

SZÁZADVÉG

MACROECONOMIC MONITOR

MAY 2025



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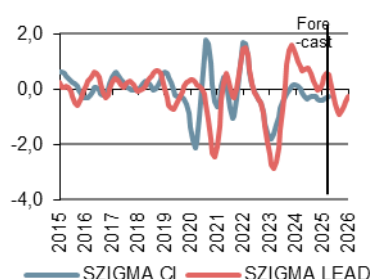
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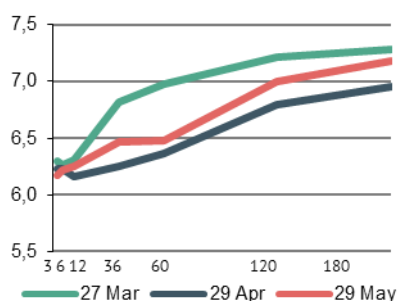
1. SUMMARY

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% quarter on quarter. Despite the more subdued first quarter, we expect the economy to grow again for the rest of the year.

SIGMA indicators



Forint yield curve (%)



At its May meeting, the central bank's Monetary Council did not change the base rate, which has been in place since September. The base rate in Hungary therefore remains at 6.5%.

In March, retail sales increased by 0.4% year on year on both a raw and calendar-adjusted basis compared to the respective period of the previous year.

In March 2025, turnover in specialised and non-specialised food shops increased by 1.2%, and the turnover in non-food shops increased by 5.9%. In fuel retailing, sales increased by 0.1% year on year in January.

Measured up to April 2025, the value of the monthly SZIGMA CI indicator, which provides a snapshot of the current state of the Hungarian economy, was -0.0281 , which is close to the historical trend and shows an improving economic performance compared to the previous month. Even though the Hungarian economy is still growing below the historical trend based on this calculation, the figure clearly shows that in the second half of 2024 the growth rate of the Hungarian economy approached the trend more intensively and has been performing at this level since then.

The other indicator, SZIGMA LEAD, a short-term indicator for the future of the Hungarian economy, forecasts a bounce-up in growth by the end of the forecast horizon (end-2025). More specifically, it forecasts a short and sharp decline in the first phase, followed by a bounce-back.

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

In April 2025, consumer prices rose by an average of 4.2% on an annual basis.



2. OVERVIEW OF THE ECONOMY

2.1 External environment

The annual inflation rate in the euro area was 2.2% in April 2025.

According to Eurostat data published on 19 May 2025, the annual inflation rate in the euro area was 2.2% in April 2025, the same as in March. Inflation in the European Union as a whole, fell to 2.4% from 2.5% in March. These values indicate moderating inflation, particularly after the high inflation environment of 2022-2023.

There are significant differences between Member States. The lowest inflation rates are in France (0.9%), Cyprus (1.4%) and Denmark (1.5%), while the highest rates are in Romania (4.9%) and Estonia (4.4%).

The largest contributors to the inflation rate were services (+1.80 percentage points), followed by food, alcohol and tobacco (+0.57 percentage points) and non-energy industrial goods (+0.15 percentage points). The negative contribution of energy (-0.35 percentage points) suggests that the fall in energy prices has had a positive impact on inflation trends.



2.2 Our SZIGMA indicators

In April 2025, the growth rate of the Hungarian economy strengthened and approached its historical trend rate.

In May 2025, the value of the **SZIGMA CI indicator, which reflects the current state of the Hungarian economy**, was 0.0281 up to April 2025, which was close to the historical trend value. The indicator shows an improving economic performance compared to the previous month. Even though the Hungarian economy is still growing below the historical trend based on this calculation, the figure clearly shows that in the second half of 2024 the growth rate of the Hungarian economy approached the

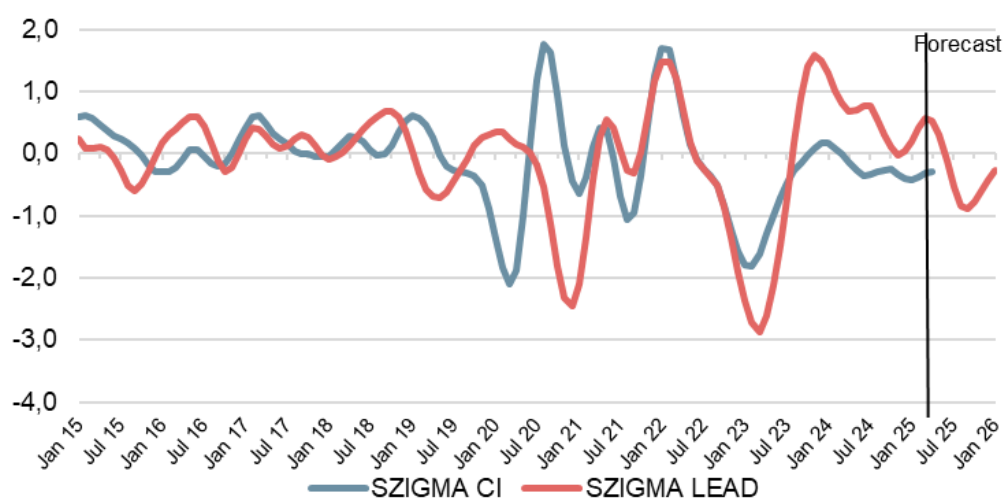
trend more intensively and has been performing at this level since then. This means that economic growth has stabilised at a lower level. For the slightly improved figures for the month in question, it will become clear later whether the economic growth rate will continue to improve and exceed the historical trend. As for **industrial** figures, which serve as the background for the indicators, the volume of industrial production decreased by 5.4% year on year, but it increased slightly, by 0.1%, month on month, based on the latest March 2025 fixed base (2021 monthly average = 100.0%) seasonally and working-day adjusted data. The volume of industrial sales decreased in all dimensions (domestic and exports) on a monthly and annual basis, according to seasonally and working-day adjusted data, on a fixed basis for March 2025 (2021 monthly average = 100.0%). The volume of total sales (domestic and exports combined) contracted by 4.4% year on year and by 1.3% month on month. Domestic sales weakened by 2.6% on a monthly basis and by 5.9% on an annual basis. Export sales weakened by 0.6% on a monthly basis and by 3.0% on an annual basis. Based on the latest data, for March 2025, **construction output** volume increased by 0.6% month on month, but it decreased year on year. The latter was caused by a decline in both main groups of construction. In terms of the stock of contracts, the stock of contracts of construction firms, calculated on a fixed basis (monthly average for 2021 = 100.0%) for the end of March 2025, increased on both a monthly and annual basis, driven by an increase in the stock of construction contracts for civil engineering works in both time dimensions. The year-on-year increase of 3.8% in the stock of contracts was due to a 14.8% decrease in the stock of construction contracts for buildings and a 20.7% volume increase in the stock of contracts for civil engineering works. The month-on-month increase of 2.4% in the stock of contracts was due to a 0.8% decrease in the stock of construction contracts for buildings and a 6.3% increase in the stock of contracts for civil engineering works.

