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### *Real wages continue to rise*

In light of data by the Hungarian Central Statistical Office (KSH), the positive trend of increasing real wages – in place since the beginning of the year – is continuing. In January-July 2013, average gross and net wages were up year-on-year by 3.2 percent and 4.6 percent, respectively, within the national economy. In this period, real wages increased by 2.2 percent parallel to an inflation rate of 2.3 percent, which development resulted from lower public utility charges, lower taxes on wages and a minimum wage increase which exceeded the pace of inflation growth. These favourable data are indicators of a successful Government policy, and the expected further real wage increase is anticipated to contribute to economic growth through improving consumption. According to the latest prognoses, economic growth may be high as 2.0 percent in 2014.

In the initial seven months of this year, the average gross wage of full-time employees was HUF 228 400 within the national economy. Employees in the private and public sectors (excluding public work) earned on average HUF 239 600 and HUF 220 700, respectively, while the average wage for public work employees was HUF 77 500.

The net wage excluding family tax allowances was HUF 149 600 within the national economy. Average net wages in the private sector were 5.1 percent higher, whereas net wages of full-time employees at budgetary institutions – excluding public work employees – were 4.8 percent higher compared to the same period of 2012.



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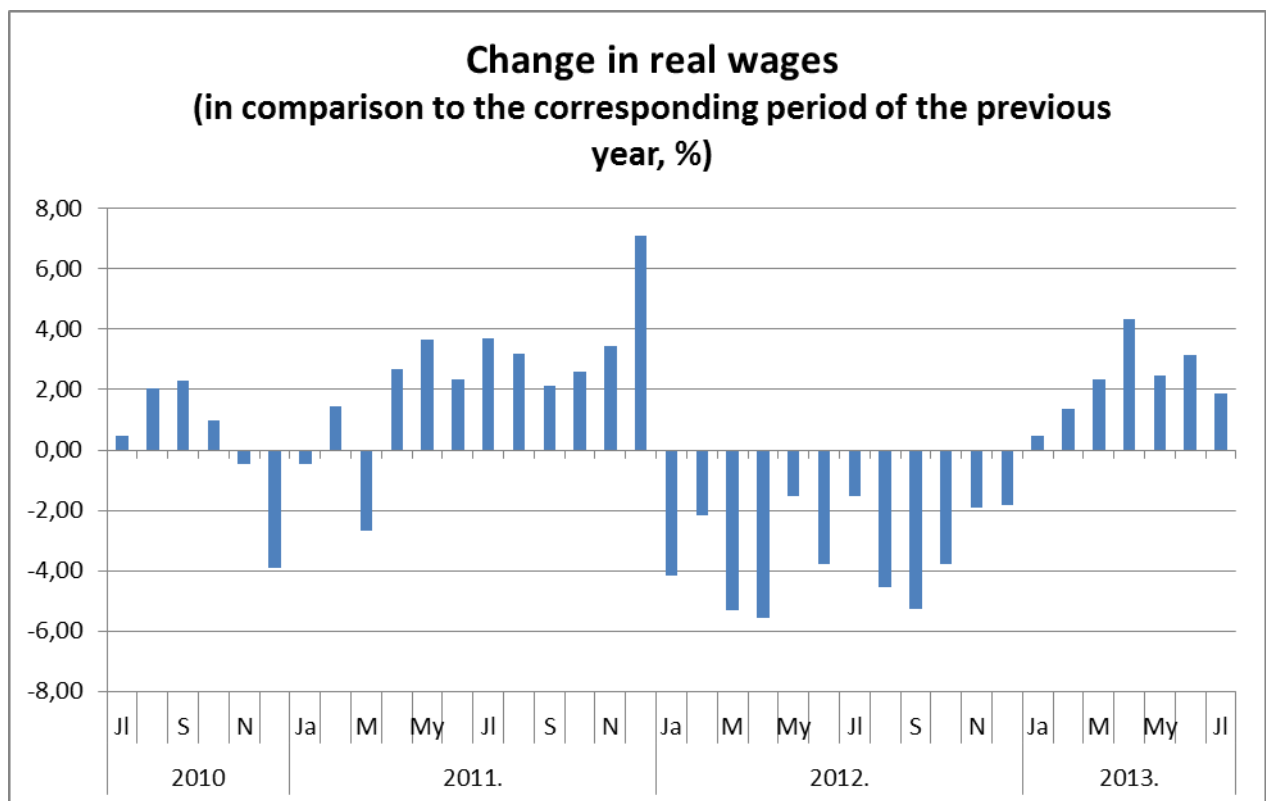


Source: Hungarian Central Statistical Office (KSH)

In July 2013, the average gross wage of full-time employees was HUF 229 700 within the national economy, up by 2.1 percent year-on-year. **The net wage figure of HUF 150 452**, which is calculated without the family tax allowance applicable by those with children, **signals growth of 3.7 percent compared to July 2012.**

**Taking into account an annual inflation rate of 1.8 percent in July, wages were up by 1.9 percent in real terms.**

In January-June 2013, real wages were higher in both the private and public sectors. In the observed period, real wages were up by 2.2 percent within the national economy.



*Source: Hungarian Central Statistical Office (KSH), Ministry for National Economy (NGM)*

In the seventh month of the year, average gross wages in the private sector were 4.5 percent higher, whereas net wages increased by 6.3 percent in comparison to the corresponding period of the previous year. The average gross monthly wages of full-time employees at budgetary institutions – excluding public work employees – were 0.7 percent lower due to the high base in July 2012, while net wages were up by 0.8 percent in comparison to the corresponding period of 2012. Although this year the Government decided on increasing the wages of those working in the healthcare and education sectors, these measures do not appear in actual statistics as yet. Taking these factors into consideration, **the purchasing power of wages is expected to increase further within both the public sector and the entire national economy.**

Thanks to lower tax burden on wages and public utility tariff cuts, in the future real wage increase is anticipated to take place parallel to a more moderate gross wage increase compared to the former pace of growth. This development will be favourable for enterprises, as – along with the measures of the Job Protection Action Plan – it will safeguard jobs and in certain fields even boost employment.



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**The rising number of jobs and the concurrent increase of real wages have a positive effect on household finances, but they are also expected to be a driver of domestic consumer demand.**