SZÁZADVÉG

MACROECONOMIC MONITOR

APRIL 2025

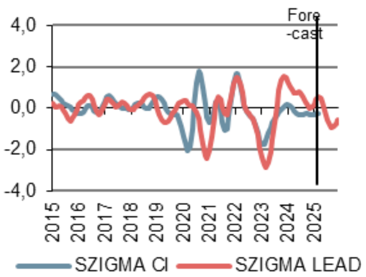
SZÁZADVÉG KONJUNKTÚRAKUTATÓ ZRT.

TABLE OF CONTENTS

1. SUMMARY

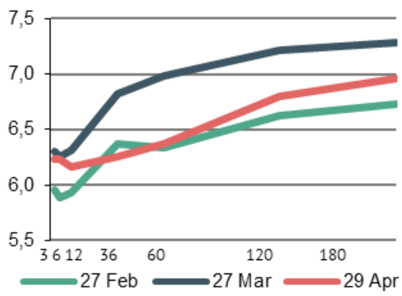
According to seasonally and calendar-adjusted and balanced data for Q1 2025, Hungary's economy shrank by 0.4% year on year and by 0.2% compared to Q4 2024. Despite a more subdued first quarter, we expect the economy to regain momentum in the remainder of the year.

SIGMA indicators



Source: Századvég

Forint yield curve (%)



Source: Refinitiv

Our forecast (20.03.2025)	2025
Change in the GDP (%)	2.3
Inflation (annual average, %)	4.5

At its April meeting, the central bank's Monetary Council left the base rate in place since September. The base rate in Hungary therefore remains at 6.5%.

In February, retail sales increased by 3.3% year on year on both a raw and calendar-adjusted basis compared to the respective period of the previous year.

In February 2025, turnover in specialised and non-specialised food shops increased by 3.5%, and the turnover in non-food shops increased by 5.0%. In fuel retailing, sales increased by 0.4% year on year in January.

Measured up to March 2025, the value of the monthly SZIGMA CI indicator, which provides a snapshot of the current state of the Hungarian economy, was -0.2464, continuing to point to a growth rate below the historical trend.

The most recent forecast for the other indicator, SZIGMA LEAD, a short-term indicator for the future of the Hungarian economy, shows marked volatility. It forecasts a brief period of growth in the first phase, followed by a sudden and temporary slowdown, with an upward trend returning by the end of the short-term forecast period.

In March 2025, consumer prices rose by 4.7% on an annual average basis.

2. OVERVIEW OF THE ECONOMY

2.1 External environment

In the euro area, home prices rose by 4.2% in Q4 2024.

According to the latest data from Eurostat, home prices rose by 4.2% year on year in Q4 2024 in the euro area, while the European Union as a whole saw a 4.9% increase. This increase rate is higher than the year-on-year increase rate in the previous quarter (Q3 2024), which was 2.7% in the euro area and 3.9% in the EU as a whole. On a quarterly basis, this increase rate was 0.6% in the euro area and 0.8% in the EU as a whole.

Member States showed significant differences. The highest annual price increases were recorded in Bulgaria (+18.3%), Hungary (+13.0%) and Portugal (+11.6%). In contrast, two countries, France and Finland, recorded year-on-year decreases (1.9% in both cases).

Compared with the previous quarter, house prices fell in six countries, including France and Cyprus by -1.0% and Estonia by -0.7%. In contrast, Slovakia recorded a quarterly increase rate of +3.6%, Slovenia +3.1% and Portugal +3.0%.

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2.2 Our SZIGMA indicators

In April 2025, the growth rate of the Hungarian economy remained below its historical trend.

Measured up to March 2025, the value of the ***SZIGMA CI indicator, which reflects the current state of the Hungarian economy***, was -0.2464 in April 2025, continuing to point to a growth rate below the historical trend but showing an increase from the previous month.

Although these calculations show that the Hungarian economy is still growing below the historical trend, the figure clearly shows that the growth rate is approaching the trend. This means that economic growth has gained momentum, and it will become clear later whether the economic growth rate will surpass the historical trend. Growth prospects may get a boost from the economic programs launched in 2025, but the international environment could go either way. An improvement in the geopolitical situation, the end of the Russia-Ukraine war and the Palestinian-Israeli conflict would certainly improve international sentiment. The uncertainties surrounding the tariff war and the weak growth prospects in the European Union pose further negative risks to Hungarian growth prospects.

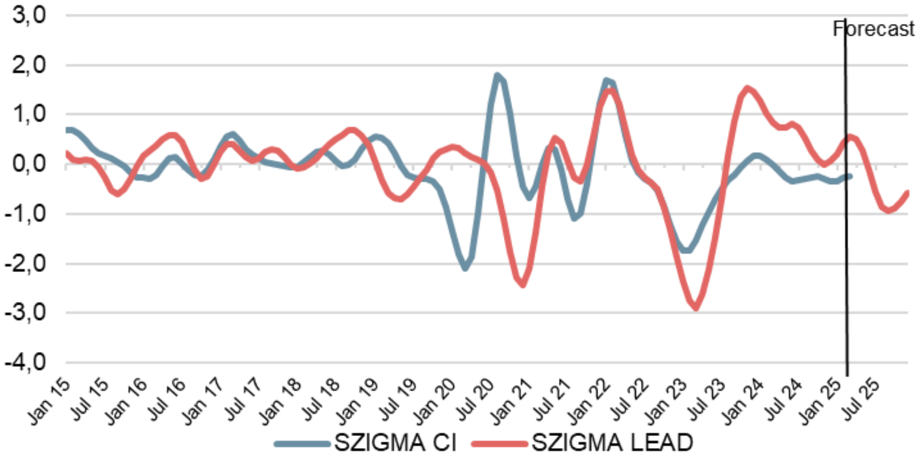
As for ***industrial*** figures, which serve as the background for the indicators, the volume of industrial production decreased by 1.5% year on year and by 7.9% month on month, based on the latest February 2025 fixed base (2021 monthly average = 100.0%) seasonally and working-day adjusted data. The volume of industrial sales, on a fixed basis for February 2025 (monthly average for 2021 = 100.0), declined on both an annual and monthly basis, according to seasonally and working-day adjusted data. The volume of total sales (domestic and exports combined) contracted by 0.6% year on year and by 2.3% month on month. Domestic sales increased by 0.4% on a monthly basis, but weakened by 1.3% on an annual basis. Export sales increased by 2.6% month on month and by 4.5% year on year.

