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# Hungary's labour market squeezed from multiple sides

Recent data suggests that the labour market is being pulled in different directions by a shrinking working-age population, labour-hoarding and strong minimum wage growth. The result is a labour market that remains tight with underlying weaknesses


The latest data releases on the Hungarian labour market still paint a mixed picture. There are no signs yet that the tightness in the labour market is easing, and companies are facing yet another significant minimum wage increase. This persistent tightness continues to drive strong average wage growth across almost all sectors. With inflation expected to fall and nominal wage growth remaining high at the start of 2026, we expect a further increase in real wages.

**4.4%** **Unemployment rate (Oct-Dec)**

ING Forecast 4.4% / Previous 4.4%

## Hopes for better times ahead keep jobless rate low

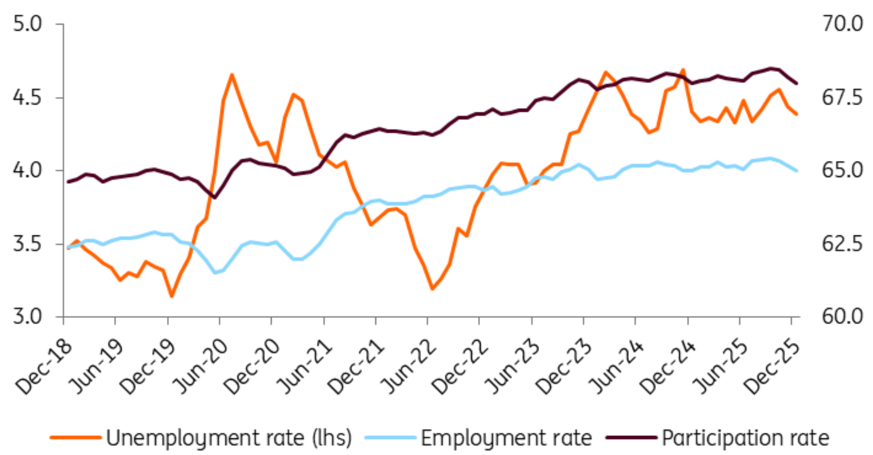
The latest labour market statistics from the Hungarian Central Statistical Office (HCSO) show that the unemployment rate remained unchanged in December, in line with market expectations. The monthly model estimate is 4.4%, and the official three-month moving average survey indicates the same unemployment rate for the last quarter. Both indicators show the same figure as the previous data point.

Based on the official indicators, the ratio is now back in line with its level at the start of the year. It rose slightly in the first half of 2025 and then edged lower during the second half. In terms of the number of unemployed people, the two statistics suggest that there are around 213,000, which is also roughly in line with the figures seen at the beginning of the year.

Examining the details, the monthly data reveals that the decline in the working-age population persisted, accompanied by a corresponding decrease in the number of labour market participants. The decline in employment was accompanied by an increase in inactivity, meaning that most of those who lost their jobs also left the labour market. This suggests that the decline in seasonal employment is the likely driver of this move.

## Historical trends in the Hungarian labour market

(%, 3-m moving avg)



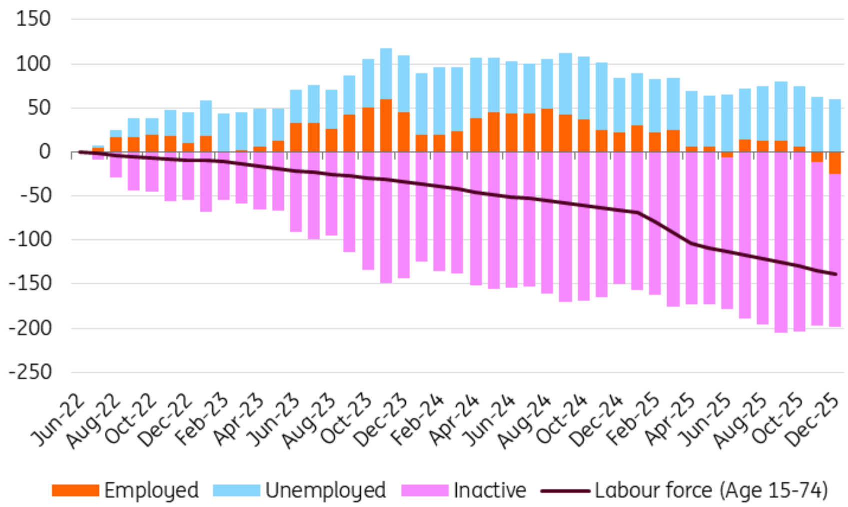

Source: HCSO, ING

Looking beyond the short term, a more serious long-term problem is emerging in the Hungarian labour market. Since mid-2022, when the number of unemployed people was at a record low, the working-age population has fallen by 142,000 due to the decline in the working-age population. This equates to the total population of Hungary's fifth-largest city. Meanwhile, the number of unemployed people has risen by around 42,000 in the aforementioned period. By the end of 2025, the number of people in employment fell back to around the average for 2021–2022.

As demand and supply in the labour market have both declined, activity and employment rates have remained roughly stable. The labour market therefore remains tight, putting companies in a difficult position as they try to manage sharply higher wage costs in a stagnating economy. Nevertheless, the labour market problem is partly self-fulfilling. Many companies still hoard labour, i.e. they maintain a workforce that exceeds their capacity requirements. This generates labour shortages and makes companies fear that, if they start laying off workers and economic growth picks up in the near future, they will not be able to hire new workers or will only be able to do so at a much higher cost. In other words, it's a vicious circle.

