

## Hungary: Wage increase slows

Wage growth increased at a slower-than-expected rate but remained in double digit territory. The reduced growth rate is related to public sector bonuses.



Source: Shutterstock

# 10.1%

Average gross wages (YoY)

Consensus (12.3%) / Previous (12.8%)

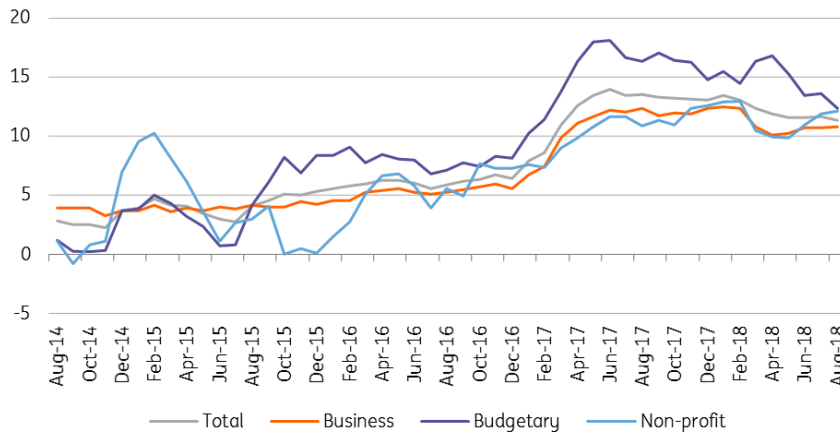
Worse than expected

Hungarian average gross and net salaries grew 10.1% YoY in August, below consensus expectations. The 2.7ppt drop in wage growth compared to the previous month means that the latest reading shows the worst growth since January 2017. However, as this is still a double digit growth and is mainly the result of one-off effects, we see little reason to worry.

The worse-than-expected wage growth data can be traced back to the “only” 6.1% YoY salary growth in the public sector. However, as this reading is due to the 73.4% YoY drop in premiums and

one month bonuses, the underlying trends still look favourable. Regarding the business sector, the 11.4% YoY growth exceeds the average for 2018, with the labour shortage still pushing companies to pay more. According to the World Economic Forum's latest Global Competitiveness Report, the (lack of) "ease of finding skilled employees" indicates that companies still have a hard time finding the proper labour force. Hungary ranked 138th out of 140 countries in this part of the survey.

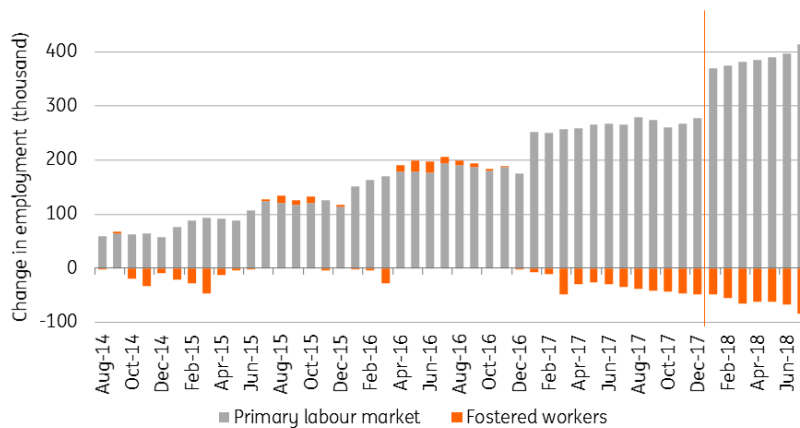
### Wage dynamics (3-month moving average, % YoY)



Source: HCSO, ING

On labour demand, the overall picture remains rosy. The number employed in the primary labour market increased by 127.8k, while the number of fostered workers fell 46k to 114.5k.

### Change in employment (000k, 14 Jan = 0)



Source: HCSO, ING

Demand for labour will keep pushing wages up, although accelerating inflation means real wage growth won't reach double-digit territory in 2018 as a whole. Nevertheless, 9% YoY real wage growth would still be above the historical average.

## Author

### Peter Virovacz

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto: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](http://www.ing.com).