



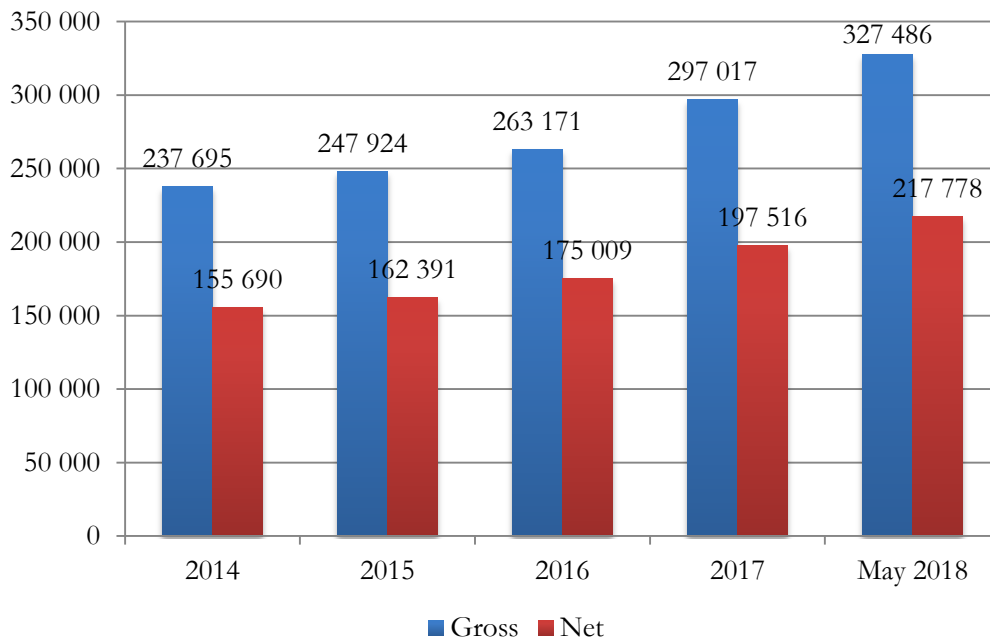
MINISTRY OF FINANCE

Robust earnings growth trend remained unchanged

According to the latest data compiled by the Hungarian Central Statistical Office (KSH) in May 2018, net earnings have increased by more than 50 percent since 2012 in Hungary. Earnings in real terms have also been up sharply: they have gained 32 percent.

Measures implemented as a result of the six-year wage agreement and public sector career models are seen to be the main factors behind the 65-month positive earnings trend. The potential reduction of the rate of social contribution tax from the current 19.5 percent to 17.5 percent as of 2019 is expected to be yet another driver of wage growth. According to KSH data published in July, gross earnings grew by 10.9 percent compared to the corresponding period of the previous year. In the period January-May 2018, net and gross earnings were both up by 12.1 percent year-on-year.

Average gross and net wages, HUF



Source: Hungarian Central Statistical Office (KSH)

The gross earnings of employees at enterprises with at least five employees, budgetary units and non-profit organizations in a full-time job averaged HUF 327 500; excluding wages of public work scheme employees gross earnings averaged HUF 340 000. Net earnings including and excluding family tax allowances averaged HUF 226 300 and HUF 217 800, respectively.

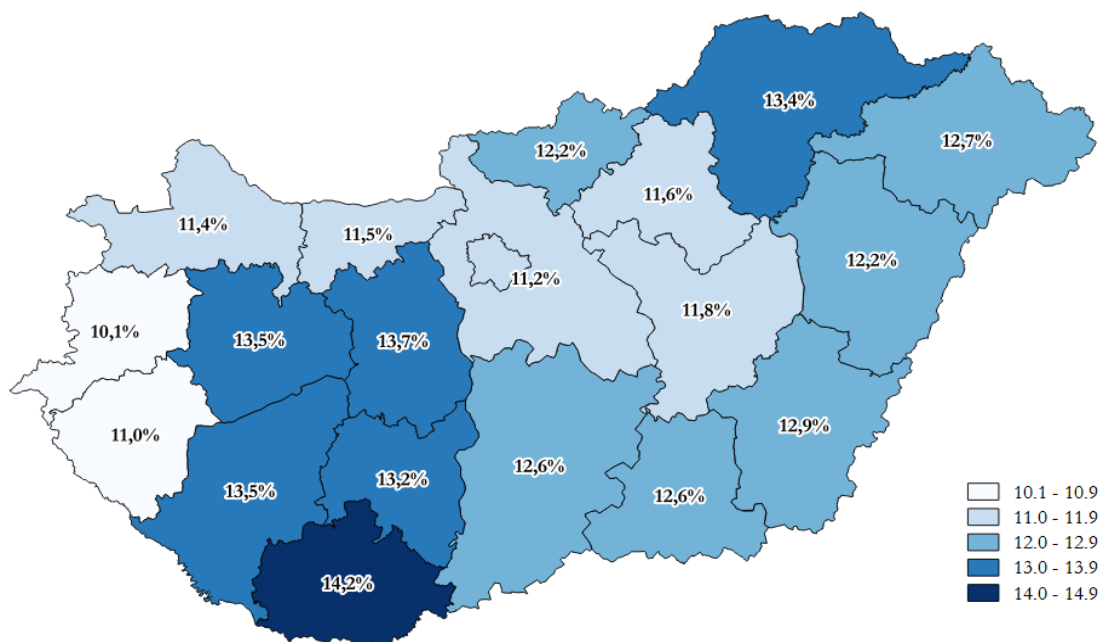


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As far as various sectors are concerned, employees doing a full-time job in the financial and insurance sector had the highest monthly average gross earnings of HUF 550 762 in the month of May 2018, followed by the information and communication sector (HUF 540 540) and professional, scientific and technical activities (HUF 454 127). The rate of earnings growth was the highest – in accordance with Government objectives – in the field of human healthcare services (19.7 percent), creative, arts and entertainment activities (14.9 percent) as well as agriculture, forestry and fishery (14.8 percent). Those working in social services had the lowest monthly average gross earnings of HUF 149 354, and employees in accommodation and food service activities also received gross earnings well below the national average (HUF 214 557). On the other hand, ongoing and newly occurring labour shortages have also driven wages higher in each sector.

In Q1 2018, the highest monthly average gross earnings were registered in Budapest, Győr-Moson-Sopron and Komárom-Esztergom Counties; however, the counties with the largest growth rates were Baranya (14.2 percent), Fejér (13.7 percent), Veszprém as well as Somogy (13.5 percent each). Earnings growth exceeded 13 percent in Borsod-Abaúj-Zemplén and Tolna Counties, too.

Changes in gross and net wages, y/y, %



Source: Hungarian Central Statistical Office (KSH)



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Thanks to the six-year wage agreement concluded by employer and employee organizations, the minimum wage (for unskilled workers) rose from HUF 73 500 in 2010 to HUF 138 000 by now, corresponding to an increase of 88 percent. The guaranteed minimum wage (for skilled workers) increased from HUF 89 500 in 2010 to HUF 180 500, which is more than double the original amount (102 percent). Net earnings have risen by 51 percent in the past six years.

The Government's economic policy has also caused payroll taxes to decline and tax revenues to rise, as economic expansion has generated consumption growth. Due to job and wage growth, PIT revenues were also well above the amount received earlier. As positive trends continued payroll taxes may be reduced further. The 2019 Budget adopted last week is designed to boost economic and wage growth partly through the decrease of the social contribution tax and the increase of family tax incentives.