

## Eurozone wages are on the rise (finally)

The ECB negotiated wages indicator increased more than expected in the first quarter. This puts pressure on the ECB to act quickly in normalising monetary policy



The most reliable indicator of where wages are currently headed was released this morning and rose from 1.5% YoY to 2.8% YoY, a notable jump that was much larger than anticipated. The combination of a tight labour market and high current inflation provides a strong argument for unions to demand higher wages and this seems to be feeding into results at the moment. With important German negotiations only happening at the end of the year, there seems potential for higher wage growth from here on.

While the increase alleviates the blow to households from current high inflation rates, we do want to stress that real wage growth remains deep into negative territory at the moment. This still leads to a substantial weakening of household consumption in the months ahead, according to our expectations.

For the ECB though, this is key from the point of view of second-round effects emerging. As mentioned above, we're still far from a wage-price spiral emerging, but ECB chief economist Philip Lane had mentioned that wage growth at 3% is consistent with reaching the goal of 2% inflation in the medium term. Reaching this more quickly than expected could result in the ECB becoming more concerned with inflation trending above target for longer.

Like the [PMI that was released this morning](#), this adds a hawkish argument to the debate about how quickly the ECB should increase rates from here on. In our view, a 50 basis point hike in July is not off the table.

## Author

### Bert Colijn

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).