Based on the latest data, for February 2025, ***construction output*** volume decreased by 1.2% month on month and by 4.1% year on year. This was mainly caused by a decline in the construction of buildings, while the increase in civil engineering works held back the decline. On a fixed base (monthly average of 2021 = 100.0), the stock of construction contracts at the end of February 2025 increased on both an annual (6.1%) and monthly (1.8%) basis. Year on year, the stock of construction contracts for buildings decreased by 6.9%, while that for civil engineering works increased by 8.9%. Month on month, the stock of construction contracts for buildings increased by 2.5%, and that for civil engineering works increased by 8.0%.

In April 2025, our **short-term leading indicator, SZIGMA LEAD**, forecasts an improving growth rate at the end of the forecast horizon. The current forecast continues to show marked volatility. It forecasts a brief period of growth in the first phase, followed by a sudden and temporary slowdown, with an upward trend returning by the end of the short-term forecast period. The future outlook for ***industry*** remains mixed. As regards the stock of new orders in industry, in the short term, on a monthly basis, the stock of new industrial domestic orders increased by 3.1%, while exports fell by 9.1%. As a result, the stock of new orders in industry decreased by 7.7% month on month. The stock of orders also fell year on year (by 25.5%). Therefore, in the short term, rising domestic consumption may drive industrial production, but this will not be enough to offset the decline in exports.

The German economy is one of the key drivers of industrial exports, so changes in the Ifo Business Climate Index, which **measures business sentiment in the German economy**, are also relevant. It improved by 1.4 index points on a monthly basis and weakened by 1.0 index points on an annual basis in March 2025, to stand at 86.7 index points. The business environment improved for the German manufacturing sub-index. Although companies consider the current situation to be unfavourable, they were more pessimistic about the period ahead compared to the previous month. The other confidence index underlying the indicator, **Eurostat's consumer confidence index**, improved markedly (2.4 index points) on a monthly basis in February 2025, while it weakened on an annual basis (2.1 index points). Thus, in March 2025, it stood at -25.2 index points.

FIGURE 1: CURRENT (CI) AND FORECASTING (LEAD) SZIGMA INDICATORS



Source: Századvég

2.3 The real economy

2.3.1 GDP

In Q1 2025, Hungarian economic output weakened by 0.2% quarter on quarter.

According to seasonally and calendar-adjusted and balanced data for Q1 2025, Hungary's economy shrank by 0.4% year on year and by 0.2% compared to Q4 2024. Despite a more subdued first quarter, we expect the economy to regain momentum in the remainder of the year.

According to the first estimate in the flash report of the Hungarian Central Office, GDP volume decreased by 0.0% in raw data terms and by 0.4% in terms of seasonally and calendar-adjusted and balanced data in Q1 2025 compared with the same period of the previous year. The performance of the Hungarian economy also contracted compared to the previous quarter, by 0.2% on a seasonally and calendar-adjusted and balanced basis.

According to preliminary data for Q1 2025, the combined performance of industry and construction held back growth in the Hungarian economy. For industry, the main problem remains subdued demand on our export markets. Hungary is a small, open economy;

therefore, domestic economic growth alone is not sufficient to ensure sustainable growth. It also requires the strengthening of the European economy, and in particular the German economy.

Although first quarter GDP data was somewhat weaker than expected, it is important to note that both the government and analysts agree that significant economic growth is expected in the second half of the year. The main driver of growth will be industrial output: on the positive side, major investments in the automotive industry are starting to translate into production, but the trade war and the subdued global economy are casting doubt on demand for their products.

2.3.2 Industry

On a monthly basis, the volume of seasonally and working-day adjusted industrial production decreased by 1.3%.

Compared with the same period of the previous year, industrial production decreased by 8.7% year on year according to raw data and by 8.0% according to working-day adjusted data in February 2025. In manufacturing, which accounts for more than 90% of total industrial production, sales fell by 8.2% year on year in February 2025. This was driven by a 8.8% decline in domestic sales and a 7.9% decline in export sales. Looking at individual manufacturing industries on an annual basis, in terms of sales, exports in the manufacture of transport equipment fell by 9.4%, while exports in the manufacture of computer, electronic and optical products rose by 0.3%.

Compared to the previous month (January 2025), seasonally and working day-adjusted industrial output decreased by 1.3% in February 2025.

FIGURE 2: INDUSTRIAL PRODUCTION AND SALES TRENDS (2021 MONTHLY AVERAGE = 100%)

Source: HCSO, Századvég, Remark: seasonally and calendar-adjusted indices.

Turning back to industrial production, a 9.5% fall in manufacturing output, which was the dominant sector (90.5%), contributed to the decline in industrial production on an annual basis in January 2025. Of the other two sectors accounting for industrial output, energy grew by 12.3%, and mining and quarrying decreased by 4.4%. In manufacturing, the production volume index fell in all 13 subsections during the month. The performance of the three main manufacturing sectors, which accounted for 50.4% of manufacturing output, was mixed. Manufacture of transport equipment, the largest contributor with a 27.7% share, fell by 10.4% year on year. The second largest subsection, food (with a weight of 12.3%), decreased by 5.8%. The third largest (10.5%), manufacture of computer, electronic and optical products, declined by 0.6% year on year, the smallest volume decline among the 13 manufacturing subsections. The biggest drop in output (24.0%) continued to be in the manufacture of electrical equipment, which accounts for the fourth largest share (8.9%) of manufacturing output.

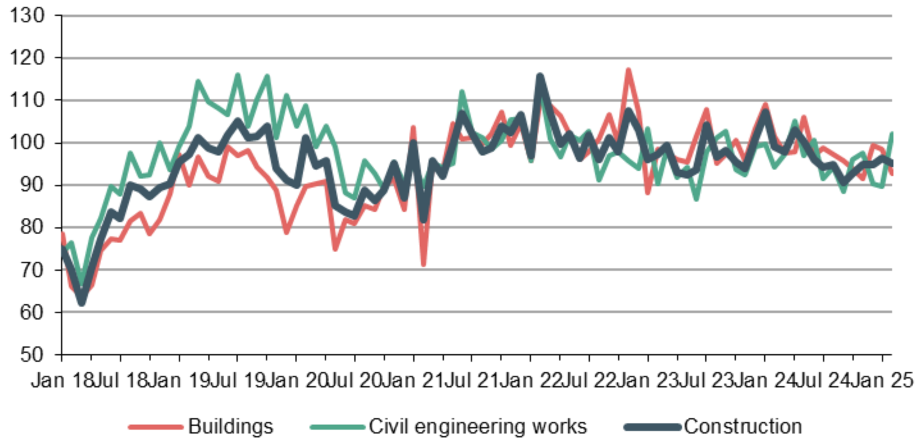
The total volume of new orders in the manufacturing subsections surveyed fell by 26% compared to February 2024. New domestic orders fell by 9.8% and new export orders by 28%. The total stock of orders at the end of February were 9.6% below a year earlier.

