according to institutional statistics it rose by 0.3% compared to January. However, on the primary labour market the dynamics were 0.8%, meaning that the

number of fostered workers dropped further (now at 97.9k, 13% lower compared to the start of the year).

Tight labour market and thus strong double-digit wage growth is likely to stay with us for the remainder of the year as we don't expect any spill-over from the real economy in the short-run.

On the other hand, as companies start to cut back employment expectations, that might impact wage prospects going into 2020. We also expect the government to increase minimum wages and carry out wage settlements in the public sector next year, providing a high floor for wage dynamics.

## Author

### Peter Virovacz

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto: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 <http://www.ing.com>.