

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)

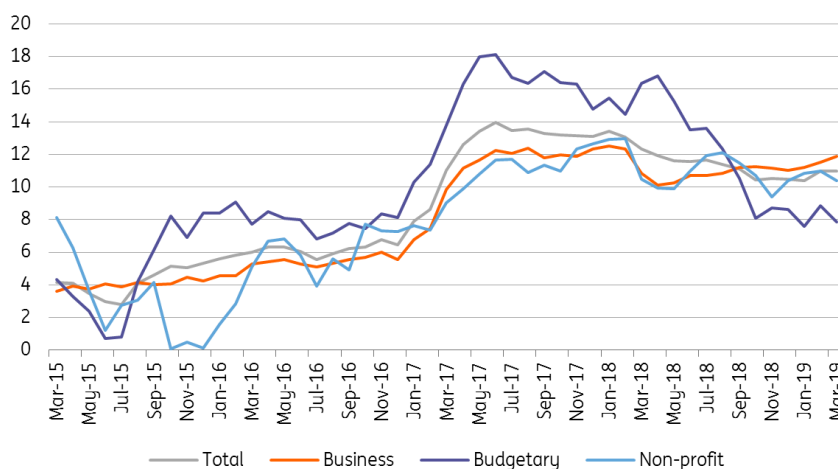
Consensus 12.2% / Previous 12.1%

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.

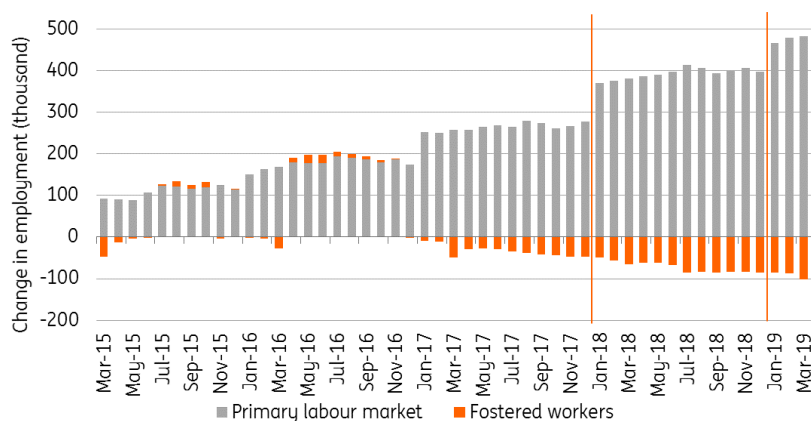
Wage dynamics (3-month moving average, % YoY)



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.

Author

Peter Virovacz

Senior Economist, Hungary

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 www.ing.com.