

Hungary: Wage growth still in double-digit territory

Net average wages rose by almost 11% and this time, salaries increased at a faster rate in the corporate rather than the public sector



10.8%

Hungary gross wage growth (YoY)

Consensus (10.2%) / Previous (10.4%)

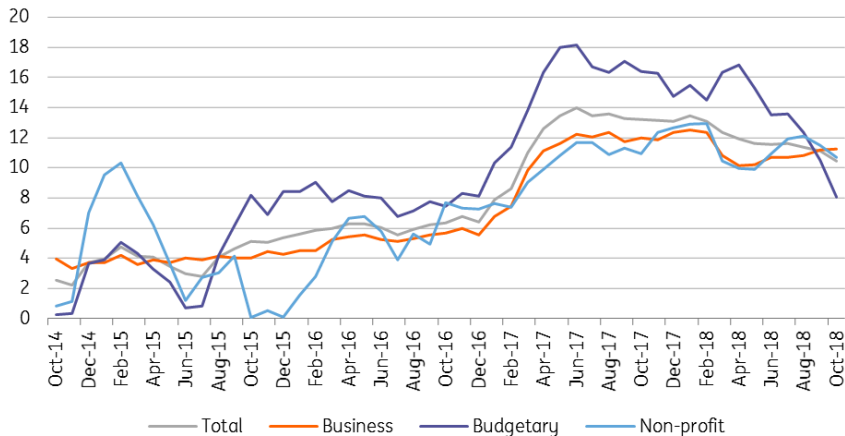
Higher than expected

Hungarian average gross and net salaries grew by 10.8% YoY in October, above the market consensus. It is still lower than what we saw in the first half of the year, so overall we are seeing a decelerating trend.

The public sector yet again showed a slower pace of salary increase compared to the business sector. However, the 9.6% YoY increase is still strong and was dragged down by a significant drop in premiums and one-month bonuses (-23.9% YoY). Regarding the business sector, the 11.2% YoY

growth slightly exceeds the average of 2018, thus the labour shortage still pushes companies to pay more. This is especially true for workers in the mining and energy sector as well as in construction.

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

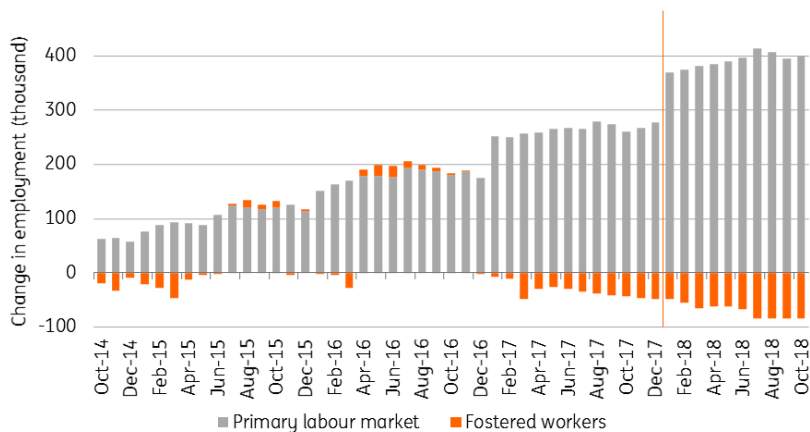


Source: HCSO, ING

As far as labour demand's concerned, the overall picture shows that even though it's difficult, companies are still able to hire new employees. The number of employed people in the primary labour market increased by 139.6k, so 4.8% year-on-year, meanwhile the number of fostered workers decreased by 40k in a year to 114.6k.

The fight for labour will keep pushing wages up in the future, but we are still waiting for the decree from the government regarding next year's minimum wage. We expect an 8.7% increase for unskilled labour and 11.9% for skilled. It will also roughly determinate the wage increase on the national economy level, where we see nominal wages increasing by 9% in 2019 as a whole.

Evolution of labour demand (Jan-14 = '000)



Source: HCSO, 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.