

## Hungary: Wage growth slows

Gross and net wages rose by 12.8% year-on-year in October, the first sub-13% reading since June. Recruitment in the primary labour market is still strong.



# 12.8%

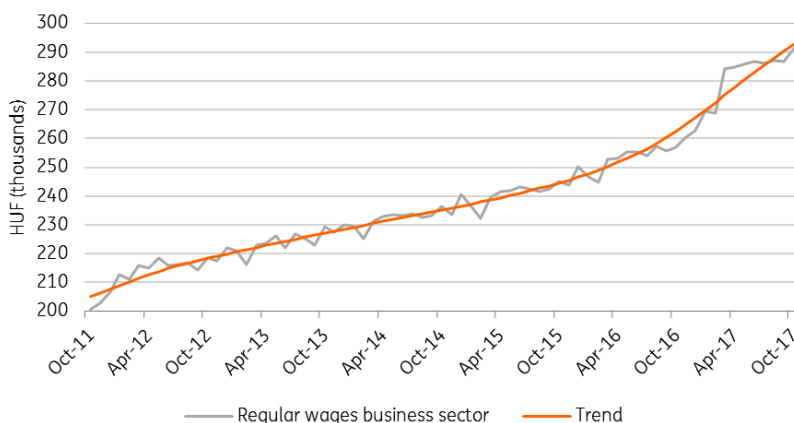
Net wage growth (YoY)

Consensus (13.6%) / Previous (13.6%)

Worse than expected

Average gross and net monthly earnings increased by 12.8% year-on-year in October. The reading caused a slight negative surprise, being the first sub-13% reading since June 2017. Taking into consideration 2.4% YoY inflation in the first ten months of this year, real net earnings are up by 10.2% compared to the corresponding period of last year.

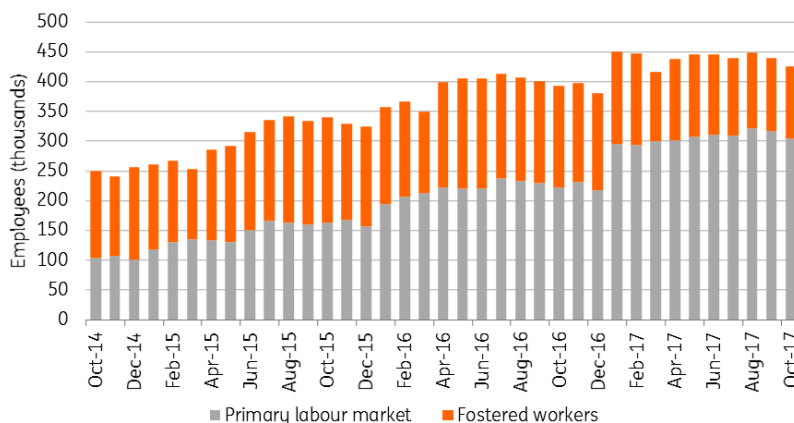
## Regular wages in the business sector



Source: HCSO, ING

The main driver behind the slowdown in wage growth was "premium and one month bonuses". In this category we saw a 30-40% YoY increase in the last two months, but only a 7% YoY increase in October. This contributed to the significant slowdown, with 13.2% YoY wage growth in the public sector. Wages in the private sector are up by 12.7% YoY. All in all, the still strong increase in earnings is due to the labour shortage, wage settlements in the public sector and higher minimum wages.

## Evolution of labour demand (Jan-13=0)



Source: HCSO, ING

Labour demand increased further, with the number of workers in the primary labour market increasing by 81.1k YoY. Meanwhile, the number of fostered workers dropped by 48k YoY to 155k. Recruitment in the primary labour market still suggests optimism and further pick-up in economic activity in 4Q17.

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