

Hungary: Wage growth shrugs off the crisis

Wage growth in Hungary has shown no sign of any crisis, yet. Only the non-profit sector has suffered a slowdown, while both public and private sector wages have seen double-digit increases



Workers on an assembly line at an Audi factory in Hungary

9.4%

Average gross wages (YoY)

Consensus 6.6% / Previous 7.8%

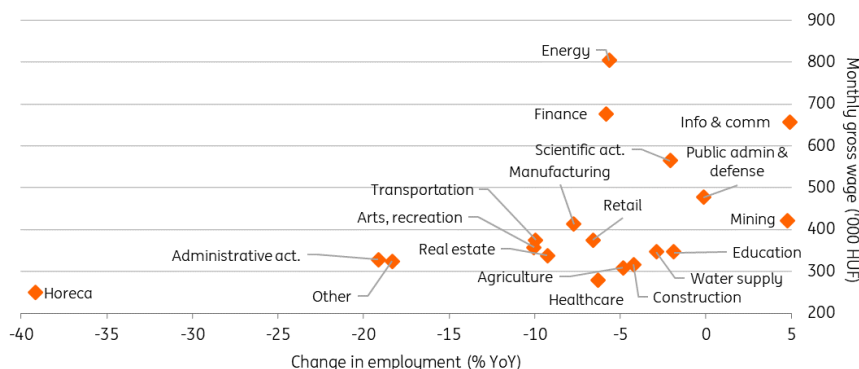
Better than expected

Before we see what's expected to be historically ugly GDP data in two weeks, we can take some comfort from the labour market. Wage growth came in at 9.4% year-on-year in May. This is not just above the market consensus, but higher than the data from the previous month. Actually, it is also higher than the 9% average wage growth in the first quarter of 2020.

So, what has happened with wages? On the one hand, it could partially stem from the composition effect. Many of those losing their jobs, or getting part-time work, earn below average wages. The

decreasing number of low earners is increasing the average.

Job losses affect mainly the below-average earners

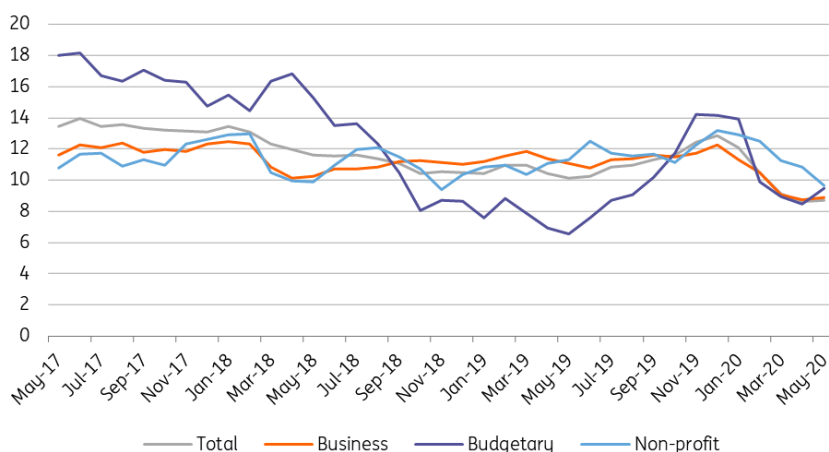


Source: HCSO, ING

On the other hand, somewhat surprisingly, bonuses and one-off payments also helped the statistics. The average wage growth was 9.4% YoY, while regular wages increased by only 8.4% YoY in May 2020. Also, the 8% minimum wage increase both for skilled and unskilled workers is helping, along with the wage settlements made in the manufacturing and public sectors in the first quarter.

Wage growth in the public sector came in at 10.1% YoY, the first double-digit reading since January. The main driver was the wage settlement in healthcare, which pushed salaries up almost 17% from a year ago. Private sector workers enjoyed a 10% YoY wage rise on average in May, the strongest rate in 2020. The rise in salaries accelerated in the manufacturing and energy sector. In the accommodation and food service sector, last month's wage drop turned around to show a 4.8% increase. Wage growth slowed in agriculture and in the financial sector.

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



Source: HCSO, ING

Looking at the May data, we can still be confident that wages in the coming months will remain

high and exceptionally high for a crisis period. However, in the second half of the year, the expected decline in labour demand and a rising unemployment rate will weaken the bargaining position of job seekers. Based on this, we expect wage growth to gradually slow down in the second part of 2020. Overall, we still consider that a 7–8% average wage increase is a realistic forecast for this year as a whole.

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