In April 2025, **our short-term leading indicator, the SZIGMA LEAD indicator**, forecasts the growth rate to surge at the end of the forecast horizon. The current forecast continues to show marked volatility. It forecasts a short and sharp decline in the first phase, followed by a bounce-back. A future **industry** outlook shows a promising improvement. The stock of new orders in industry (domestic, exports) increased by 9.9% month on month in the short term. Within this, the stock of new industrial domestic orders rose by 7.2%, while exports increased by 10.5%. On an annual basis, the stock of new industrial domestic orders fell by 8.0%, while exports improved by 0.3%. **Thus, in the short term, there is an expansion in domestic consumption and exports. The increase in the stock of new industrial export orders is a positive development, but it will become clear in the coming months whether this was**



a one-off or a lasting improvement. 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 an important factor. It improved by 0.2 index points on a monthly basis and weakened by 2.2 index points on an annual basis in April 2025, to stand at 86.9 index points. The business environment improved slightly for the German manufacturing sub-index. Although companies assess the current situation as better, they consider the outlook for the future to be unfavourable, despite the fact that the stock of orders has not now fallen. The other confidence index underlying the indicator, **Eurostat's consumer confidence index**, weakened slightly in April 2025 on a monthly basis (by 0.1 index points) but significantly on an annual basis (by 1.3 index points). Thus, in April 2025 it stood at -25.8 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, according to seasonally and calendar-adjusted and balanced data, Hungarian GDP contracted by 0.4% on an annual basis.

On 15 May 2025, Eurostat published its preliminary GDP estimates for Q1 2025, covering most Member States¹. This made it possible to compare the preliminarily reported performance of the Hungarian economy in Q1 2025 at international level.

According to the flash report published by the Hungarian Central Statistical Office (KSH) at the end of April 2025, the first estimate indicates that GDP volume stagnated in Q1 2025 compared to the same period of the previous year, according to raw data, and contracted by 0.4% according to seasonally and calendar-adjusted and balanced data. Compared to the previous quarter, seasonally and calendar adjusted and

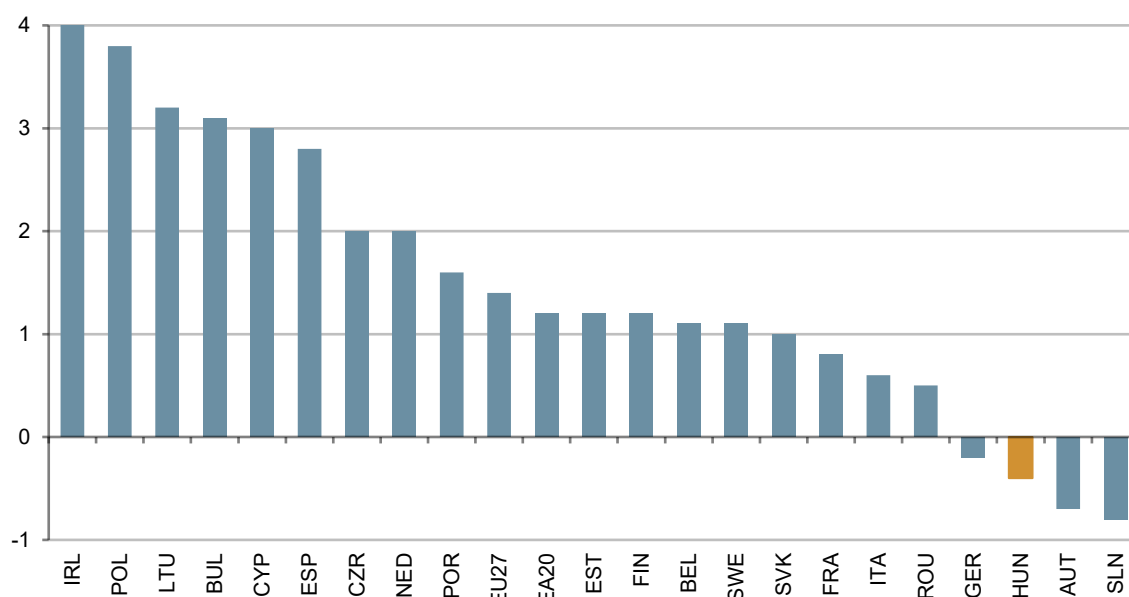
¹ Eurostat publishes the preliminary data in two parts. It publishes the first series of data for Member States with fewer data on the same day as the Hungarian Central Statistical Office (KSH), while it publishes the second, more complete series of data for Member States in the following two weeks.



balanced data show that Hungarian GDP volume weakened by 0.2%. According to preliminary data for Q1 2025, the combined performance of services boosted Hungary's economic growth, while the combined performance of industry and construction held it back.

In **international** comparison, Eurostat published its first estimates for Q1 2025 on 30 April 2025 and 15 May 2025. According to the latest data, Hungary's GDP (-0.4%) was the third weakest on an **annual** basis. Slovenia had the weakest performance (-0.8%). This was followed by Austria with a -0.7% drop in GDP, and third place went to Hungary with -0.4%. Ireland achieved the highest annual GDP growth rate (10.9%), followed by Poland, which lagged far behind with an annual economic performance of 3.8%. Lithuania achieved the third highest economic growth rate (3.2%). On an annual basis, the EU average (EU27) exceeded the previous year's performance by 1.4% and the euro area (EA20) by 1.2%.²

FIGURE 2: EU Q1 2025 GDP GROWTH (YEAR/YEAR, %)



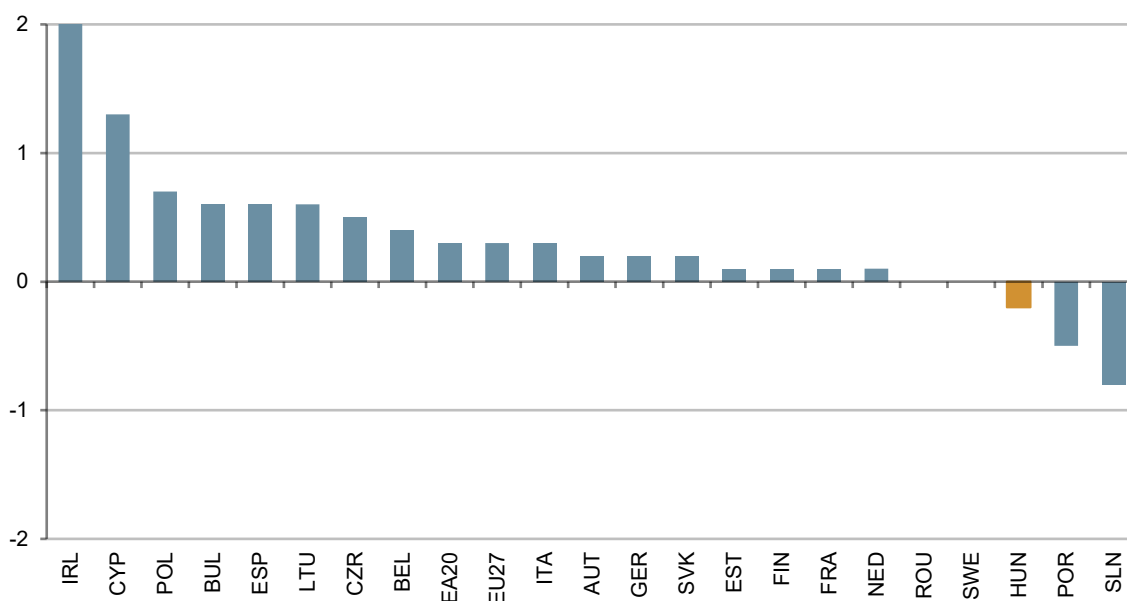
Remark: Seasonally and calendar adjusted indices. First (full) estimate. (Not included due to lack of data: Croatia, Denmark, Greece, Latvia, Luxembourg, Malta.)
Source: Eurostat