2.3.3 Construction

In February 2025, the construction volume of civil engineering works increased by 15.3%.

In January 2025, the annual volume of construction output decreased by 4.5% in terms of raw data. Within the two main groups of construction, the construction of buildings decreased by 11.0% year on year, while civil engineering works (roads, bridges, railways, complex industrial facilities, pipelines, etc.) increased by 15.3% compared to the same period of the previous year. In February 2025, construction output on a monthly basis, which indicates short-term trends and is seasonally and working-day adjusted, declined by 1.3%.

FIGURE 3: CHANGES IN THE CONSTRUCTION INDUSTRY (MONTHLY AVERAGE FOR THE YEAR 2021 = 100%)



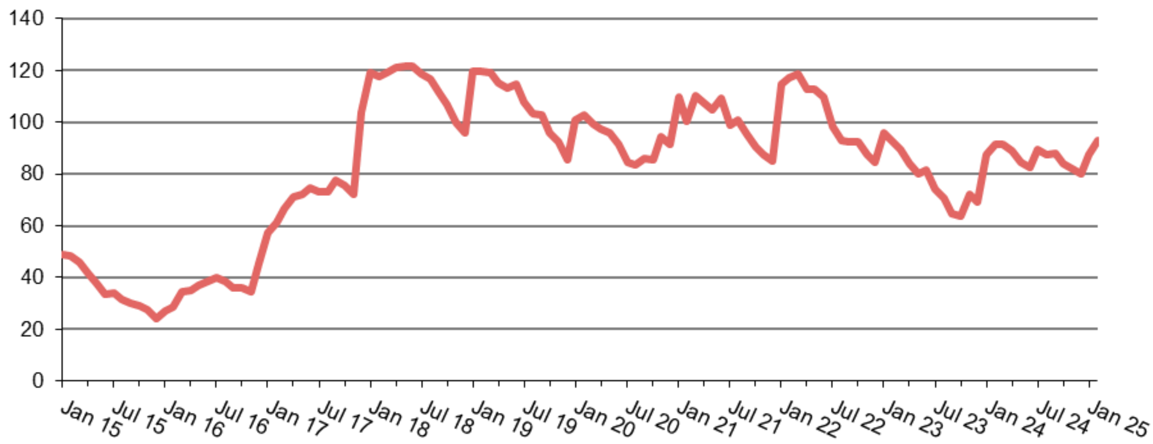
Source: Hungarian Central Statistical Office, Századvég, Remark: Seasonally and calendar adjusted indices.

Opposing trends appear in the stock of contracts: overall, the volume of the stock of contracts at the end of February was 1.8% higher than a year earlier, but the stock of construction contracts for buildings was 6.9% lower, while that for civil engineering works increased by

8.9%. The volume of new contracts concluded was 15.5% lower than a year earlier. Within this, construction contracts for buildings rose by 12.0%, while those for civil engineering works fell by 32.9%, mainly due to the high base of the previous year.

The graph below shows the evolution of the stock of construction contracts at the end of the month with a fixed base (monthly average for 2021 = 100.0). The current level is relatively high, but further improvement in construction output is essential for economic growth. This requires an increase in the volume of contracts for construction companies.

FIGURE 4: CHANGES IN MONTH-END CONSTRUCTION CONTRACTS (MONTHLY AVERAGE FOR 2021 = 100%)



Source: Hungarian Central Statistical Office, Századvég

2.3.4 Retail

The volume of retail sales increased by 3.3% in February.

In February, retail sales increased by 3.3% year on year on both a raw and calendar-adjusted basis compared to the respective period of the previous year.

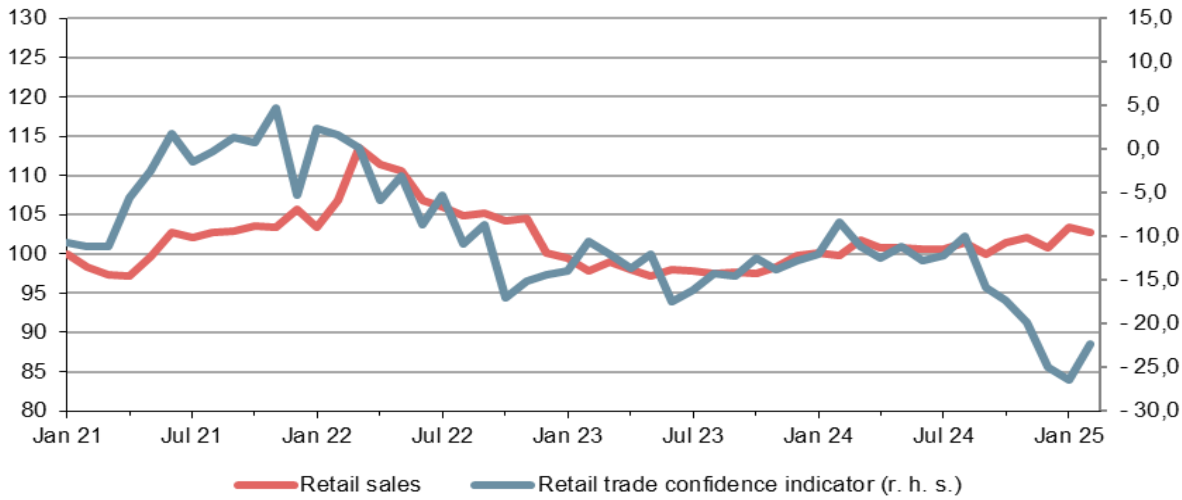
In February 2025, turnover in specialised and non-specialised food shops increased by 3.5%, and the turnover in non-food shops increased by 5.0%. In fuel retailing, sales increased by 0.4% year on year in January.

In food retailing, sales volumes increased by 3.8% in non-specialised food and beverages shops, while the volume in specialised food, beverage and tobacco stores rose by 1.3%.

In non-food retailing, the volume of mixed range of manufactured goods increased by 0.6%, while the turnover of books, newspapers and stationery fell by 4.4% compared to the same period last year. In non-specialised shops dealing in manufactured goods, turnover in textiles, clothing and footwear shops decreased by 4.7%. In addition, sales of second-hand goods also fell, by 3.1%. The sales volume of computers and other specialised goods fell by 2.9%. A similar change was seen for books, computer equipment and other specialised stores, which, after a 0.3% increase in January, decreased again by 2.8%. Other categories showed an overall increase, with the most notable being cosmetics shops, which grew by 9.1%, pharmaceuticals, and pharmaceuticals and medicinal products, which increased by 10.7%.

Overall, the largest growth was in non-specialised food shops, more specifically pharmaceutical and medical goods, where volumes increased by 10.7%. Other categories showed a more moderate increase.

