

# Labour shortages drive wages higher in Hungary

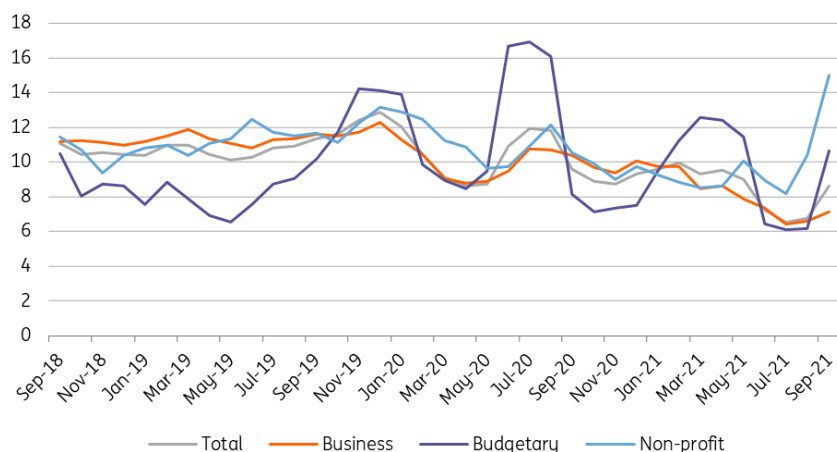
Wage growth continues to accelerate, driven by sectors that are experiencing labour shortages and strong demand



**9.1%** Gross nominal wage growth (YoY)  
ING forecast 9.1% / Previous 8.9%

Hungarian wages accelerated further in September, with both gross and net nominal wages rising by 9.1% year-on-year. The structure of wage growth has become somewhat more balanced than before. Wage growth rates in the public and private sectors have converged. Salaries rose by 9.4% YoY in the public sector, mainly driven by wage settlements, though the rate has slowed. In contrast, wage growth in the private sector picked up significantly to 8.0% YoY. So the increase in average wage growth in September is clearly due to the changes in the private sector.

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



Source: HCSO, ING

Wage growth in the smaller sectors, for example in mining and construction, was above average while growth was weaker in sectors with a large number of employees (e.g. manufacturing). When it comes to the services sector, the information-communication and real estate sectors have seen outsized wage growth, though this is hardly a surprise. At the same time, after a long time, wage growth in the accommodation and hospitality sectors came in above the national average, reaching a rate of almost 10% YoY in September. This shows that the sectors with the strongest wage growth are those that are experiencing labour shortages and strong demand.

During the fourth quarter, we see wage growth remaining elevated, perhaps showing some further acceleration, mainly due to labour shortages. But what's more interesting is how wage growth will be shaped by the 20% increase in minimum wages next year (both for skilled and unskilled labour). Despite the government giving some tax cuts in parallel (e.g. 4ppt payroll tax cut), we see the cost pressures as more complex. Businesses will face higher costs from transportation, energy and input prices in addition to the minimum wage increases.

Therefore, we continue to see a serious risk of extraordinary price increases both for products and services at the beginning of 2022. Of course, this won't affect this year's average inflation which we see at 5.0% YoY but does provide significant upside risk to next year's inflation. We see the 2022 average CPI at 4.8% YoY with major upside risks. In this respect, we can't rule out that inflation will eat up a much larger part of the high nominal wage growth than is expected now and could be even higher than this year's average.

### Author

**Peter Virovacz**

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto: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 [www.ing.com](http://www.ing.com).