

Higher wages and lower inflation could mark a turning point for Hungary's economy

Wage growth was slightly higher than expected in September. This growth in purchasing power could overcome the Hungarian economy's Achilles heel: a lack of confidence. In the coming months, inflation will fall and wages will grow strongly



The accelerating growth in Hungarian real wages could boost spending power in the months ahead

9.5%

Average wage growth (Sep)

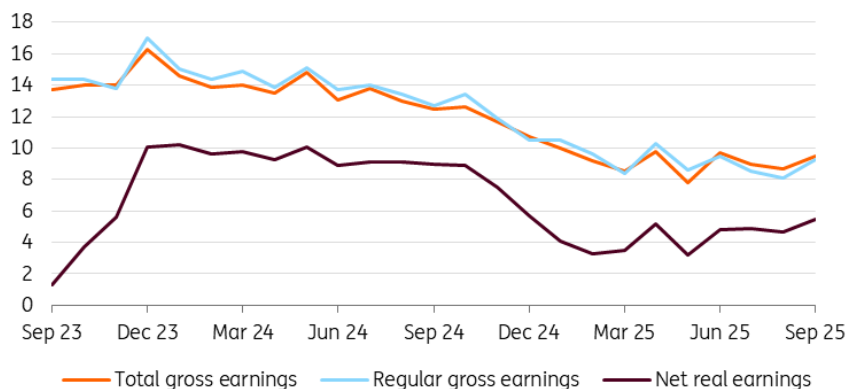
ING Forecast 9.6% / Previous 8.7%

According to the latest report by the Hungarian Central Statistical Office (HCSO), the rate of average wage growth accelerated compared to the previous month. In September 2025, average wages rose by 9.5% year-on-year, roughly in line with our above-market prediction.

The strong wage growth indicates two things: first, annual wage growth has remained at around 9% since the beginning of the year. Second, taking inflation into account, it can be said that the purchasing power of wages has grown the most on a yearly basis in September this year, which was supported by a still high – but at least stagnating – inflation rate.

However, the increase in purchasing power alone is not enough to solve Hungary's economic problems, given the weaker-than-expected economic [performance in the third quarter](#).

Nominal and real wage growth (% YoY)

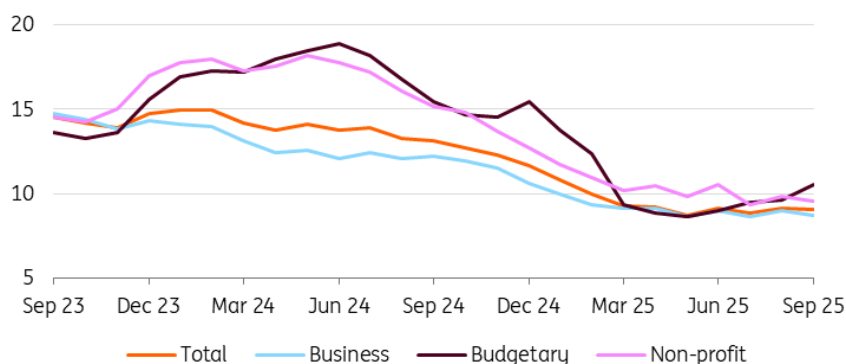


Source: HCSO, ING

The missing part of the puzzle is consumer confidence, which, although it has been improving in recent months, remains significantly below the peaks seen in 2018-19. The expected temporary decline in inflation over the coming months, coupled with likely wage growth of around 10%, could lead to accelerating growth in real wages. This could permanently alter households' attitudes towards their finances, thereby unleashing consumption potential and stimulating the economy.

Returning to the September wage statistics, we can see that, although wage dynamics increased in all major areas, the acceleration in average wage growth was largely due to the surge in public sector wages. While the average wage increased by 8.8% YoY in the corporate sector, it rose by 12.2% YoY in the budgetary institutions, producing the highest rate this year. This is hardly surprising, given the government's previous announcements regarding wage adjustments in public administration and education. There are no major surprises in the private sector, where most sectors saw annual wage growth rates of around 8-9%.

Wage dynamics (3-month moving average, % YoY)



Source: HCSO, ING

It is almost certain that we will see an average wage increase of around 9.0% in 2025, which is higher than expected at the beginning of the year. The country in general continues to experience labour shortages and a tight labour market, which puts sustained pressure on wages.

The biggest question is how companies will cope with the minimum wage increase of at least 10% that is expected to come into effect next year, should the predicted economic recovery fail to materialise. In a year still characterised by weak demand, some companies may pass on wage costs to consumers more aggressively, generating additional inflation. Others may begin to reduce their workforce in anticipation of a failed recovery. Based on underlying trends, we expect average wage growth to exceed 10% by 2026, which will lead to difficult decisions for companies.

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