FIGURE 5: RETAIL SALES AND RETAIL CONFIDENCE INDEX (JANUARY 2021 = 100%)



Remark: Seasonally and calendar adjusted indices.
Source: Hungarian Central Statistical Office, Eurostat, Századvég

2.3.5 Labour market

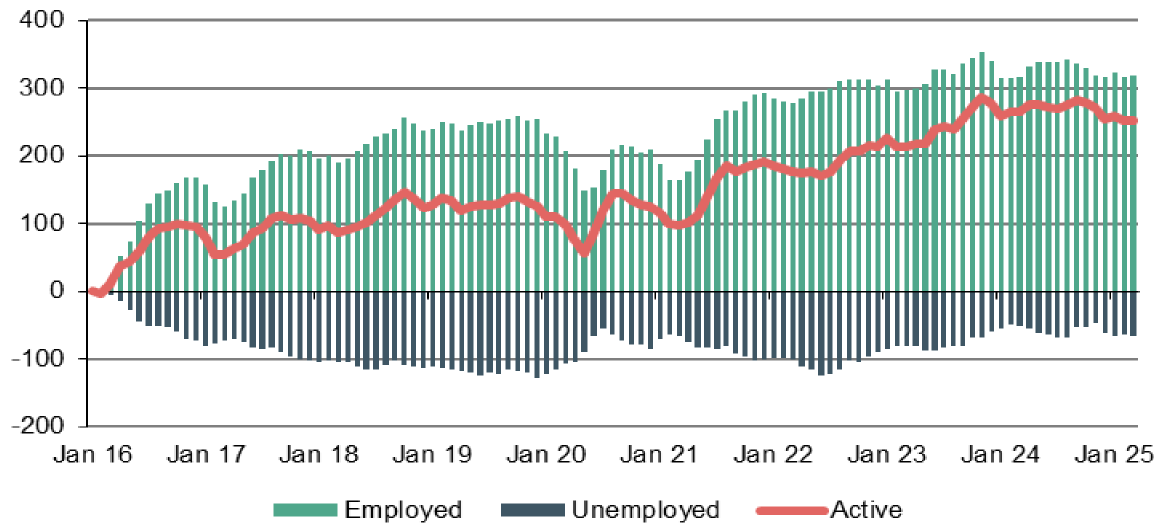
In March, the unemployment rate was 4.3%.

In March 2025[1], the seasonally adjusted activity rate of the population aged 15-74 was 68.2% (4,905,000 employees), which is 12,000 less than in the same period of the previous year. The seasonally adjusted number of employees was 4,692,000, an increase of 2,000 compared to the same period of the previous year. The number of the unemployed was 213,000, a decrease of 14,000 compared to March 2024. Based on March data, employment increased by 3,000 month on month, unemployment decreased by 3,500, and overall activity declined by only 500. Labour market trends still reflect the macroeconomic developments that had a major impact last year, such as the global automotive difficulties and the slowdown in construction, but a return to the previous trend has begun.

In February, the number of people in full-time employment fell by 1,000 compared with the same period last year. Compared to February 2024, there were 8,500 fewer employees in the competitive sector and 3,100 fewer employees in the public sector. The number of people employed in the non-profit sector increased by 4,400 in one year.

[1] Three-month moving average

FIGURE 6: CHANGES IN THE LABOUR MARKET (JANUARY 2016 = 0, THOUSAND EMPLOYEES)



Source: Hungarian Central Statistical Office, Századvég

Real earnings rose by 4.6% in February.

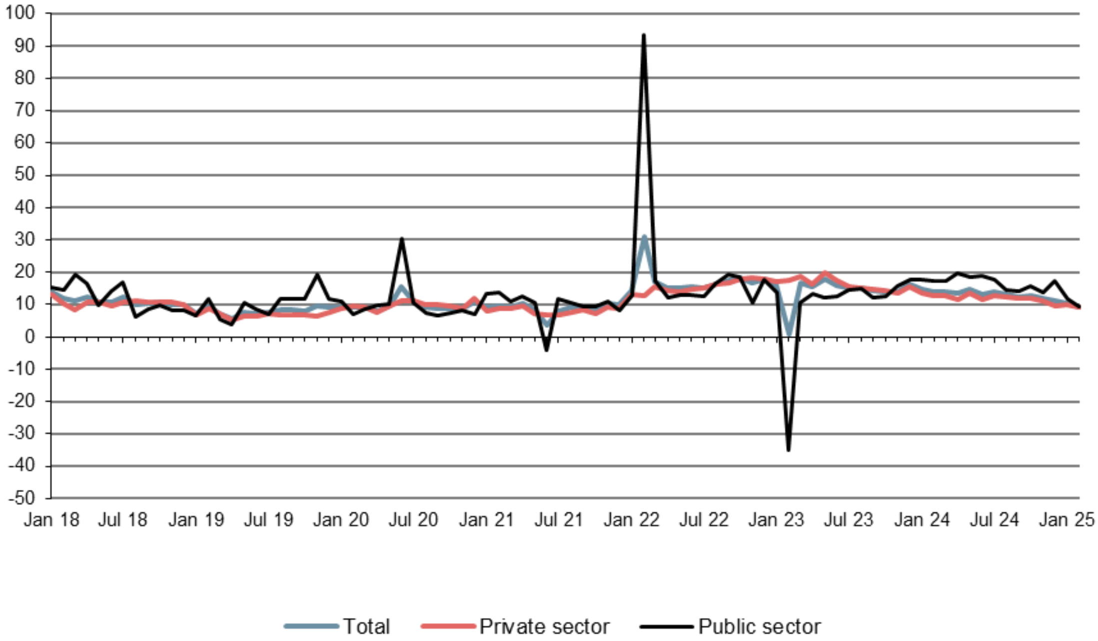
In February, average gross earnings in the national economy were HUF 661,400, up 9.3% compared to the same period last year. Median gross earnings were HUF 533,600, an increase of 8.5% in a year. Real earnings increased by 3.5%, while consumer prices rose by 5.6%.

The dynamic rise in wages is partly due to the direct effect of the increase in the minimum wage and the guaranteed minimum wage, and partly to their indirect effect through their wage-increasing effect. Real earnings increased by 4.6%, while consumer prices rose by 5.5%.

The growth in gross salary exceeded previous expectations, reaching 9.0% in the business sector, 9.5% in the public sector, and 10.7% in the non-profit sector.

According to our latest forecast, published in March, average gross earnings will increase by 6.9% in 2025, while unemployment is expected to reach 4.1% for the year as a whole.

