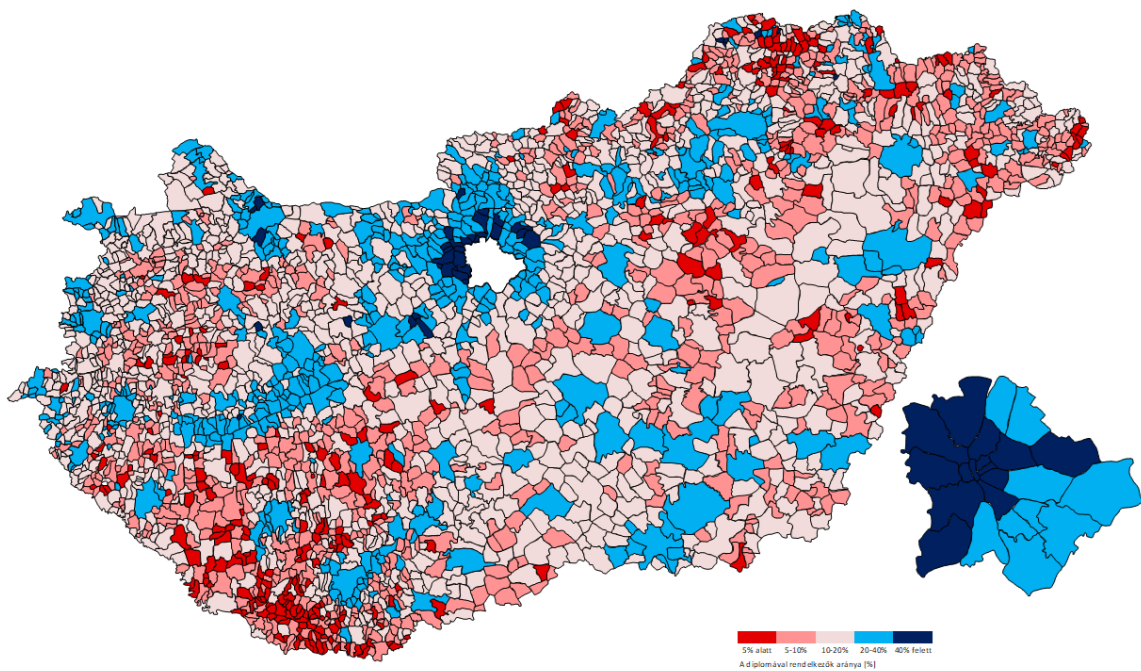


## The differences between the incomes of the settlements can be traced mainly to the different proportion of higher education graduates

Based on the 2022 data, there are significant regional differences in earnings. Compared to the capital average of HUF 370,000 net per month, the average of the villages is only HUF 243,000. But even the average of cities with county rights is 11% higher than the average of cities. In addition to the settlement hierarchy, the differences between counties are also large: between Pest and Szabolcs-Szatmár-Bereg, the difference is 42% in favor of the former.

The reasons for higher settlement earnings are diverse. On the one hand, each settlement has a different economic structure, which also affects earnings. In regions that are more industrialized and/or provide more services (e.g. tourism), the average earnings are higher compared to those of an agricultural nature, but the proportion of people with higher education is also important.

The proportion of higher education graduates in the population (%), 2022



Source: GKI calculation based on KSH data

19% of the Hungarian population has a higher education. Fortunately, there are more and more graduates among the employed: their number was nearly 1.5 million in 2022, which represented a 31.3% rate. The largest proportion of graduates live in the capital (especially on the Buda side: 57.4%), but their weight is high in the Pest county, the big cities and their surroundings, and around Lake Balaton.

Our analysis shows that the proportion of graduates is perhaps the most determining factor in the development of earnings differences. This is also shown by the fact that the relation (correlation) between net earnings and the proportion of graduates is 0.78, which can be considered high. It was also revealed that in 2022, a 1 percentage point increase in the proportion of graduates raised the average net monthly salary in the settlement by HUF 5,000 (e.g. a 20% graduate ratio causes a difference of HUF 100,000 in the monthly net salary per capita). The reasons are logical: the salary of graduates exceeds that of skilled workers by 38–95 per cent (depending on whether it is a college or university degree), which also means that where more graduates live, the purchasing power will also be higher, where more services can be established. This is partly reflected in new jobs, and partly results in higher wages for non-graduate jobs as well. Taking these into consideration, it is not surprising that 61% of the differences in earnings between settlements are explained by the proportion of graduates. This is illustrated in the following table.

**The evolution of the average monthly net earnings  
according to the proportion of graduates**

Percentage of graduates	Monthly net earnings (HUF)	Number of settlements
Below 5	158 451	297
5,1-10	201 002	948
10,1-20	237 626	1 355
20,1-30	277 994	379
30,1-40	316 484	121
Above 40,1	395 077	52
<b>TOTAL in Hungary</b>	<b>285 000</b>	<b>3 152</b>

Source: NAV, KSH, GKI calculation

All of this clearly shows the impact of education. The expansion of higher education in previous years made it possible for many to earn a higher income, and thus the national average salary was significantly raised. This is also an example of how the way out of the middle income trap is primarily the development of public and higher education, not oversubsidized "re-industrialization" based on guest workers.

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