



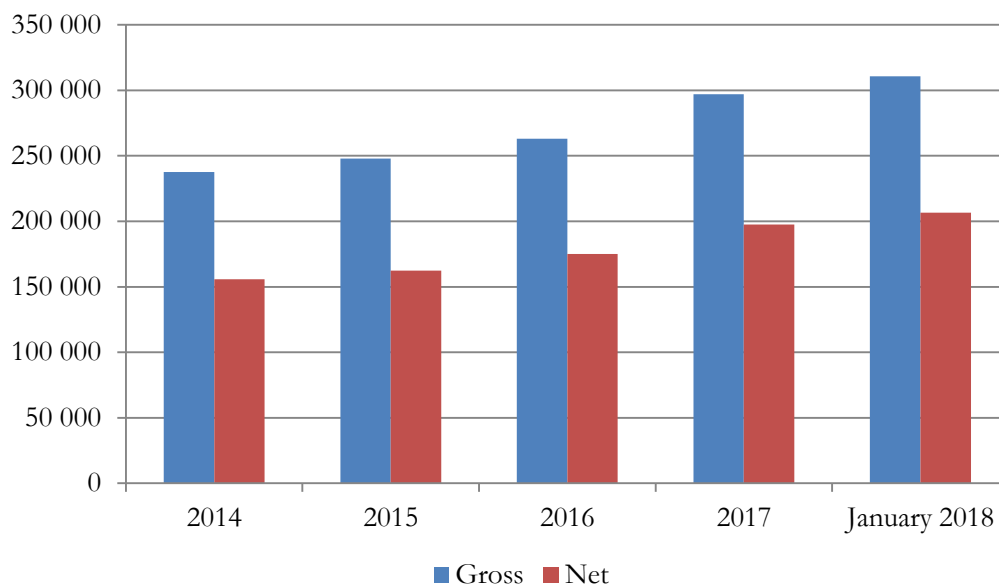
Wage growth has picked up pace in Hungary

According to the latest data published by the Hungarian Central Statistical Office (KSH), earnings in real terms have been up for 61 consecutive months. Among the main drivers of steady growth have been public sector career models and the Government-initiated six-year wage agreement, Minister for National Economy Mihály Varga said, commenting on the news.

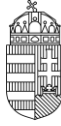
KSH data show that in January 2018 average gross and net earnings were both up by 13.8 percent compared to the corresponding period of the previous year. The gross earnings of those in a full-time job was HUF 310 800 in the first month of the year. Excluding the wages of public work employees, gross earnings averaged HUF 323 600. Growth was equally robust in the private and the public sectors: earnings increased by 13.2 percent in the former and by 15.3 percent in the latter. Gross and net earnings at non-profit organizations grew by the same rate of 11.6 percent.

Compared to January 2014, gross and net earnings have increased by 37 percent and 39 percent, respectively. Gross wages – salaries excluding regular premiums, fringe and other benefits – averaged HUF 296 200.

Average gross and net wages, HUF



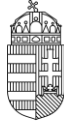
Source: Hungarian Central Statistical Office (KSH)



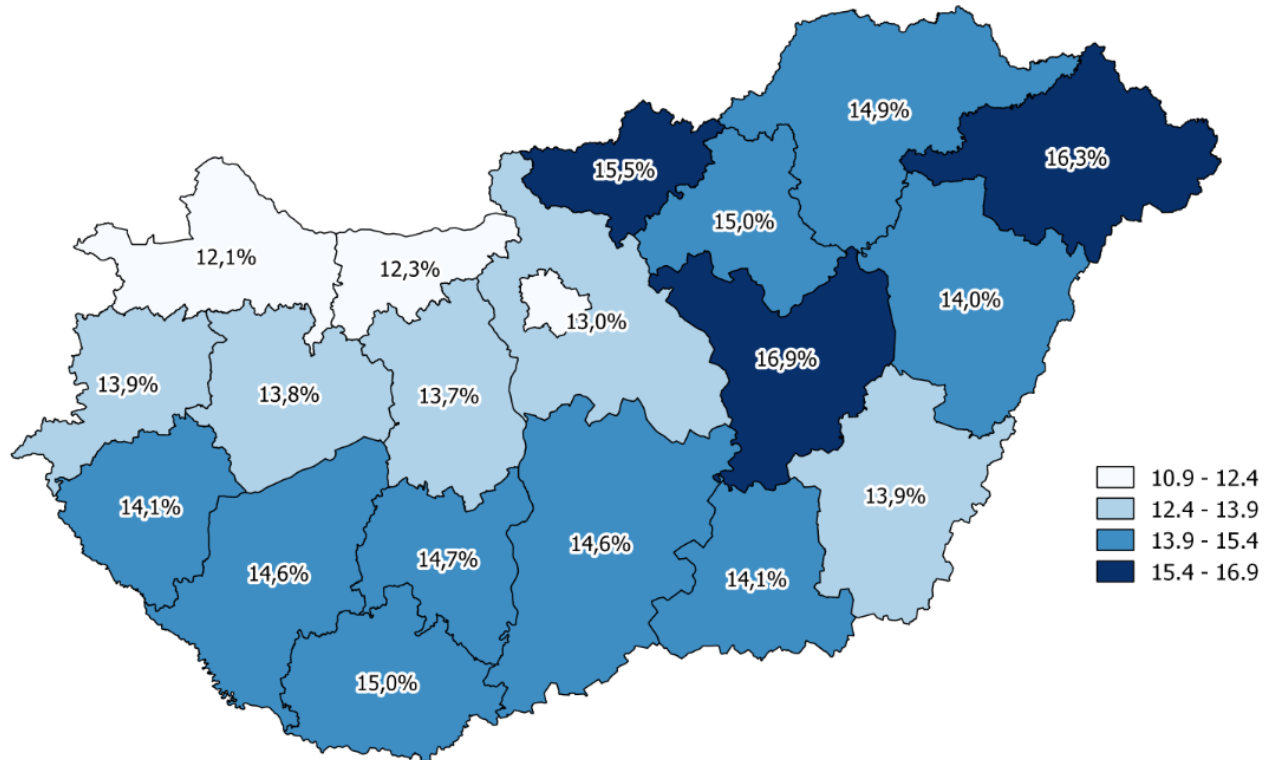
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Taking a closer look on earnings by various economic branches reveals that average gross earnings were the highest, HUF 570 000, in the financial and insurance sector, followed by the IT and communication sector with HUF 544 000. The rate of increase, however, was the highest in mining and quarrying (25.2 percent) and personal transport (24.6 percent). In line with Government objectives, earnings rose by some 20 percent in the human healthcare and social services sector.