FIGURE 7: CHANGES IN GROSS WAGES (ANNUAL CHANGE, %)



Remark: Seasonally and calendar-adjusted indices

Source: Hungarian Central Statistical Office, Századvég

2.4 External balance

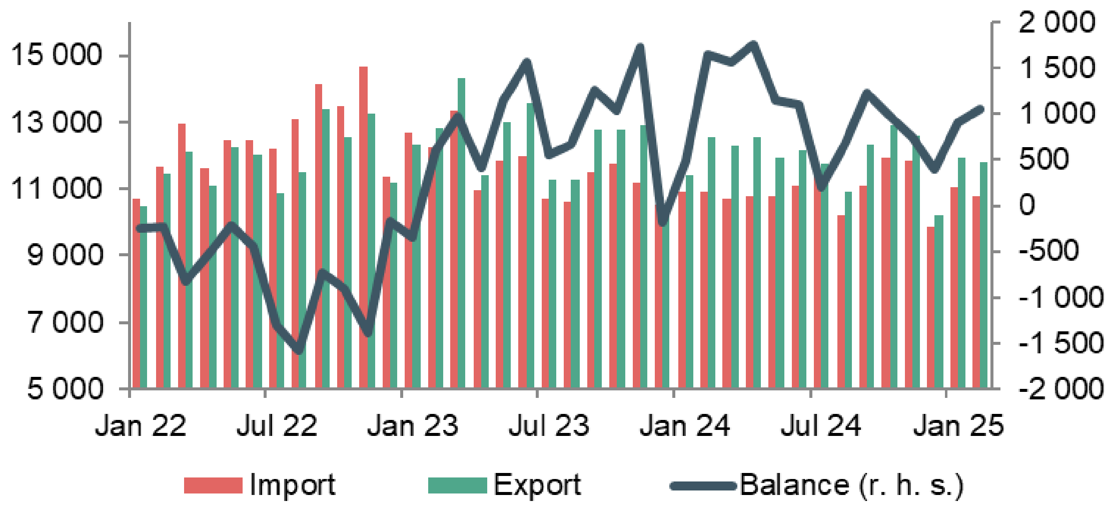
In January, the volume of exports of goods increased by 2.5%, and imports decreased by 1.3% year on year. This brought the external trade balance to a surplus of EUR 903 million, an improvement of EUR 343 million compared to the previous year.

In January, the import volume of food products, beverages and tobacco decreased by 0.9%, and their export volume by 0.6% year on year. As for energy carriers, imports increased by 10.0% and exports by 80.0%. As for processed products, imports decreased by 1.3%, exports increased by 3.4% on a year-on-year basis. As for machinery and transport equipment, imports decreased by 4.0%, and exports by 1.2%.

In February, the foreign trade surplus amounted to EUR 1.1 billion.

In February 2025, the EUR value of exports was down by 6.4%, while imports were unchanged compared with the same period of the previous year. This brought the foreign trade surplus in goods to EUR 1.1 billion, which is EUR 599 million weaker than a year earlier.

FIGURE 8: BALANCE OF FOREIGN TRADE IN GOODS (EUR MILLION)



Source: Hungarian Central Statistical Office, Századvég

2.5 Fiscal outlook

The budget deficit in 2025 is expected to be around 4% instead of the previous plan of 3.7%.

At the end of March 2025, the deficit of the central budgetary subsystem stood at HUF 2,554.1 billion. This was caused by a deficit of HUF 2,458.4 billion in the central budget and HUF 115.0 billion in social security funds, as well as a surplus of HUF 19.3 billion in extra-budgetary funds.

An important fiscal news of the past period was that when presenting the 2026 budget[2], Minister of National Economy Márton Nagy indicated that the 2025 budget deficit is expected to be around 4% instead of the previous 3.7%.

Central subsystem revenue increased by 2.0%, but central budget revenue decreased by 0.7% compared to the same period last year. Tax and contribution revenues of the central subsystem increased by 11.6%, higher than the general revenue level.

Payments by economic units increased by 3.8%, i.e. HUF 26.0 billion, compared to the end of March 2024. The bulk of the increase is due to a HUF 13.1 billion increase in road tolls, the second largest revenue item. Within payments from economic units, corporate tax receipts, the most significant item, were 5.0% (HUF 9.7 billion) higher than in the same period of the previous year.

Revenues from taxes on consumption increased by 14.5% (HUF 316.9 billion) compared to a year earlier. VAT receipts, the most significant item, were HUF 265.6 billion (16.1%) higher than in the previous year. Most of the increase in VAT receipts was due to a 5.0%, HUF 155.5 billion, increase in VAT payments. The other part of the increase is due to a

[2] Government News Conference, 17 April 2025

decrease in VAT refunds. Excise tax receipts was HUF 0.3 billion (0.1%) less than in March 2024. The decline occurred despite the fact that receipts from fuels increased by HUF 12.8 billion, but the decline in receipts from tobacco products also increased to HUF 12.8 billion by the end of March, while in February the increase in excise duty receipts from fuels still far exceeded the decline in receipts from tobacco products. Excise tax receipts on spirits and other products also fell by HUF 0.6 billion.

Personal income tax receipts increased by 11.7% (HUF 125.7 billion) compared to the figure measured at the end of March of the previous year. The rise was driven by an increase in wage bills and earnings. Receipts from social contribution tax and social security tax increased by 10.7% (HUF 207.5 billion) compared to the same period of the previous year, also caused by wage increases.

The total revenue from EU programmes at the end of the third month was HUF 136.9 billion, down HUF 191.3 billion from a year earlier. Expenditure on EU programmes amounted to HUF 432.8 billion, down HUF 100.8 billion compared to the end of March last year.

In March 2025, central government expenditure was 3.7% higher than in the previous year. Within this, central subsystem expenditure increased by 0.9%.

Among significant expenditure items, expenditure on central budgetary institutions and chapter-administered appropriations, expenditure of the Health Security Fund and interest expenditure were higher than a year earlier, while expenditure on public assets fell significantly.

Subsidies for utility services, which include subsidies for household energy, decreased slightly by HUF 5.0 billion compared to last year. Road network availability charges also decreased, by HUF 2.6 billion.

Housing subsidies decreased by HUF 12.0 billion compared to the same period last year.