On a **quarterly** basis, Hungary's GDP growth rate (-0.2%) was the third weakest among the 21 Member States that published data. Slovenia also recorded the weakest economic growth rate (-0.8%) on a quarterly basis. However, the country with the second weakest quarter-on-quarter growth rate was already different from the one with the second weakest annual growth rate. Portugal had the second weakest economic growth rate (-0.5%). This was followed by Hungary with -0.2%. In terms of economic growth, Ireland was the top performer in this respect as well (3.2%). Cyprus followed with 1.3% and Poland with 0.7%. On a quarterly basis, the EU average and the euro area average were both 0.3%.

² 21 Member States, the EU27 and the euro area. 6 Member States are not included due to lack of data: Croatia, Denmark, Greece, Latvia, Luxembourg, Malta.



FIGURE 3: GDP GROWTH IN Q1 2025 IN THE EU (Q/Q, %)



Remark: Seasonally and calendar adjusted indices. First (full) estimate. (Not included due to lack of data: Croatia, Denmark, Greece, Latvia, Luxembourg, Malta.)
Source: Eurostat

2.3.2 Industry

On a monthly basis, the volume of seasonally and working-day adjusted industrial production increased by 0.1%.

Based on raw data, industrial production volume remained unchanged in March 2025 when compared to the same period last year. However, workday-adjusted data showed a 5.4% decline. The difference between annual raw data and adjusted data is attributable to the fact that March 2025 had two working days more than the same month last year.

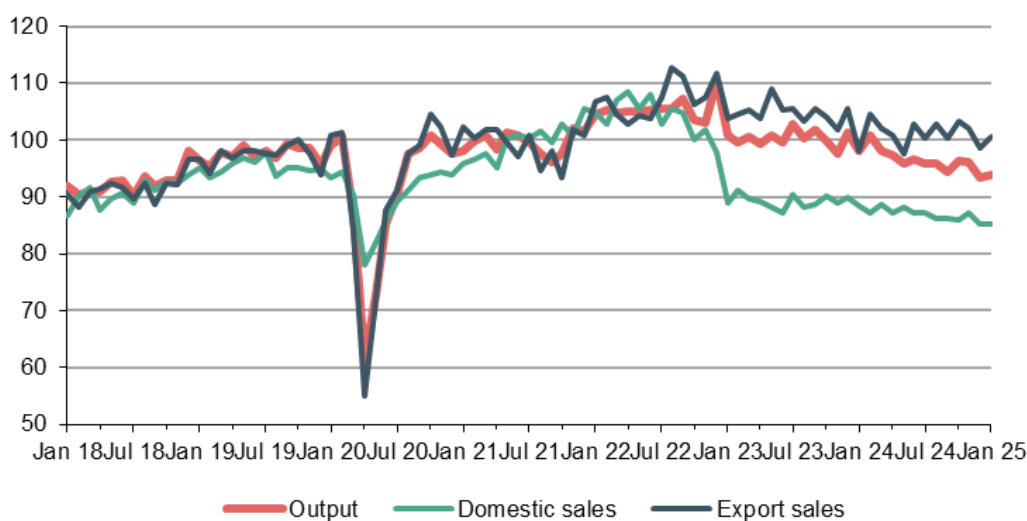
Industrial sales grew by 0.7% year on year in March 2025.

This was driven by a 3.5% decline in domestic industrial sales and a 3.3% growth in export sales. Looking at individual manufacturing industries, the manufacture of transport equipment, which accounts for 33% of industrial exports, grew by 3% on an annual basis. In addition, exports of computer, electronic and optical products, which account for 14% of total exports, increased by 14.0%. A 3.8% decline in domestic sales in the manufacturing industry contributed to the overall decline in domestic industrial sales.

On a monthly basis, compared to the previous month (February 2025), seasonally and working day-adjusted industrial output increased by 0.1% in March 2025. The volume of industrial sales decreased by 1.2% month on month, within which export sales weakened by 2.6% and domestic sales by 0.6%.



FIGURE 4: INDUSTRIAL PRODUCTION AND SALES TRENDS
(2021 MONTHLY AVERAGE = 100%)



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

Turning back to industrial production, a 0.2% increase in manufacturing output, which was the dominant sector (95.4%), contributed to the decline in industrial production on an annual basis in March 2025. Of the other two sectors accounting for industrial output, energy, with a weight of 4%, increased by 5.0%, and mining and quarrying, with a weight of 0.6%, decreased by 10.8%. In manufacturing, the volume of industrial production decreased in 7, while it increased in 6 of the 13 subsections. The performance of the three main manufacturing sectors, which accounted for 50.8% of manufacturing output, improved. Manufacture of transport equipment, the largest contributor with a 27.8% share, increased by 2.8% year on year. The second largest subsection, food (with a weight of 12.4%), increased by 0.9%, the smallest volume increase among the 13 manufacturing subsections. The third largest subsection (10.6%), manufacture of computer, electronic and optical products, grew by 15.6% on an annual basis, again the highest volume growth among the 13 manufacturing subsections. The second largest volume growth rate (11.8%) was recorded by a sector with a small weight (wood processing). This was followed by the manufacture of pharmaceuticals, medicinal chemical and botanical products, another small sector, which grew by 7.2%. The biggest drop in output (20.5%) was in the manufacture of electrical equipment, which accounts for the fourth largest share (8.5%) of manufacturing output.

In March 2025, the **stock of new orders** in the priority manufacturing industries fell slightly by 1.0% year on year on a fixed basis (average monthly price in 2021), while it **increased by 9.9% month on month**. With the stock of new orders up by 9.9% **month on month**, the stock of industrial orders on a fixed basis (for the average monthly price in 2021) decreased by 2.4% month on month. The 2.4% decline in the **stock of industrial orders on a monthly basis** was attributable to a 2.9% decrease in the stock of export industrial orders and a 6.3% increase in the stock of domestic industrial orders.



