

Hungarian labour statistics point to pipeline price pressures

The latest set of labour data has strengthened our view that there is more to come on inflation, as the real disposable income of households continues to grow



The number of participants in the Hungarian labour market is growing

The Hungarian Central Statistical Office (HCSO) has released the latest set of labour market data (job vacancies, unemployment rate, wages) which are not short of positive developments from the real economy point of view. On the other hand, they all suggest that with Hungary being close to full employment, there is no chance of an easing in pipeline price pressures.

Unemployment rate close to record low

In May, the number of unemployed fell to 169,000, corresponding to an unemployment rate of 3.5%. The last time we saw such a low number in late 2019/early 2020, Hungary was suffering from a chronic labour shortage.

The trend of recent months is clear: the number of participants in the labour market is growing, boosting the employment rate and reducing the number of unemployed as well. In our view, the labour market situation continues to provide a favourable environment for economic growth. However, an increasing proportion of companies are struggling with labour shortages. According to

the latest official data, the number of job vacancies in Hungary (87,000) approached its previous record in the first quarter of this year.

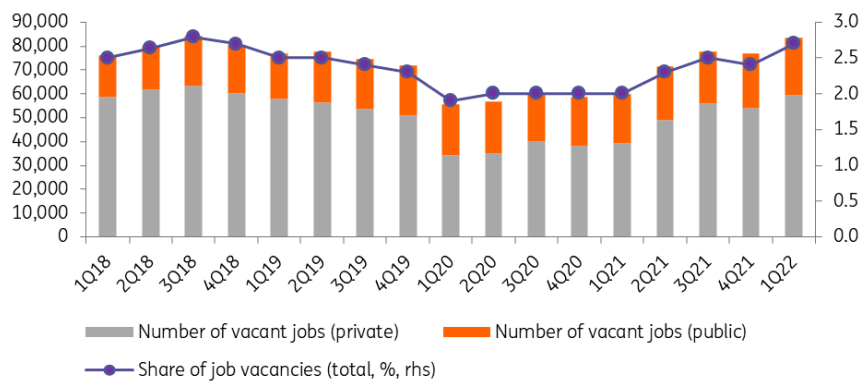
Labour market trends (%)



Source: HCSO, ING

All this means that the domestic labour market is becoming tighter: fewer unemployed people are able to choose between a growing number of vacant jobs. This is expected to translate into an additional increase in labour costs for companies if they want to hire a new employee or wish to keep their own. This continues to exacerbate wage outflows in the economy.

Job vacancies in Hungary



Source: HCSO, ING

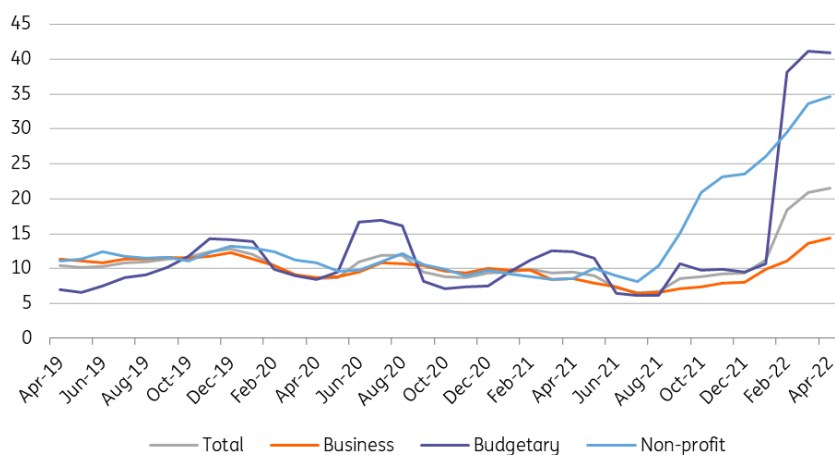
Strong wage outflow supports consumption

Gross average wages increased by 15.2% year-on-year in April 2022, showing yet another significant rise. Though it shows some deceleration compared to the previous two months, the data was affected by a major jump in bonus payments. Without bonuses, regular wages increased by 14.1% on average in April and the median gross wage almost reached HUF 400,000.

There is one new element in the details: wage growth in the private sector exceeded the statistics seen in the public sector: 14.5% vs 12%. Meanwhile, due to educational institutions being reclassified as part of the non-profit sector, wage growth here remains on the extreme side: above

35% over a year. Back in the private sector, wages have risen above the average in those sectors where labour shortages are more acute and/or they are employing a higher share of low-skilled workers earning minimum wages (which was increased by 20% from January). These sectors are construction, wholesale and retail trade, logistics, accommodation, and hospitality.

Wage growth in Hungary (3-month moving averages, % YoY)



Source: HCSO, ING

Tight labour market keeps prices on an upward trend

As we said above, the latest set of labour market data all point in one direction: Hungary has probably reached full employment. Household consumption may continue to be bolstered by strong real wage growth, projecting a sustained persistence of demand-driven inflation. While households are smoothing their consumption (that is, they are using their savings to pay for their usual consumption in quantity and quality) despite rising inflation, we can hardly expect a negative impact on the price pressure.

Inflation risks stemming from the labour market are still on the upside. All this clearly paves the way for tighter monetary policy during the remainder of this year. Over the longer term, even if supply-side shocks ease, as long as the labour market remains tight, demand-driven inflation will remain with us, and the HUF may need to be strengthened significantly to (at least partly) compensate this driver of inflation.

Author

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@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 <http://www.ing.com>.