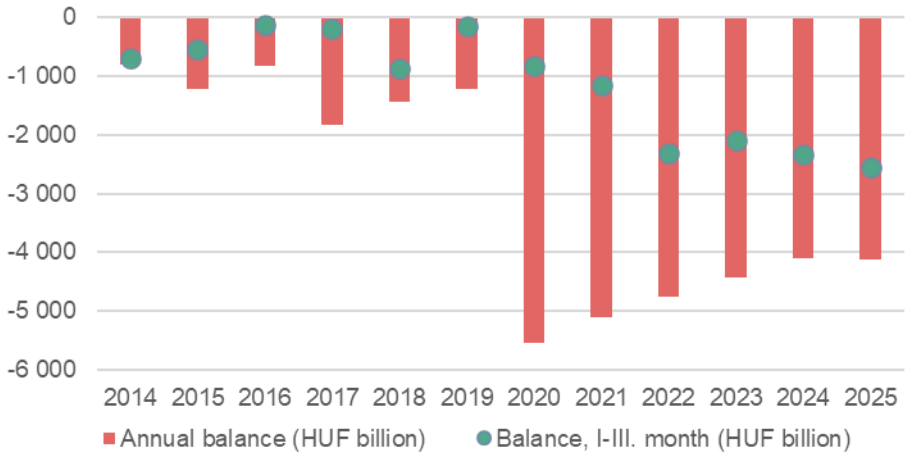
Expenditure on central budgetary institutions and chapter-administered appropriations was HUF 195.0 billion higher than at the end of the third month of the previous year. This corresponds to an increase of 6.1%, while the Budget Act foresees a decrease of 6.5%.

Expenditure on public assets decreased by HUF 374.7 billion compared to the end of March 2024, as the same period of the previous year was also substantially affected by the expenditure related to the buy-back of Budapest Liszt Ferenc Airport.

By the end of March 2025, pensions amounted to HUF 1,990.4 billion, an increase of 5% (HUF 105.4 billion) compared to the same period last year, exceeding the official pension increase of 3.2%. During the same period, the Health Insurance Fund spent HUF 1,263.3 billion, an increase of HUF 204.1 billion, i.e. 19.3%, compared to the base period. Within this, expenditure on curative preventive care, which accounts for more than half of the Fund’s expenditure, increased by 28.9% (HUF 170.0 billion).

The balance of interest expenditures and receipts was HUF 349.2 billion (31.6%) more negative than at the end of March 2024.

FIGURE 9: CENTRAL SUBSYSTEM BALANCE, 2014–2025 (IN EACH MARCH, HUF BILLION)



Source: MINISTRY OF FINANCE, HUNGARIAN STATE TREASURY;

2.6 Monetary developments

2.6.1 Consumer prices

Consumer prices rose by an average of 4.7% in March.

In March 2025, consumer prices increased by 4.7% on average—compared to the same period of the previous year. Over the past year, the prices of services and food have increased the most, by 7.5% and 7.0% respectively. Prices of electricity, gas and other fuels fell by 2.7% compared to the same period of the previous year. Consumer prices did, however, not change in a month. The seasonally adjusted core inflation rate was 5.7% higher than in the same period of the previous year.

A larger share of the 7.0% average increase in food prices was due to a 42.2% rise in flour prices, a 32.7% rise in edible oil prices and a 26.1% rise in egg prices. The price of coffee at shops rose by 18.6%, that of chocolate and cocoa by 17.6%, that of milk by 16.7% and that of fruit and vegetable juices by 16.0%, all of which exceeded the average food inflation rate for the month. In contrast, deflation was observed for several products, as in the previous months: margarine prices fell by 6.4%, pork fat prices by 4.1% potato prices by 4.0% and other confectionery product prices by 3.4%. The rise in excise duties played a significant role in the average inflation rate of 5.5% for alcoholic beverages and tobacco. Within the product group, wine prices saw a significant increase of 8.6%, and there were no price decreases in this category.

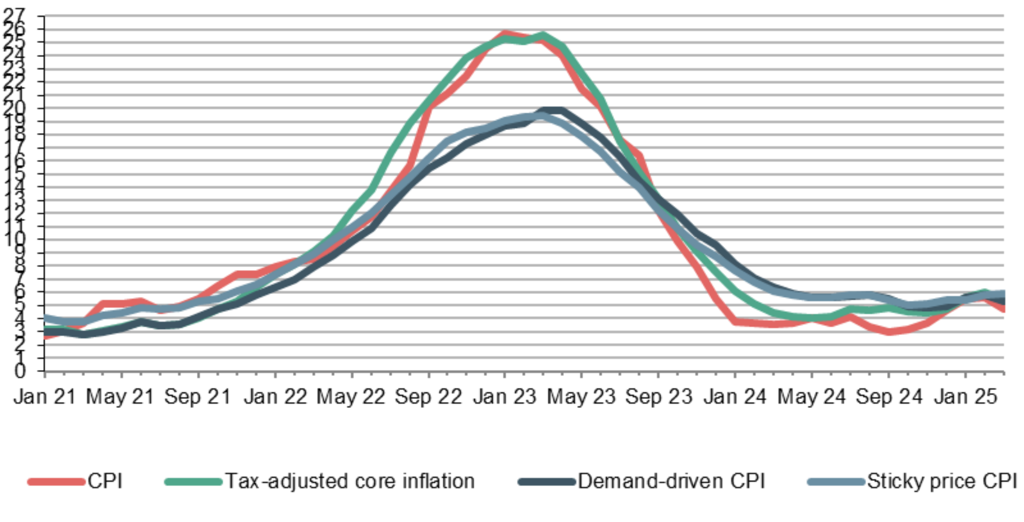
The average annual increase in consumer durable goods of 1.6% in February was followed by an average increase of 2.1% in March. If we look at the main group in more detail, we can see that the price of new passenger cars increased by 6.1% and jewellery by 21.0%, which is above average. Inflation in consumer durable goods was boosted by a 4.6% rise in the price of vacuum cleaners and air conditioners and a 3.2% rise in the price of living and dining room furniture. It is also important to note the positive trend in the motorcycle market, where motorcycle prices were 7.0% lower in March, just like in February, compared to the same period last year.

The average decrease in the prices of electricity, gas and other fuels was 2.7% in March, compared to the same period of the previous year. Within electricity, gas and other fuels, firewood prices fell by 5.1% over the past year. However, in the same group, the price of butane and propane gas was 10.2% higher, coal was 6.2% higher, and briquettes and coke 2.0% higher. In addition, the price of natural and manufactured gas fell by 5.5% and the price of electricity increased by 0.9%.

In March, the price of services increased by an average of 7.5%, with cleaning and laundry services rising by 12.6% and cinema tickets by 12.0%, the largest contributors. The price increase for gambling, which has not been a significant contributor in the recent period, was 0.4%, the same as in previous months. Rents rose by 11.3% compared to the previous year. Prices of postal services and household services increased by 11.3% and 11.1% respectively compared to the same period last year. By contrast, the average price increase of services was moderated by, among other things, no change in the prices of sanitation, water and sewerage. The price of travel to work and school has also remained unchanged thanks to the county and country pass. Prices for other long-distance trips fell by 12.5%.