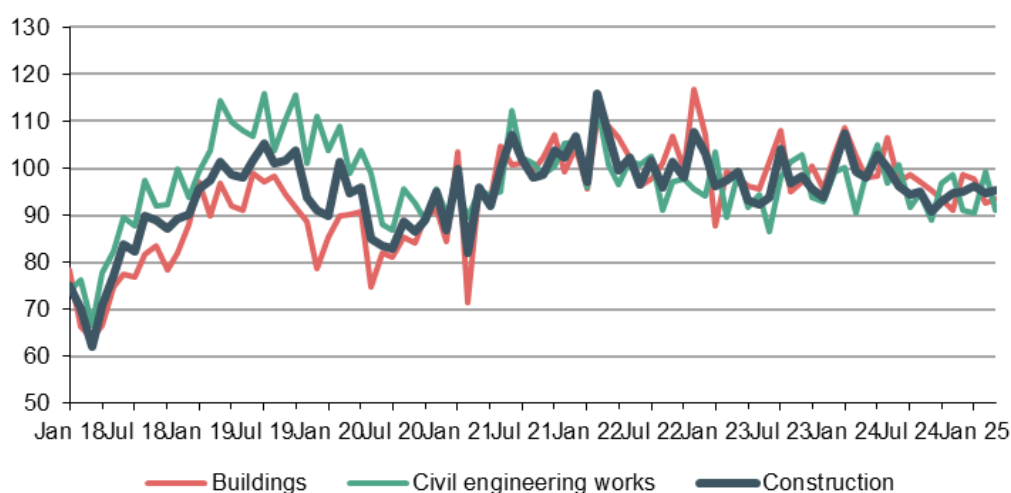
2.3.3 Construction

Construction output in March 2025 was up 0.1% on the previous month.

In March 2025, the annual volume of construction output fell by 3.4% in terms of raw data. Within the two main groups of construction, the construction of buildings decreased by 8.9% year on year, while civil engineering works (roads, bridges, railways, complex industrial facilities, pipelines, etc.) decreased by 0.1%. At the same time, construction output,

seasonally and working-day adjusted **on a monthly basis**, indicating a short-term trend, increased by 0.1% in March 2025.

FIGURE 5: CHANGES IN THE CONSTRUCTION INDUSTRY (MONTHLY AVERAGE FOR THE YEAR 2021 = 100%)



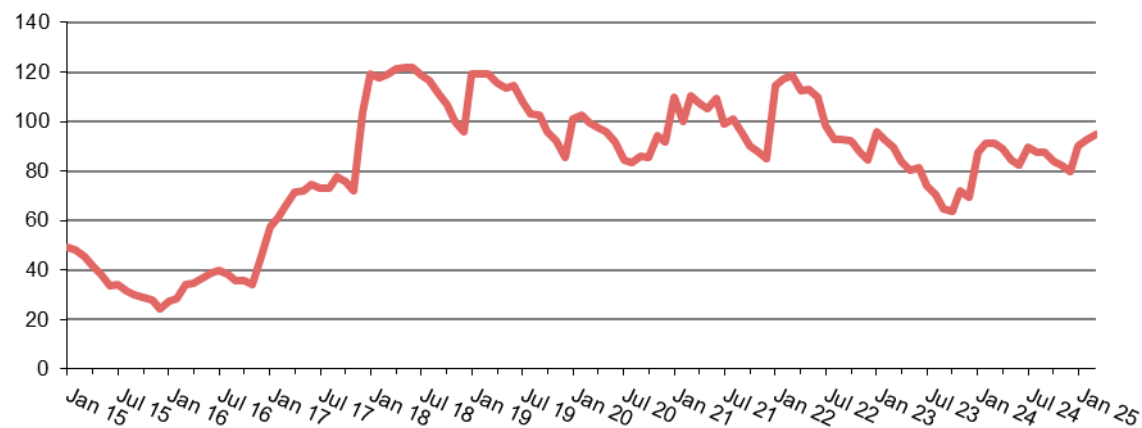
Source: Hungarian Central Statistical Office, Századvég, Remark: Seasonally and calendar adjusted indices.

As regards stocks of contracts, despite the decline in stock of new contracts concluded in March 2025, the stock of contracts at the end of March 2025 still showed an increase. This can be seen as positive for the future. The stock of contracts at the end of March 2025 showed a **month-on-month increase of 2.4%**, which was due to a 6.3% increase in the stock of contracts for civil engineering works. Meanwhile, the stock of construction contracts for buildings decreased slightly (by 0.8%).

This is illustrated in the graph below, which 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 a relatively high level, **exceeding** the highest level in the period 2023-2024. The figure shows that between January and October 2023, the end-of-month stock of contracts declined sharply, falling from 95.8 in January 2023 to 63.9 in October 2023. Thereafter, a strengthening was observed, but the January 2023 level has not yet been reached. The highest level to date was recorded in February-March 2024 (91.3). This level **was exceeded** by the current value for March 2025 (94.8). The increase in the stock of contracts is encouraging, but further improvement is needed for economic growth.



FIGURE 6: 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 0.4% in March.

In March, retail sales increased by 0.4% year on year on both a raw and calendar-adjusted basis compared to the respective period of the previous year.

In March 2025, turnover in specialised and non-specialised food shops increased by 1.2%, and the turnover in non-food shops increased by 5.9%. In fuel retailing, sales increased by 0.1% year on year in March.

In food retailing, sales volumes increased by 2.7% in non-specialised food and beverages shops, while the volume in specialised food, beverage and tobacco stores decreased by 3.1%.

In non-food retailing, the volume of mixed range of manufactured goods increased by 2.2%, while the turnover of books, newspapers and stationery increased by 0.8% compared to the same period last year. In non-specialised shops dealing in manufactured goods, turnover in pharmaceutical and medical goods shops increased by 5.2%. In addition, sales of second-hand goods also increased, by 3.5%. The sales volume of computers and other specialised goods fell by 5%. A similar change was seen for books, computer equipment and other specialised stores, where a 2.9% drop in February was followed by a larger decline of 5.2%. Other categories showed an overall increase, with the most notable being cosmetics shops, which grew by 9.7%, textile products, clothing and footwear, which increased by 7.3%.



FIGURE 7: 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 April, the unemployment rate was 4.4%.

