

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.

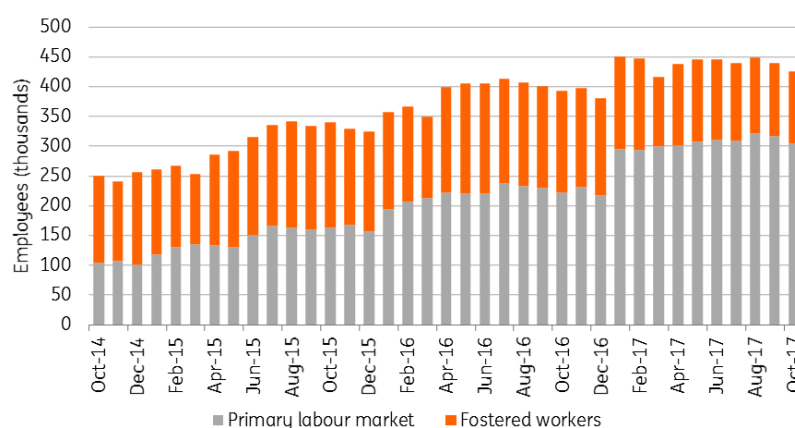
Regular wages in the business sector



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.

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.