

Hungary: Wages on the rise

The remarkable increase of wages continued in February amid a labour shortage, wage settlements and higher minimum wages. We expect more to come



Source: Shutterstock

11.9%

Average Gross Wages (YoY)

Consensus (12.3%) / Previous (13.8%)

Lower than expected

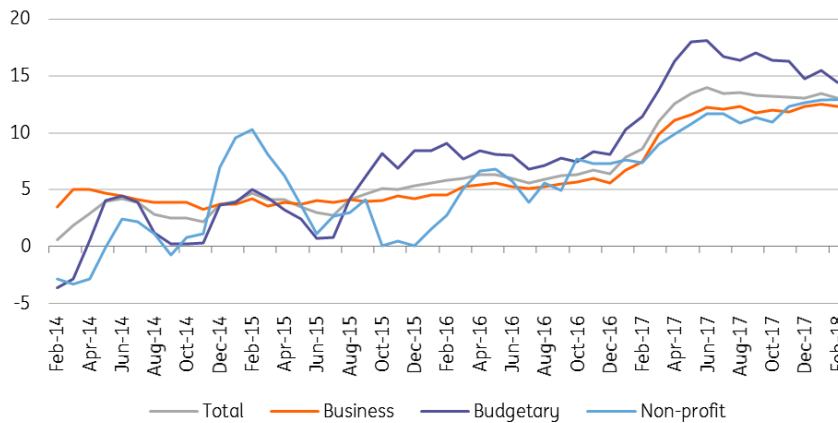
On wages

Average gross and net monthly earnings increased by 11.9% year-on-year in February 2018, a minor downward surprise both in terms of previous data and market expectations. The big picture though has remained rosy as real net wage growth is close to double-digit territory.

Wages increased by 10.7% YoY in the business sector and by 14.5% YoY in the budgetary sector. The reasons for this remain unchanged, with the raised minimum wage for skilled and unskilled labour playing a significant role, as well as the labour shortage and the ongoing wage settlements

in the public sector (mainly in utility companies). Another important factor behind the strong wage growth is the 20% YoY increase in non-regular wages.

Wage growth (% YoY, 3m-mav)

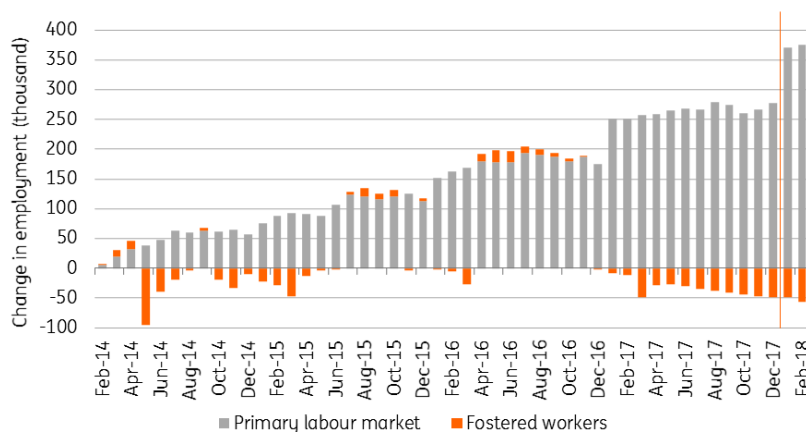


Source: HCSO, ING

On labour demand

In the meantime, demand for labour is unbroken, as the number of workers in the primary labour market increased by 125.3k in a year. On the other hand, the number of fostered workers (employed by the government and paid less than minimum wage) decreased by 45.1k YoY to 142k. Despite the favourable trend, we need to treat the data with a pinch of salt, as the Hungarian Central Statistical Office (HCSO) has just changed its methodology, widening the base of its survey.

Evolution of labour demand (Jan-14=0)



Source: HCSO, ING

On the near future

An acute labour shortage combined with the ongoing wage settlements and an upcoming significant disbursement of one-off bonuses in the public sector will accelerate wage growth in the short-term. Based on business rumours, we can calculate a 12-13% YoY wage

increase in the private sector on average, which would put Hungary in a position to have another year of double-digit real net wage growth.

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 <http://www.ing.com>.