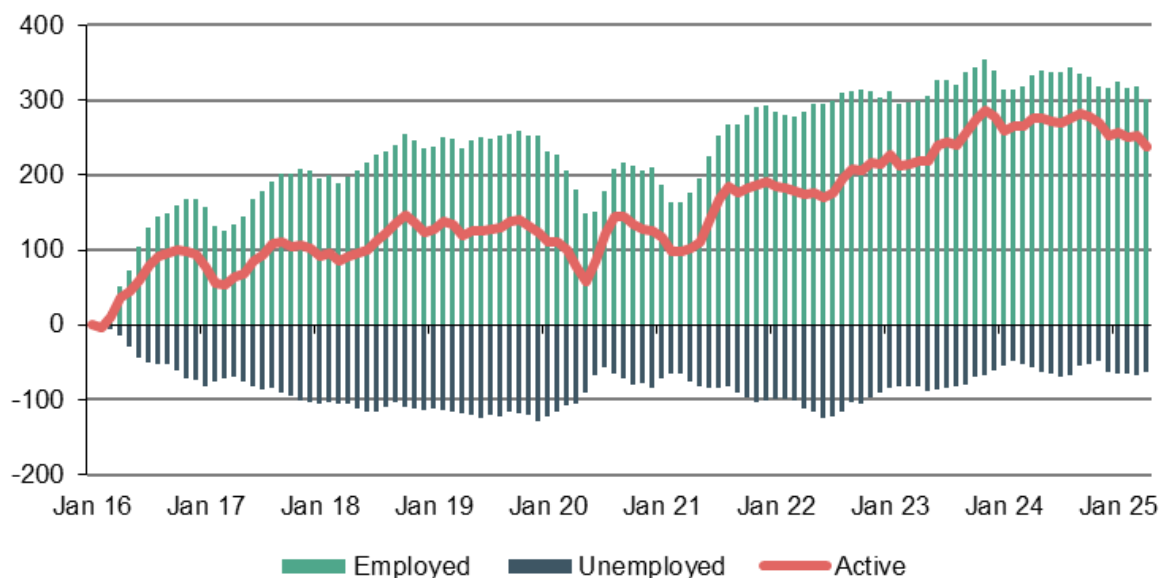
In April 2025³, according to the latest data of the Hungarian Central Statistical Office, the seasonally adjusted activity rate of the population aged 15-74 was 68.2% (4,890,000 employees), which is 37,400 less than in the same period of the previous year. The seasonally adjusted number of employees was 4,673,000, a decrease of 31,700 compared to the same period of the previous year. The number of the unemployed was 217,000, a decrease of 5,700 compared to April 2024. Based on April data, employment decreased by 18,800 month on month, unemployment increased by 3,800, and overall activity shrank by 15,000 overall. 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 March, the number of people in full-time employment fell by 1,000 compared with the same period last year. Compared to March 2024, there were 8,500 fewer employees in the competitive sector and 900 more employees in the public sector. The number of people employed in the non-profit sector increased by 5,400 in one year.

³ Three-month moving average



FIGURE 8: CHANGES IN THE LABOUR MARKET (JANUARY 2016 = 0, THOUSAND EMPLOYEES)



Source: Hungarian Central Statistical Office, Századvég

Real earnings rose by 3.5% in March.

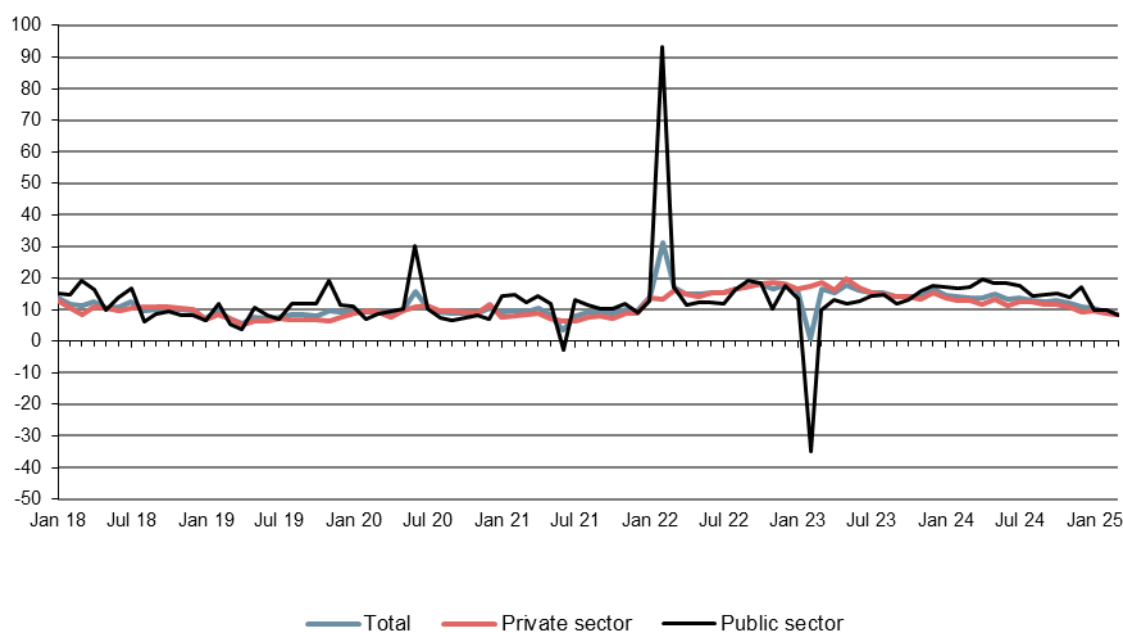
In March 2025, average gross earnings in the national economy were HUF 714,400, up 8.5% compared to the same period last year. Median gross earnings were HUF 550,000, an increase of 8.6% in a year. Real earnings increased by 3.5%, while consumer prices rose by 4.7%.

The increase in average gross earnings was 8.5% in the business sector, 8.4% in the public sector and 8.6% in the non-profit sector, compared with 12.7%, 17.4% and 17.9% a year earlier. Cumulative wage growth in the third month was 5.4 percentage points lower than a year earlier. In the business sector, growth was clearly driven by last year's increases in the minimum wage and guaranteed minimum wage, while in the public and non-profit sectors, wage increases by the government fuelled growth in earnings. No major wage increase programmes are planned in the government sector this year, which explains the lower wage growth rate compared to last year.

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 9: CHANGES IN GROSS WAGES (ANNUAL CHANGE, %)



Remark: Seasonally and calendar-adjusted indices

Source: Hungarian Central Statistical Office, Századvég

2.4 External balance

In March, the volume of exports of goods increased by 5% and imports by 6.4% year on year.

