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Snap

Hungarian wage growth comes down a notch, but still sound

On one hand, the almost 8% wage growth in Hungary sounds quite like the dream but, on the other hand, it is the lowest rate since the end of 2016. Nonetheless, we think, it paints a rosier picture than the reality

People on the Széchenyi Chain Bridge, Budapest

7.8%

Average gross wages (YoY)

Consensus 6.1% / Previous 9.0%

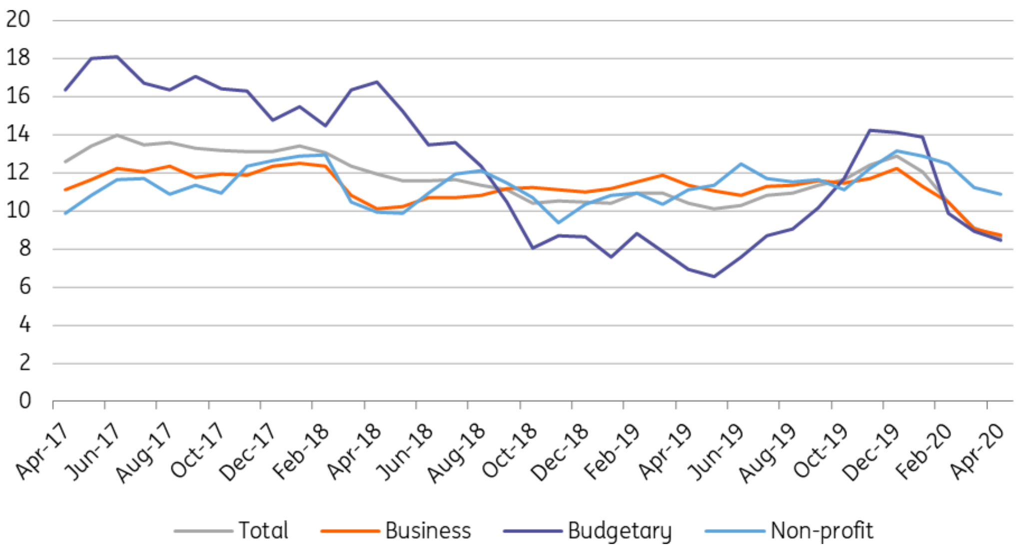
Better than expected

Like unemployment statistics, Hungarian wage data also faces some constraints when we try to assess what's going on in the Hungarian labour market.

The composition effect is a different story, as the part-time workers that previously worked full-time are not covered in these statistics. So, yes, the 7.8% year-on-year wage growth in April 2020 looks strong. Even if we know that the 1Q20 average wage growth was 9.1%, it still doesn't indicate a remarkable slowdown due to Covid-19.

However, there is more than one layer behind these statistics. Firstly, there is the private sector data. The number of employed people based on institutional data dropped almost 200 thousand in the corporate sector compared to a year ago - an 8.7% decrease. The wage growth in this sector slowed to 7.7% on average. However, workers in mining and quarrying, in the energy sector and in the hospitality sector are looking at a 2-4% drop in salaries on a yearly basis.

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



Source: HCSO, ING

On the other hand, public sector workers enjoyed an acceleration in wage growth, earning 9.6% more than a year ago on average. The latter is due to a wage settlement in the branch of public administration, defence and compulsory social security. The number of employees in the public sector remained steady despite the Covid-19 shock.

Wage growth to hover in the 6-8% area for the remainder of the year

On face value, none of these numbers look terrible. However, wage data didn't cover those who once worked in full-time roles but due to the crisis are now only working part-time. This means less real disposable income growth than suggested by the wage statistics.

Looking forwards, corporates (even state-owned) used to settle the yearly wage dispute by April, so the recent peak in wage growth gives a strong support level. Even if re-opening means more jobs to be (re-)created, the number of unemployed people is high so we can't see the same wages that we saw in the period of labour shortage.

All-in-all, there are lots of moving parts, so we see wage growth hovering in the 6-8% area for the remainder of the year.

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