

Hungary: Wages rising further

Net average wages are still rising at a double-digit pace but this has been on a downward trend since the middle of 2018



Source: Shutterstock

10.4%

Average gross wages (YoY)

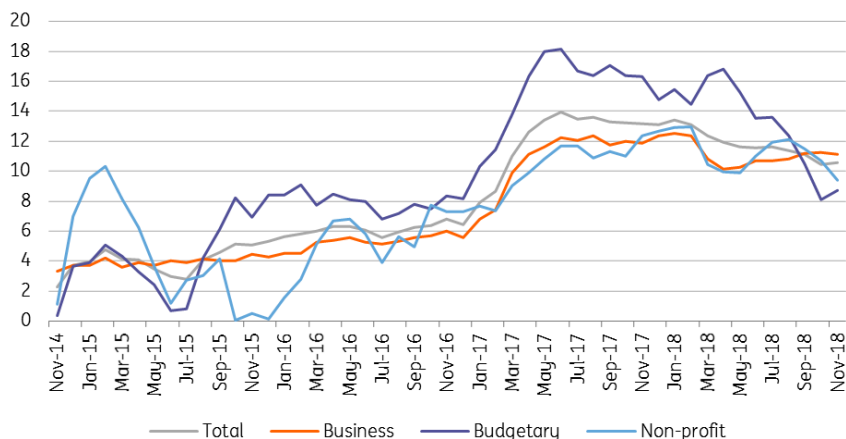
Consensus (10.2%) / Previous (10.8%)

Better than expected

Hungarian average gross and net salaries grew by 10.4% year-on-year in November, showing a minor upside surprise. However, when we compare the first and second half of 2018, it is quite clear that there is a trend of deceleration.

Wage growth in the private sector (11.1% YoY) has outpaced the increase in the public sector (8.1% YoY) for a fourth month in a row. However, this phenomenon is mainly due to the difference in premiums and one month bonuses, as the public sector has been lagging behind in this category in the past months. Wages rose at an above-average pace in construction, retail and the hospitality sector amid a labour shortage, while wage settlements in the public sector pushed salaries higher in education, healthcare and law enforcement.

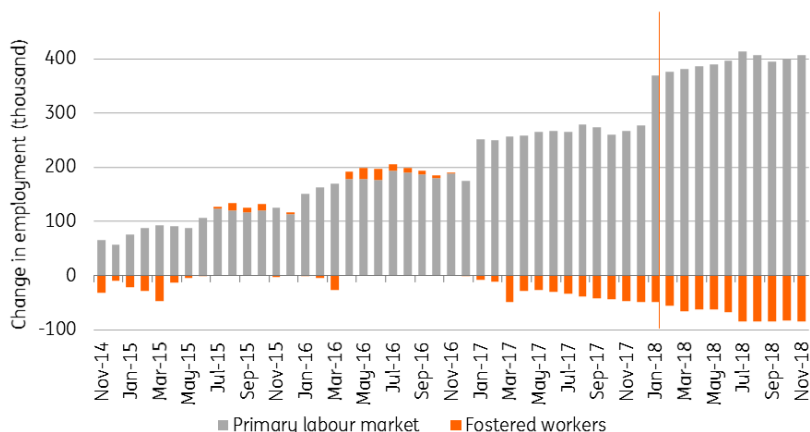
Wage dynamics (3-month moving average, % YoY)



Source: HCSO, ING

Labour demand on the primary labour market increased further by 37k between January and November, showing a 1.2% increase. The number of fostered workers has been fluctuating between 113-115k for the last five months.

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



Source: HCSO, ING

It is really hard to guess the outlook for wages in 2019. The 8% increase in minimum wages for both the skilled and the unskilled labour could be a good starting point. However, as the Statistical Office is changing its methodology from January, it is hard to forecast. Another important thing is the huge makeover made in fringe benefits, as the government increased taxes on these. This should push companies to compensate affected workers in their salaries at least partially, but at the end of the day due to the different taxation, workers will face a lower increase in real disposable income than the official wage statistics will show.

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>.