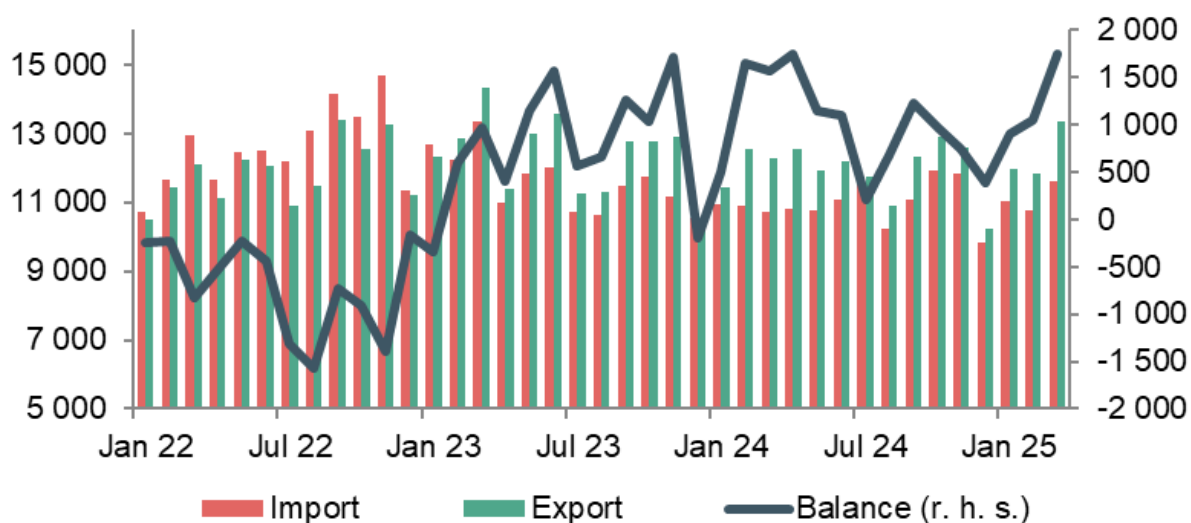
In March, the import volume of food products, beverages and tobacco increased by 8.1%, and their export volume by 0.3% year on year. As for energy carriers, imports increased by 57% and exports by 71%. Imports of manufactured goods fell by 2.6%, while exports were unchanged from a year earlier. As for machinery and transport equipment, imports increased by 5.9%, and exports by 5.8%.

In March, the foreign trade surplus amounted to EUR 1.8 billion.

According to estimates for March 2025, the value of exports in EUR terms increased by 8.5% and imports by 8.1% compared to the same period of the previous year. This brought the foreign trade surplus in goods to EUR 1.8 billion, which is EUR 173 million stronger than a year earlier.



FIGURE 10: BALANCE OF FOREIGN TRADE IN GOODS (EUR MILLION)



Source: Hungarian Central Statistical Office, Századvég

2.5 Fiscal outlook

By the end of April, revenues in the central budget sub-system increased by 6%, while expenditures rose by 7.2%.

At the end of April 2025, the deficit of the central budgetary subsystem stood at HUF 2,930.5 billion. This was caused by a deficit of HUF 2,851.5 billion in the central budget and HUF 123.0 billion in social security funds, as well as a surplus of HUF 44.0 billion in extra-budgetary funds.

During May, Minister of National Economy Márton Nagy further refined the government's forecast for the 2025 budget deficit: while last month he spoke of a deficit of around 4%,

the minister most recently communicated a deficit target of 4.1%⁴. (The Government Budget Act includes a 3.7% target.)

Central subsystem revenue increased by 6%, and central budget revenue increased by 5.6% compared to the same period last year. Tax and contribution revenues of the central subsystem increased by 10.9%, higher than the general revenue level.

Payments by economic units increased by 6.7%, i.e. HUF 64.5 billion, compared to the end of April 2024. Within payments from economic units, corporate tax receipts, the most significant item, were 6.4% (HUF 16.9 billion) higher than in the same period of the previous year. Tolls, the second largest revenue item, increased by HUF 15 billion.

Revenues from taxes on consumption increased by 12.9% (HUF 408.3 billion) compared to a year earlier. VAT receipts, the most significant item, were HUF 337.7 billion (13.8%) higher than in the previous year. Most of the increase in VAT receipts was due to a 5%,

⁴ <https://www.facebook.com/nagymartonminiszter/posts/pfbid031r3qBqQfDfRUuygACF7Ho5opCgt6zBhV3Z8zW4GAwn5FUC8rp2zkBRxz3jHC1Me6I>



HUF 210.1 billion, increase in VAT payments. The other part of the increase is due to a decrease in VAT refunds. Excise tax receipts were HUF 0.9 billion (0.2%) higher than up to the end of April 2024. Changes in the two largest items almost offset each other: revenues from fuels increased by HUF 18.9 billion, while revenues from tobacco products decreased by HUF 18.5 billion. Excise tax receipts from alcoholic beverages and other products also fell by HUF 0.4 billion, but this was offset by a HUF 0.9 billion increase in import excise tax and energy tax.

Personal income tax receipts increased by 11.3% (HUF 161.8 billion) compared to the end of April in 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 10.0% (HUF 261.9 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 fourth month was HUF 150.8 billion, down HUF 209.8 billion from a year earlier. Expenditure on EU programmes amounted to HUF 743.7 billion, an increase of HUF 127.8 billion compared to the end of April last year.

In April 2025, central government expenditure was 7.2% higher than in the previous year. Within this, central subsystem expenditure increased by 6.7%.

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, increased slightly by HUF 29.9 billion compared to last year, but the reason for the increase was the subsidies given to water utility companies, most of which hadn't been used yet in the same period last year. Road network availability fees also increased by HUF 12.1 billion, while subsidies for public transport decreased by HUF 48.1 billion.

Housing subsidies decreased by HUF 16.6 billion compared to the same period last year.

Expenditure on central budgetary institutions and chapter-administered appropriations was HUF 494.4 billion higher than at the end of the fourth month of the previous year. This corresponds to an increase of 11.2%, while the Budget Act foresees a decrease of 6.5%.

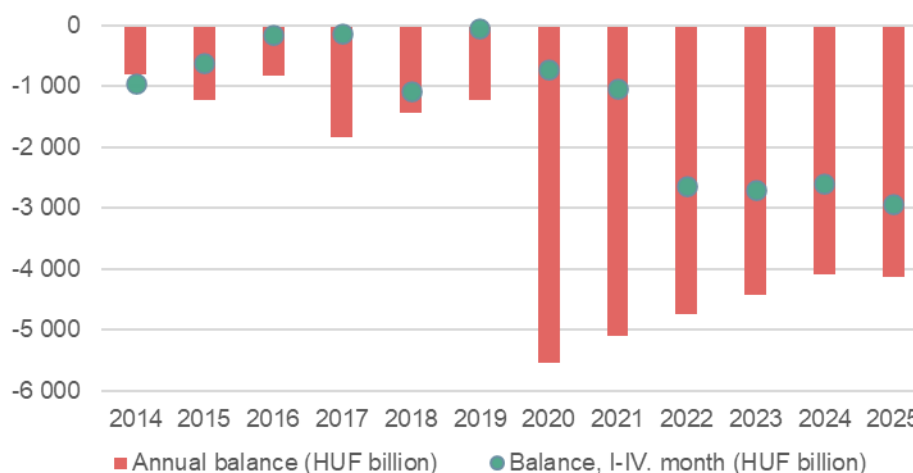
Expenditure on public assets decreased by HUF 430.8 billion compared to the end of April 2024, as the same period of the previous year was also substantially affected by the expenditure related to the buy-back of Budapest Liszt Ferenc Airport.