Compared to the previous month, consumer prices remained unchanged. Within the total consumer basket, food prices were unchanged from the previous month. Prices of services rose by 0.3%, while the price of electricity, gas and other fuels fell by 0.2% compared with the previous month. The price of other products and fuels was 1.2% lower than in January.

FIGURE 10: THE EVOLUTION OF INFLATION (ANNUAL CHANGE IN PERCENTAGE)



Source: MNB, Századvég

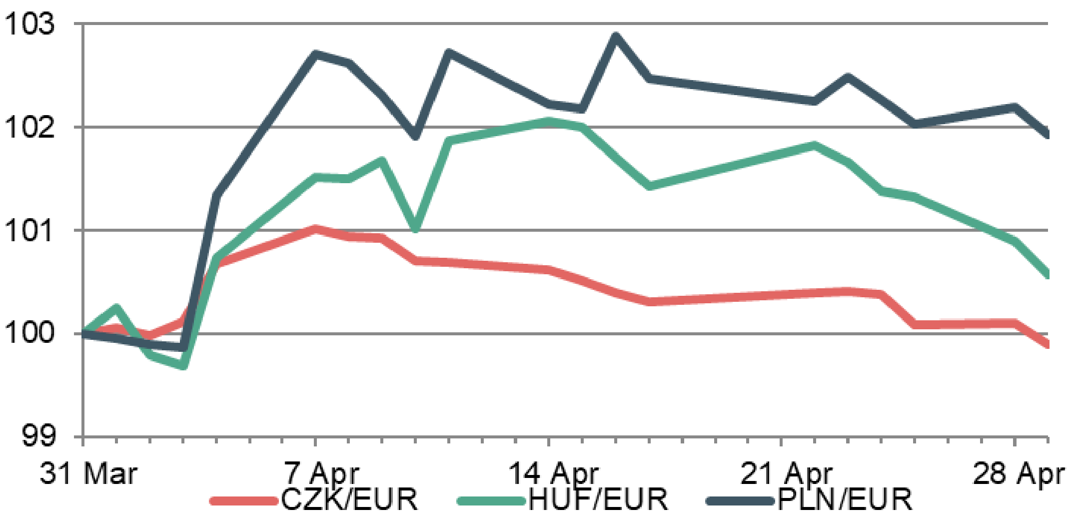
Among the core inflation indicators published by the MNB, the core inflation rate net of indirect taxes was 5.4%, the core inflation rate excluding processed food was 5.3% and the sticky price inflation rate was 5.9% in the third month of the year. The core inflation rate, 0.7 percentage point higher than total inflation, shows that, after a long period of time, goods with slow-moving prices have again contributed more to Hungary's inflation rate.

2.6.2 Regional currencies

The currencies of competitors in the region showed a mixed performance against the euro.

Regional currencies were mixed against the euro in April. In the past period, the Czech koruna strengthened by 0.11%, and the Polish zloty weakened by 1.92% against the Euro. Government bond yields fell over the period, with the Czech 10-year government bond yield 22 basis points lower at 4.03% and the Polish 10-year yield 39 basis points lower at 5.22%.

FIGURE 11: CHANGES IN EXCHANGE RATES IN THE REGION (BASELINE VALUE = 100%)



Source: Refinitiv, Századvég

The Hungarian forint strengthened against the US dollar and weakened against the Swiss franc and the

Hungarian money and foreign exchange market indicators showed a mixed picture over the last month. The HUF weakened by 0.6% against the euro and by 2.1% against the Swiss franc, but it strengthened by 4.6% against the US dollar. This means that at the end of April 2025, 1 euro was worth 404 forints, 1 US dollar was worth 355 forints and 1 Swiss franc was worth 430 forints. In April, sovereign debt held by foreigners increased by HUF 379 billion to HUF 5,798 billion.

2.6.3 Base rate

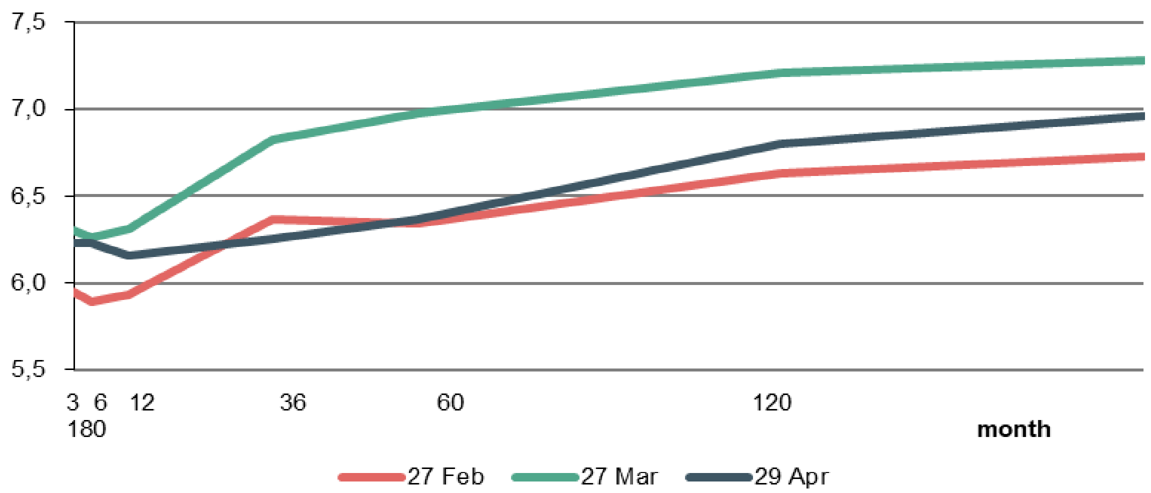
At its April meeting, the central bank's Monetary Council kept the base rate at 6.5%.

At its April meeting, the Monetary Council of the central bank left monetary conditions unchanged from September, and the base rate in Hungary currently stands at 6.5%. The upper end of the interest rate corridor remained at 7.5% and the lower end at 5.5%. The main reasons for keeping the central bank's interest rate unchanged were the inflation outlook and need to preserve financial stability. Although inflation moderated during the month, it may remain above the upper end of the central bank's tolerance range for the rest of the year, reinforced by inflation risks from persistently high service prices and global tariff increases. In addition, heightened uncertainty in international financial markets and geopolitical tensions call for prudent monetary policy. The Monetary Council thinks that keeping the current strict monetary conditions is key to keeping prices stable and investor confidence up.

2.6.4 Government securities market

In April, in the government bond market, yields for shorter maturities decreased by between 3 basis points and 61 basis points on the secondary yield curve. This means that the 3-month and 6-month yield was 6.23% and the 1-year yield was 6.16% on 29 April. The 3-year yield fell by 57 basis points to 6.25%. Yields are down 61 basis points over the 5-year horizon, 41 basis points over the 10-year horizon and 15 basis points over the 32-year horizon compared to the previous month. These three yields changed, therefore, to 6.37%, 6.80%, and 6.96%, respectively.

