

Wage growth still strong in Hungary's business sector

Wage growth in Hungary is starting to decelerate, mainly thanks to lower settlements in the public sector. But labour shortages elsewhere mean the trend is still strong



People on the Széchenyi Chain Bridge, Budapest

10.2%

Hungary average gross wages (YoY)

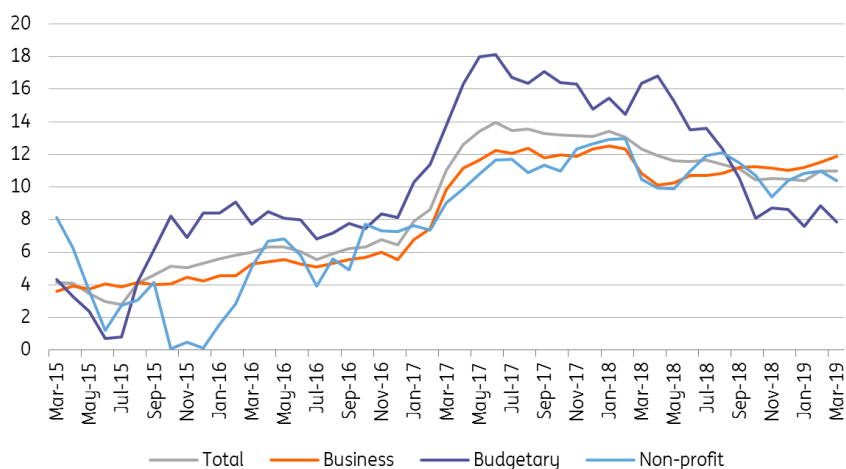
Consensus 12.2% / Previous 12.1%

Lower than expected

Hungarian average gross and net salaries increased by 10.2% YoY in March, showing a sharp deceleration after the February figure. The details, however, indicate the drop mainly comes from the public sector, where wages only grew by 5.3% YoY. due to the expiration of wage settlements affecting law enforcement bodies. Wage dynamics in the business sector are still really strong at 11.7% YoY, although the March measure showed a little deceleration. An acute labour shortage is primarily driving wage growth, especially in manufacturing, construction, information and communication. In terms of wage growth, the business sector has been outperforming

others since September 2018, and the differences are just becoming more evident.

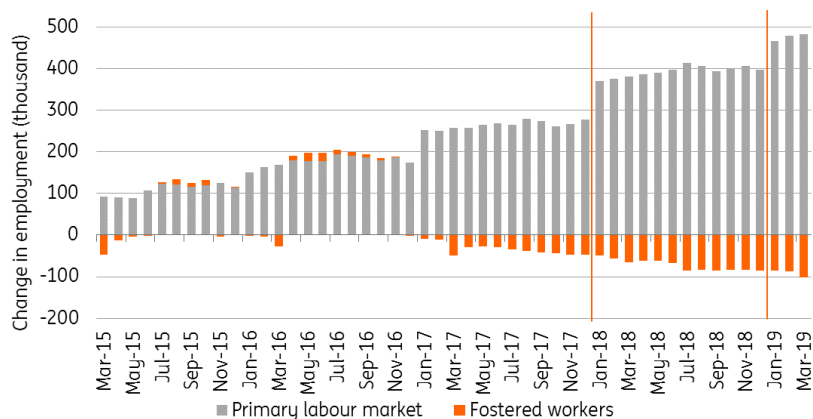
Wage dynamics (3-month moving average, % YoY)



Source: HCSO, ING

As for labour demand, employment in the primary labour market increased further. At the same time, the number of 'fostered' workers, those working in state-financed, low skilled jobs, has declined significantly since February. And that's led to the overall employment level decreasing on a monthly base, but it's still sitting at the January level of almost 3.2 million. With a record low unemployment rate, this shows that the Hungarian economy has more or less reached full employment.

Labour market trends



Source: HCSO, ING

Looking forward, we expect the wage dynamics to remain strong in 2019, posting 10% increase on average, mainly driven by that strong labour demand in the business sector that is partially counterbalanced by productivity growth. In real terms, this means around a 6.7% increase, one of the highest in the EU.

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