By the end of April 2025, pensions amounted to HUF 2,489.8 billion, an increase of 5% (HUF 118.1 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 1,688.7 billion, an increase of HUF 196.5 billion, i.e. 13.2%, 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 17.0% (HUF 148.1 billion).

The balance of interest expenditures and receipts was HUF 451.2 billion (33.7%) more negative than at the end of April 2024.



FIGURE 11: CENTRAL SUBSYSTEM BALANCE*, 2014-2025 (MONTHLY CUMULATIVE RESULT FOR APRIL, IN BILLION FORINTS)



Source: MINISTRY OF FINANCE, HUNGARIAN STATE TREASURY;

2.6 Monetary developments

2.6.1 Consumer prices

Consumer prices rose by an average of 4.2% in April.

In April 2025, consumer prices increased by 4.2% on average—compared to the same period of the previous year. Over the past year, the prices of services and alcoholic beverages and tobacco have increased the most, by 7% and 6.3%, respectively. Prices of electricity, gas and other fuels increased by 3.5% compared to the same period of the previous year. Consumer prices rose by 0.2% in a month. The seasonally adjusted core inflation rate was 5% higher than in the same period of the previous year.

A larger share of the 5.4% average increase in food prices was due to a 26.9% rise in egg prices, a 23.7% rise in flour prices and a 23.4% rise in edible oil prices. The price of coffee at shops rose by 19.8%, that of chocolate and cocoa by 20% and that of fruit and vegetable juices by 14.5%, all of which exceeded the average food inflation rate for the month. In contrast, thanks to the introduction of price margin regulation, price reductions are already visible for several products: margarine prices fell by 29.2%, pork fat prices by 18.2%, potato prices by 7.9% and dairy products (without cheese) by 7.5%. The rise in excise duties played a significant role in the average inflation rate of 6.3% for alcoholic beverages and tobacco. Within the product group, wine prices saw a significant increase of 7.7%, and there were no price decreases in this category.

The average annual increase in consumer durable goods of 2.1% in March was followed by an average increase of 2% in April. 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 22%, which is above



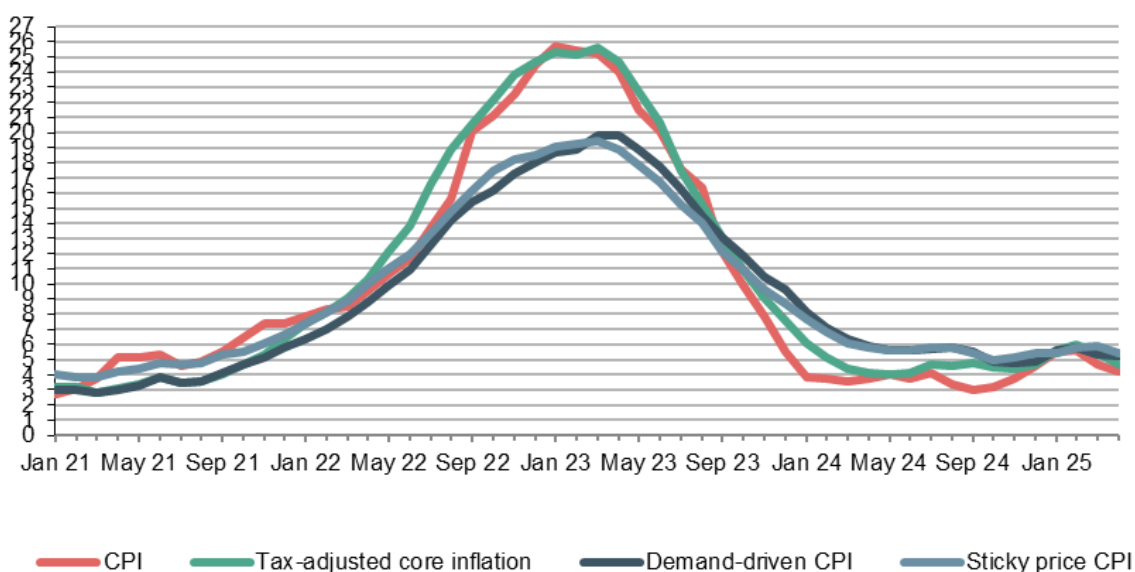
average. Inflation in consumer durable goods was boosted by a 3.7% rise in the price of living and dining room furniture and a 3.1% rise in the price of heating and cooking equipment. It is also important to note the positive trend in the motorcycle market, where motorcycle prices were 7% lower in April, just like in March, compared to the same period last year.

The average increase in the prices of electricity, gas and other fuels was 3.5% in April as compared to the same period of the previous year. Within electricity, gas and other fuels, there has been no price decrease over the past year. Within the same group, prices rose by 12.8% for coal, 8.7% for butane and propane gas and 8.3% for briquettes and coke. In addition, the price of natural and manufactured gas rose by 7.2% and the price of electricity by 1.2%.

In April, prices for services rose by an average of 7%, with cleaning and laundry services contributing the most to this increase at 11.5%, followed by postal services at 11.3% and theatre tickets at 11.2%. 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 7.4% compared to the previous year. Prices for household services and cinema tickets rose by 11.0% and 10.8% respectively compared with 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 travelling to work and school has also remained unchanged thanks to the country and county passes. Prices for other long-distance trips fell by 1.5%.

Compared to the previous month, consumer prices increased by 0.2%. Within the overall consumer basket, food prices fell by 1.3% compared with the previous month. Prices of services rose by 0.8%, while the price of electricity, gas and other fuels fell by 3.8% compared with the previous month. Prices of other products and fuels were unchanged compared to March.

FIGURE 12: THE EVOLUTION OF INFLATION (ANNUAL CHANGE IN PERCENTAGE)



