

Hungary: Wage growth remains elevated

Gross and net wages rose by 13.6% YoY in September, above expectations. Labour demand is on the rise too. One could say this is business as usual nowadays in Hungary.



13.6%

Net wage growth (YoY)

Consensus (13.2%) / Previous (13.2%)

Better than expected

Average gross monthly earnings increased by 13.6% on a year-on-year in September, the same rate as net earnings. The reading caused yet another positive surprise, as the market expectation was 13.2% YoY. Wage growth has been hovering around 13% since March. Taking into consideration 2.4% YoY inflation in the first three quarters of this year, real net earnings are up by slightly more than 10.4% compared to the corresponding period of the previous year.

The main driver behind the wage growth has remained the increase in regular wages. However, in the second straight month, we see a significant jump in average premiums and one month bonuses: 40.7% YoY increase. This is due to the 162% YoY jump in bonus payments in the public

sector. This reading is so high, that it has to be related to some retrospective, non-regular wage settlements.

As regards the average wage increase in the main subsectors, we see 11.7% YoY growth in the private sector in September, lagging behind the 18.2% YoY salary increase in the public sector. The difference is due to the ongoing wage settlements in the different areas of the public sector, mainly in the public utility sector.

Regular wages in the business sector

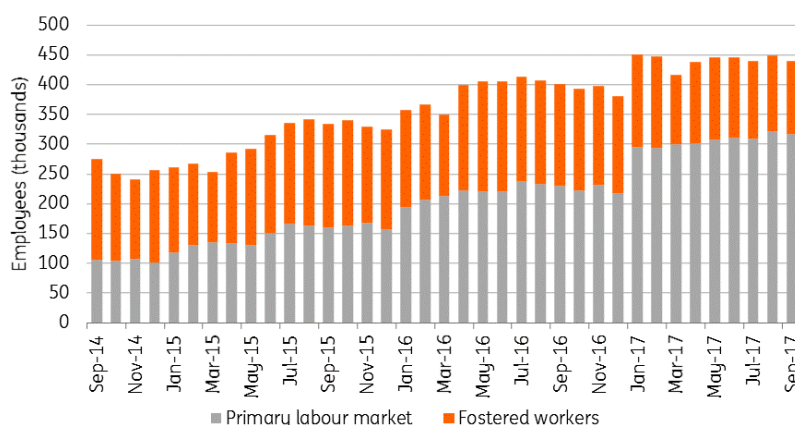
HSCO, ING



Labour demand increased further, as the number of workers in the primary labour market increased by 86.6k YoY. Meanwhile, number of fostered workers dropped by 47.4k YoY to 157k, a level not seen since 2013.

Evolution of labour demand (Jan-13=0)

HSCO, ING



Source: HSCO, ING

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.