

Hungary's strong wage increase continues

Both gross and net wages in May 2017 surprised the market on the downside, but are still considered to be very strong



12.9%

May 2017 gross and net wage growth

Slowdown from the April figure

Worse than expected

Reasons for the wage growth slowdown

The wage growth slowdown is mainly due to seasonal factors, such as average premiums and one-month bonuses which only increased 2.2% YoY, while in April it rose by 21.3% YoY. Net wages grew at the same pace as gross wages, as the government did not change the PIT rules.

Wages in the business sector rose by 10.6% YoY in May 2017, lagging the increase registered in the public sector, 18.8% YoY. The significant difference is because of the public wage settlement actions rolled out by the government in specific areas. Labour demand at the national level rose by 86,820

YoY, while the number of fostered workers dropped by c.46,600 YoY.

Thus the primary labour market has tightened significantly in the past 12 months.

Affect on company pricing decisions

Net earnings increased by 12.1% YoY YTD in May in the national economy. However, this significant increase has not been able to translate into the acceleration of household consumption or even into core inflation.

So the main question remains when the cost-side pressure will affect the pricing decisions of companies and to what extent. We might need to wait until early 2018 to have a proper answer on that.

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