

Hungary: Wage growth re-accelerates

Wage growth in Hungary rebounded in May after a weak month. This is due to a new round of wage settlements in the public sector, while a labour shortage is forcing businesses to raise salaries



Shoppers in Budapest

11.2%

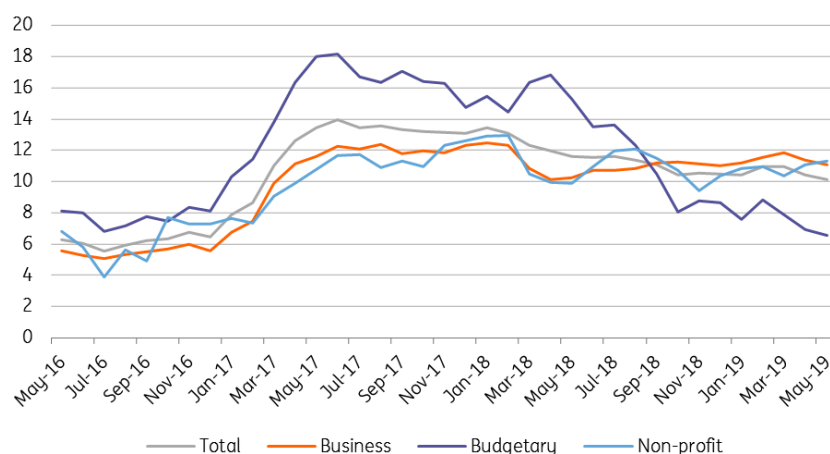
Average gross wages YoY

Consensus 10.0% / Previous 9.0%

Better than expected

Hungarian average gross and net wage growth accelerated to 11.2% YoY in May, so rebounded into the double-digit territory after missing a beat in April. As we expected, the new wage settlement in the public sector helped a lot. Wage growth in the public sector came in at 10.7% YoY in May, compared to the 3.6% YoY rate measured in April. In the meantime, businesses are still leading the 'salary-race', posting an 11.2% yearly wage growth.

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



Source: HCSO, ING

These strong wage growth numbers aren't just reserved for the the business sector. From energy through to agriculture, construction to manufacturing, every primary and secondary sectors of activity showed above-average wage growth. In services, the financial sector is leading the pack with a 14% increase in market services, while in the public sector, public administration and defence workers got a 15.4% YoY wage increase on average.

These wage dynamics are set to remain strong for the rest of the year, posting a 10% year-on-year increase on average. At the same time, the most important question for us is how much of this additional income will actually be spent? Households are seeing a lot of news about an impending external crisis and they're also seeing favourable savings opportunities in retail bonds.

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