FIGURE 12: CHANGES IN THE HUF YIELD CURVE (%)



Source: GDMA, Századvég

On 24 April 2025, the total value of "MÁP Plusz" government securities held by retail investors was HUF 790.44 billion after a HUF 43.47 billion increase from the HUF 746.97 billion level in the previous month. In addition, the cumulative value of PMÁP securities was HUF 5,403.88 billion, while the cumulative value of the "Bónusz" Hungarian Government Bonds was HUF 1,761.87 billion. The total value of the 1MÁP securities is HUF 83.56 billion, that of Treasury Savings Bills is HUF 571.1 billion and that of FixMÁP securities is HUF 2,130.39 billion. In addition, funds held in "Baby" Bonds amounted to HUF 450.96 billion and funds held in Printed MÁP Plus amounted to HUF 101.06 billion. The retail stock of FixMÁP increased by HUF 252.33 billion and that of BMÁP by HUF 184.63 billion compared to the previous month. Significant decreases are observed in the PMÁP (HUF 588.29 billion) and 1MÁP (HUF 66.16 billion). The total stock of government securities held by retail investors stood at HUF 11,293.26 billion at the end of April 2025, up from HUF 11,274.79 billion at the beginning of 2025, meaning that people held HUF 18.47 billion more in government securities than in the first month of 2025. The data show that even after the PMÁP paid outstanding interest, money did not start flowing out of government securities; but rather a shift towards FixMÁP and BMÁP, which currently offer the most favourable interest rates.

2.6.5 Sovereign debt

The share of foreign currency debt in the sovereign debt decreased to 29.8% in February (i.e. decreased by 0.86 percentage point from the previous month), which is within the range (maximum 30%) specified in the financing plan for 2025 of Government Debt Management Agency Ltd. Over the past 12 months, the average foreign currency debt ratio averaged 29.4%, with the February ratio higher than this.

The rating of Hungarian sovereign debt remained in the investment grade by all three major international credit rating agencies. Fitch Ratings maintains Hungary's sovereign debt rating at "BBB" with a stable outlook, while Moody's also did not upgrade its rating, leaving the country's rating at "Baa2" with a negative outlook. At its meeting on 11 April, the S&P affirmed Hungary's sovereign debt rating at "BBB", while changing its outlook on the sovereign debt rating to negative from the previous stable outlook. The change was justified on the grounds that the risks arising from fiscal and external vulnerabilities are increasing, exacerbated by the possibility of fiscal easing ahead of the 2026 elections, declining capital inflows and rising interest expenditure, while public debt is already high (73.5% of GDP) and interest payments are significant. In addition, persistently high inflation and the limited room for manoeuvre for monetary policy also make economic policy coordination difficult. The situation is further aggravated by the fact that access to EU funds remains limited, reducing investment and budgetary room for manoeuvre.[3]

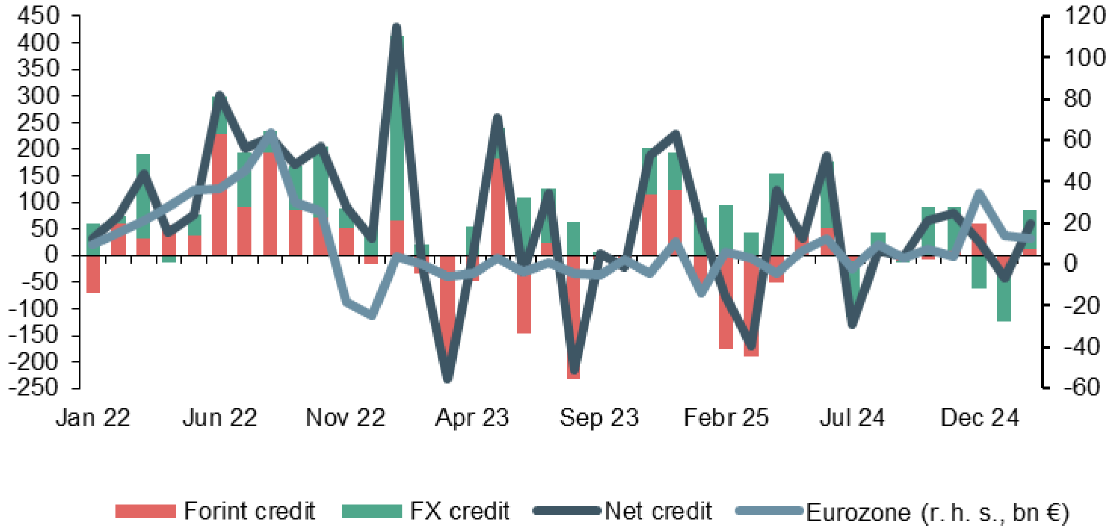
2.6.6 Corporate credits

Corporate credits increased in Hungary.

Seasonally adjusted data show that the net borrowing of HUF loans in the business sector increased by HUF 11.0 billion in February 2025. The value of net lending in foreign currency increased, with net borrowing amounting to HUF 75.1 billion in the second month of the year. Seasonally adjusted total net borrowing increased by HUF 59.2 billion in the period under review. Corporate borrowing in the euro area was EUR 12,463 million in February 2025.

[3] https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3352216

FIGURE 13: CORPORATE BORROWING (HUF BILLION)



Source: MNB, ECB, Századvég

3. SZÁZADVÉG'S FORECAST[4]

TABLE 1: Q1 2025 FORECAST

	2024	2025	2026
Gross domestic product (volume index)	0.6	2.3	3.7
Household final consumption expenditure (volume index)	5.0	3.1	2.7
Gross fixed capital formation (volume index)	-7.2	2.9	3.4
Export volume index (based on national accounts)	-2.8	2.7	5.2
Import volume index (based on national accounts)	-3.3	3.6	4.1
Balance of international trade in goods (EUR billion)	1.3	1.7	5.6
Consumer price index (%)	3.7	4.5	3.3
Central bank base interest rate at the end of the period (%)	6.5	6.25	5.75
Unemployment rate (%)	4.5	4.1	3.3
Current account balance as a percentage of GDP	1.1	0.9	2.1
Net lending as a percentage of the GDP	2.0	1.7	2.9
ESA balance of public finances as a percentage of GDP	-4.8	-3.7	-3.5
Sovereign debt as a percentage of GDP	73.6	73.0	72.7

Source: MNB, Hungarian Central Statistical Office, Századvég's calculation, Remark: The base rate of the central bank applies to the last quarter of the year.

[4] Date of preparation: 20 March 2025

SZÁZADVÉG

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