## Changes in the labour market since mid-2022

('000, 3-m moving avg)




Source: HCSO, ING

Looking ahead, we do not anticipate any significant changes to the supply side of the labour market. There are no signs of a positive demographic shift, and rising labour costs and the lack of a sharp economic turnaround may further dampen labour market demand. The main risk to the labour market at present is that, if companies do not see robust economic growth in the first few months of the year, they are likely to try to manage the expected wage increases by keeping wage costs down. This would lead to layoffs.

It should be noted that many companies have already switched to a spring wage cycle, meaning they will set their employees' wages for the next 12 months in spring.

If companies decide not to adjust via the workforce side, the possibility of more significant price increases to compensate for rising labour costs also arises. Ultimately, if companies are unable to generate more revenue or maintain their current profit levels by increasing sales volumes, they will have to raise prices. However, if the economy finally returns to growth after three years of stagnation, companies will not have to face such a difficult decision.

In light of the latest data, we're not revising our labour market forecast, which predicts that the unemployment rate will remain at current levels in 2026. While improvements in overall economic performance and the entry of new industrial production capacity will help reduce the rate, wage increases may push some companies towards making layoffs.

**8.9%**

### Average wage growth (November)

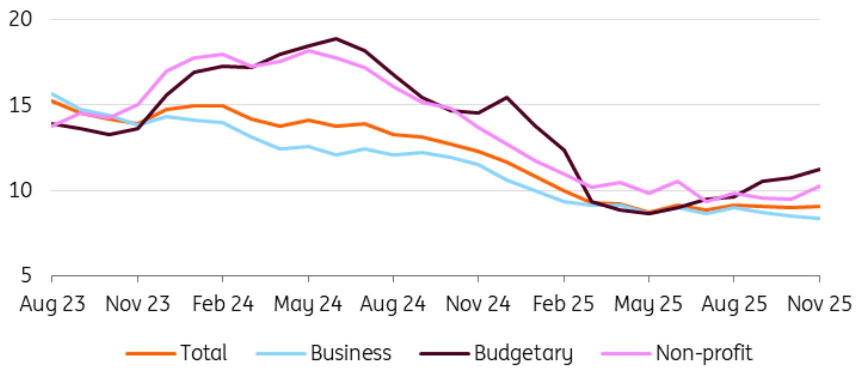
ING Forecast 8.2% / Previous 8.7%

## Real wages are growing quicker

According to the latest report by the HCSO, the rate of average wage growth increased slightly in November compared to the previous month. Average wages increased by 8.9% year-on-year, surpassing expectations. This means that wage growth has remained at around 9% since the beginning of the year. On the other hand, when inflation is taken into account, it can be said that the purchasing power of wage growth has remained on an upward trajectory. The 6.2% YoY increase in net real earnings was the highest yet in 2025. However, this increase in purchasing power is clearly insufficient to boost the Hungarian economy yet. At least, that is what recent economic statistics suggest.

## Wage dynamics

(3-month moving average, % YoY)

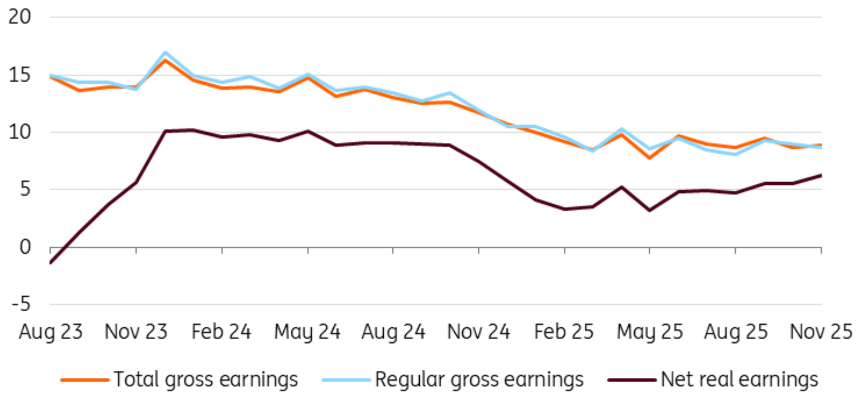



Source: HCSO, ING

Although there is no doubt that consumer confidence has increased in recent months, the confidence index remains significantly below the 2018–2019 peaks. A sharp (temporary) drop in inflation, which is expected in the coming months, combined with wage growth around 10%, could lead to continued acceleration in real wage growth. This may finally change how households are thinking about their financial situation and change it in a positive direction, unleashing consumption and stimulating the economy. An upturn in consumption could help to restore business confidence, thus generating a mutually reinforcing process.

## Nominal and real wage growth

(% YoY)




Source: HCSO, ING

Returning to the November wage statistics, a mixed picture emerges when individual areas are examined, although there are no sharp changes anywhere. In the business sector, for example, an average wage growth rate of 8.1% is high for an economy that has been stagnating for three years. In the budgetary sector, double-digit wage growth (10.7%) continued. By contrast, November saw a significant increase in the non-profit sector, with wage growth of 12%–one of the highest rates in the past year and a half. Looking at individual sectors, the construction industry clearly stands out, with significant acceleration in wage growth, which may be related to the expected upturn in that field. Furthermore, an even more significant acceleration in wage growth was observed in the public administration sector.

With regard to 2025, it is almost certain that we will see an average annual wage increase of around 9.0%, which is significantly higher than was expected at the beginning of the year. Labour hoarding continues to exacerbate labour shortages and keep the labour market tight, putting sustained pressure on wages.

The biggest question is how companies will manage a minimum wage increase of between 7 (skilled labour) and 11% (unskilled labour) if the expected economic recovery in early 2026 fails to materialise. In a year characterised by weak demand, some companies may pass on more of their wage costs, generating additional inflation. Others may begin to rationalise their workforce due to the expected failure of the recovery. Looking at the past month or two, it seems that the latter scenario has already begun to some extent. We expect average wage growth of just over 10% for 2026 as a whole.

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