

Hungary: Wages grow more quickly

A rise in the minimum wage and shortage of labour has worked wonders



Source: Shutterstock

13.8%

Wage growth (YoY)

Consensus (12%) / Previous (13.5%)

Higher than expected

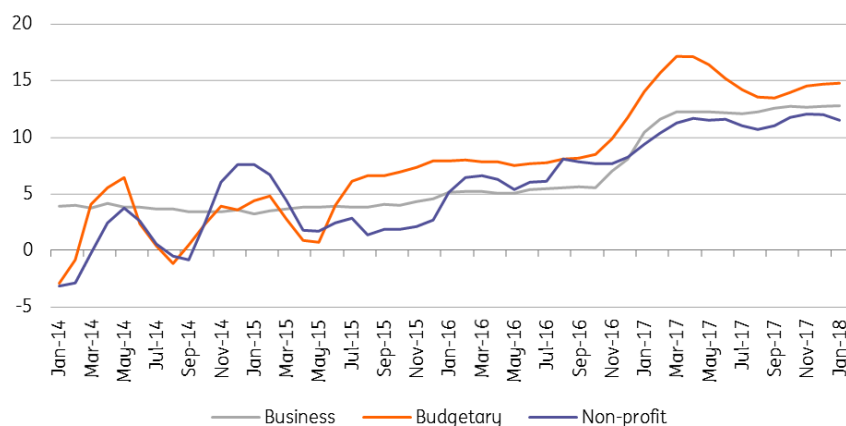
Average gross and net monthly earnings increased by 13.8% YoY in January, significantly exceeding market expectations (12% YoY) and the average of last year by 0.9ppt. Considering the 2.1% inflation rate, real wages rose by 11.5% YoY in the first month of 2018.

The details

Wages increased by 15.3% YoY in the public sector and by 13.2% YoY in the private sector. The rise in minimum wages for skilled and unskilled labour (12% and 8%, respectively) played a significant

role in the robust wage increase. The difference in wage growth between sectors is mainly due to the ongoing wage settlements in the public sector. It is important to note that in some of the public companies, wage agreements came into force with a significant delay in 2017, causing a low base. In addition, the increasing labour shortage has supported wage growth.

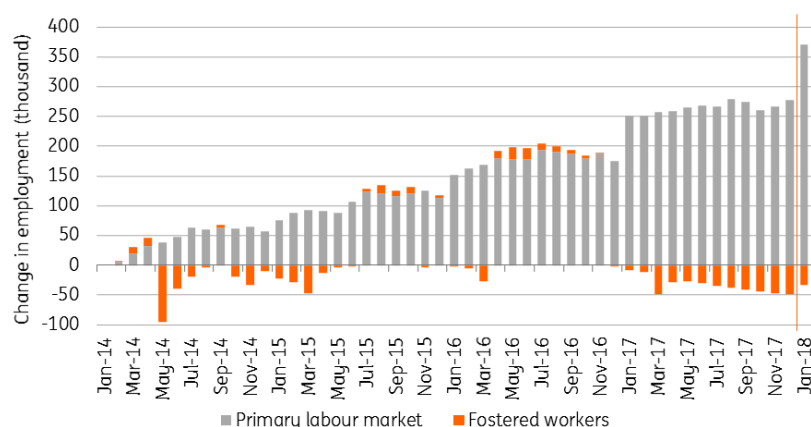
Wage growth (%YoY, 3m-mav)



Source: HCSO, ING

Regarding labour demand, the big picture is still optimistic. Remarkable recruitment translated into a 118.5k increase in the number of workers in the primary labour market. The number of fostered workers (low-paid workers in a programme set up by the government) decreased by 41k YoY to 149k. Nevertheless, we should treat the data with a pinch of salt, as Hungary's Central Statistical Office has just changed its methodology, widening the base of its survey.

Evolution of labour demand (Jan-14=0)



Source: HCSO, ING

Looking forward

The wage reading suggests a positive start to the year, which could continue for a while. Due to the relatively low base, we expect more or less the same dynamics in 1Q18 as a whole.

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