In 2017, the largest increase in monthly gross earnings, 16.9 percent year-on-year, was observed in Jász-Nagykun-Szolnok County. Growth was also robust in Szabolcs-Szatmár-Bereg (16.3 percent), Nógrád (15.5 percent), Heves, Baranya (both 15.0 percent) and Borsod-Abaúj-Zemplén (14.9 percent) Counties. It is clear that the hiking of the minimum and guaranteed minimum wages has had the largest visible impact on Counties with poor infrastructure and severe shortages of skilled labour force. The smallest increase of 10.9 percent was recorded in Budapest, where gross earnings however beat the country average by 27 percent. The latest wave of earnings growth has thus reduced wage gaps within the country.

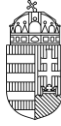


Changes in gross and net wages, y/y, percent



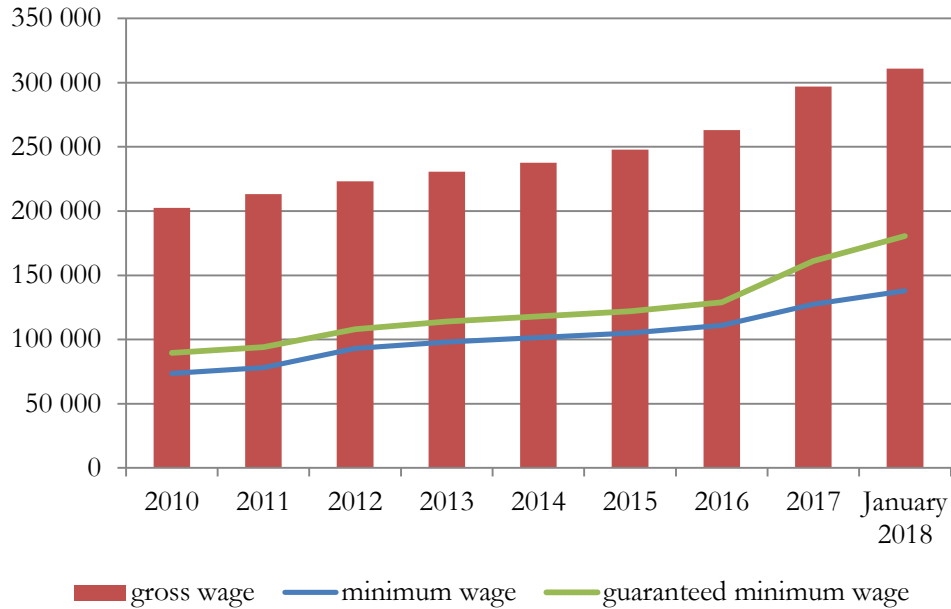
Source: Hungarian Central Statistical Office (KSH)

Thanks to the wage agreement concluded by the Government and employee and employer organizations, the minimum wage (for unskilled workers) has increased from HUF 73 500 in 2010 to HUF 138 000, up by 88 percent. The guaranteed minimum wage (for skilled workers) has more than doubled, rising from HUF 89 500 in 2010 to HUF 180 500. Gross earnings in general have gained 53 percent over the past eight years. As a result of family incentives, since 2010 average net earnings – including family tax allowances – have risen by 62.3 percent, to above HUF 215 000 by January 2018.



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Changes in minimum, guaranteed minimum and gross wages, HUF



*Source: Hungarian Central Statistical Office (KSH)
National Tax and Customs Administration (NAV)*

The wage agreement signed in November 2016 has contributed not only to wage growth but also to lower payroll taxes. As earnings growth in the private sector exceeded 11 percent in 2017, in line with the agreement the social contribution tax was reduced as of 1 January 2018 by 2.5 percentage points instead of 2 percentage points.

Among other positive factors, it has to be noted that wage growth has been accompanied by job growth and the unemployment rate has fallen to the lowest point registered since the regime change. The Government's measures aiming to retain labour force, optimize work skills and secure the long-term growth of living standards have been successful.