Hungary’s labour market eases, but structural pressures remain

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Although wage growth moderated and participation rates rose, seasonal factors rather than structural changes drove both. Supply-side pressure is expected to increase in the labour market even in the short term due to a continuous decline in the working-age population

The Hungarian Central Statistical Office (HCSO) has released data on wages and unemployment. Although the earnings figure showed a significant slowdown in growth in June, the overall trend remains positive. The headline unemployment figure rose in July, driven by additional workers entering the job market.

While the participation improved the short-term outlook, this does not mean that the problem of population decline has disappeared. It is expected that pressure from negative demographic trends will be put on the economy in the coming quarters.

Average wage growth (Jun)

The latest average earnings statistics from the HCSO have come as a significant negative surprise after a long time. The figures show a 7.1% year-on-year increase in gross average earnings in June 2026. This represents a huge slowdown compared with the previous month and is the lowest figure since 2021 (excluding the dip in 2023 caused by the base effect of the one-off bonus for armed forces). Net earnings continue to grow faster than gross earnings due to changes in family tax allowance and tax relief for mothers since the start of this year.

Median earnings have risen at a slightly faster rate than the minimum wage, remaining close to the minimum wage increase rate. This may indicate that wage compression persists, primarily in the first to third income quintiles, a situation that companies have sought to address.

Nominal and real wage growth (% YoY)

Purchasing power continues to grow dynamically. Against a backdrop of low inflation and robust wage growth, net real earnings increased by 7.6% YoY in June. Combined with relatively high consumer confidence, this provides a solid foundation for further increases in consumption.

Similar trends are evident in the main sectors: wage increases of between 7.0% and 8.1% were observed in the private, budgetary and non-profit sectors. A closer examination of the data reveals that above-average wage increases were seen in the mining and electricity sectors, as well as in the construction industry. Conversely, wage growth was below average in the transport, warehousing, accommodation and catering sectors. This is likely due to the effect of a higher proportion of low-wage seasonal workers. Double-digit wage growth continues to be observed only in the social care and education sectors.

As previously indicated, a significant shift is emerging in public sector wage trends. Rather than the double-digit growth previously seen, the increase in June was just 5%. As salaries have been significantly cut in many areas for public servants, a further slowdown is expected here in the coming months.

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

The 11% and 7% increases in the minimum wage and guaranteed minimum wage, respectively, which were announced in January, appear to be a key determinant of annual wage trends in 2026. This is reinforced by the fact that the Hungarian labour market remains tight. Although there is a downward trend, some companies are still building up labour reserves, which, in light of the improving economic outlook, may now prove to be a successful strategy. Meanwhile, demographic trends are already putting structural pressure on the labour market supply, leading to higher wages even in the short term.

The latest June data has not altered our overall outlook, so we are still expecting annual average wage growth of around 9-10% for 2026 as a whole. However, looking ahead to the autumn months, our attention is already turning towards next year's minimum wage negotiations, as the current three-year wage agreement clearly needs to be reviewed. In light of the planned personal income tax changes for next year, it would not be surprising if gross minimum wages were to rise by a much smaller low single-digit percentage than we have become accustomed to in recent years.

Unemployment rate (May–Jul)

According to the latest labour market statistics from the HCSO, the unemployment rate has risen slightly once again. In July, the unemployment rate rose to 4.5% according to the monthly model estimate. Meanwhile, the official three-month moving average survey was also moving upwards to 4.6%. At first glance, these two indicators suggest a negative trend in the labour market. However, closer analysis of the detailed data reveals a more nuanced picture. The number of unemployed people changed only minimally, remaining at around 220,000 in July, which is in line with last year's average.

A closer look at the details shows some notable positive changes. The number of economically inactive people has decreased by almost 42,000. Of this decrease, around 5,000 can be attributed to a fall in population, while the remaining 37,000 people became active participants in the labour market. Of these, 29,000 found jobs, meaning employment rose by this amount in July. However, an additional 8,000 people joined the ranks of the unemployed. The increase in the number of employed people in July was so significant that the latest statistics mark a peak not seen since August last year. Furthermore, the average employment rate over the past three months reached a new record of 65.5% for the May-July period.

In our view, this positive change is primarily a reflection of the increase in seasonal work. This is indicated by the fact that the increase was primarily among women in the workforce, which, based on recent years' statistics, is a typical summer phenomenon. It is also worth briefly returning to the issue of population decline, which continues. Based on the latest data, this trend means that by July 2026, the working-age population will be 175,000 smaller than in mid-2022, when the Hungarian labour market was at its peak.

Changes in the labour market since mid-2022 ('000, 3-m moving avg)

While the labour market remains tight, the overall picture is mixed in terms of key rates. Nevertheless, we would still describe the situation as favourable. However, geopolitical risks and changes in domestic economic policy continue to dampen business optimism.

According to a recent local survey, companies' willingness to hire has declined slightly compared to July, and a small majority of firms are considering reducing their workforce rather than expanding it. Significantly rising labour costs appear to be forcing more and more companies to streamline their operations, and it is hard to believe that the planned workforce reductions are primarily driven by a desire to improve efficiency. This is particularly true in light of the latest investment statistics, which also painted a bleak picture for the second quarter.

Historical trends in the Hungarian labour market (%)

Looking ahead, we do not anticipate any significant changes to the supply side of the labour market. There are no demographic shifts on the horizon that may prompt company executives to exercise caution when planning their workforce.

As the end of the year approaches, the issue of next year's wages is becoming increasingly pressing and will present employers with difficult decisions. The three-year wage agreement will certainly need to be revised, and the expected overhaul of the personal income tax system may also create a new situation. The sooner companies gain clarity on these issues, the sooner new labour market trends will emerge.

In light of the latest data, we are maintaining our labour market forecast for this year, which projects an average unemployment rate of around 4.5%.

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