Source: MNB, Századvég



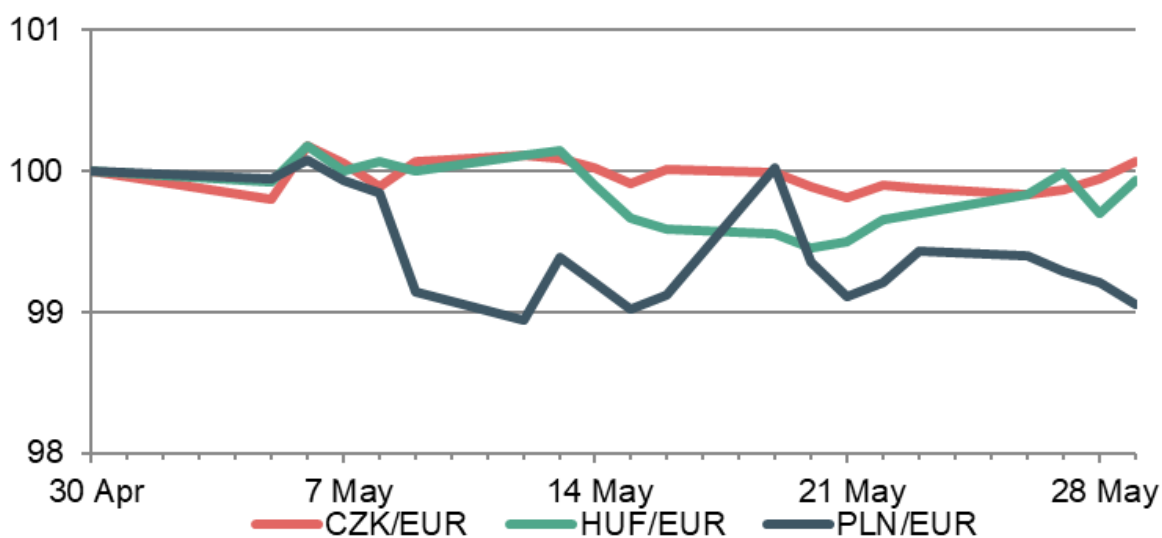
Among the core inflation indicators published by the MNB, the core inflation rate net of indirect taxes was 4.7%, the core inflation rate excluding processed food was 5.2% and the sticky price inflation rate was 5.4% in the fourth month of the year. The core inflation rate, 0.5 percentage point higher than total inflation, shows that goods with slow-moving prices have again contributed more to Hungary's inflation rate.

2.6.2 Regional currencies

Foreign currencies in the region showed a mixed picture in

Regional currencies were mixed against the euro in April. The Czech koruna strengthened by just 0.06% and the Polish zloty weakened by 0.95% against the euro over the period. Government bond yields increased over the period, with the Czech 10-year government bond yield 13 basis points higher at 4.16%, and the Polish 10-year yield 20 basis points higher at 5.47%.

**FIGURE 13: CHANGES IN EXCHANGE RATES IN THE REGION
(BASELINE VALUE = 100%)**



Source: Refinitiv, Századvég

The Hungarian currency weakened against the dollar and the Swiss franc, but strengthened against the euro.

Hungarian money and foreign exchange market indicators showed a mixed picture over the last month. The HUF strengthened by 0.1% against the euro and by 0.3% against the Swiss franc, but it weakened by 0.8% against the US dollar. This means that at the end of May 2025, 1 euro was worth 404 forints, 1 US dollar was worth 359 forints and 1 Swiss franc was worth 432 forints. In May, foreign-held forint-denominated government debt rose by HUF 191 billion to HUF 5,928 billion.



2.6.3 Base rate

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

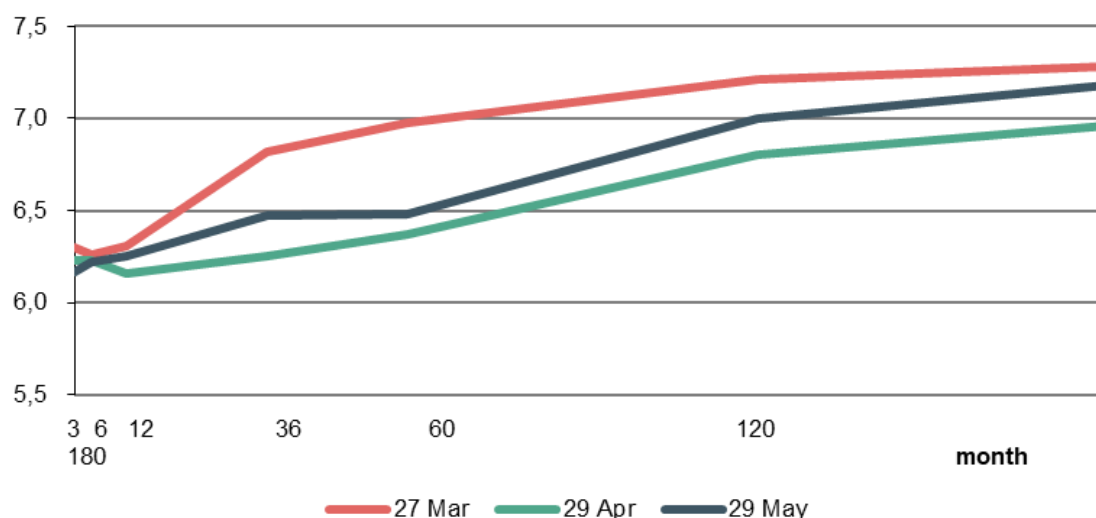
At its May meeting, the Monetary Council of the central bank left monetary conditions unchanged from September, and the base rate in Hungary currently stands at 6.5%. The upper end of the interest rate corridor remained at 7.5% and the lower end at 5.5%. The main reasons for keeping the central bank's interest rate unchanged were the inflation outlook and need to preserve financial stability. Although inflation moderated to 4.2% in April,

the price increase rate is expected to remain close to the upper end of the central bank's tolerance band in the coming months, mainly due to continued strong price dynamics in market services. In addition, growing global economic uncertainty due to rapidly changing tariff policies and trade and geopolitical tensions continue to call for a cautious and patient monetary policy. The Monetary Council thinks that keeping the current tight monetary conditions is needed to achieve price stability, maintain financial market stability, and keep inflation expectations anchored to the central bank's target.

2.6.4 Government securities market

In the government bond market, yields for shorter maturities varied between -6 basis points and 22 basis points on the secondary yield curve in May. This means that the 3-month yield was 6.17%, the 6-month yield was 6.22% and the 1-year yield was 6.25% on 29 May. The 3-year yield increased by 22 basis points to 6.47%. Yields are up 11 basis points over the 5-year horizon, 20 basis points over the 10-year horizon and 22 basis points over the 15-year horizon compared to the previous month. These three yields changed, therefore, to 6.48%, 7.00%, and 7.18%, respectively.

FIGURE 14: CHANGES IN THE HUF YIELD CURVE (%)



Source: GDMA, Századvég



On 22 May 2025, the total value of “MÁP Plusz” government securities held by retail investors was HUF 812.63 billion after a HUF 22.19 billion increase from the HUF 790.44 billion level in the previous month. In addition, the cumulative value of PMÁP securities was HUF 4,940.32 billion, while the cumulative value of the “Bónusz” Hungarian Government Bonds was HUF 2,050.58 billion. The total value of the 1MÁP securities is HUF 27.3 billion, that of Treasury Savings Bills is HUF 577.2 billion and that of FixMÁP securities is HUF 2,394.32 billion. In addition, funds held in “Baby” Bonds amounted to HUF 454.13 billion and funds held in Printed MÁP Plus amounted to HUF 100.63 billion. The retail stock of FixMÁP increased by HUF 263.93 billion and that of BMÁP by HUF 288.71 billion compared to the previous month. Significant decreases are observed in the PMÁP (HUF 463.56 billion) and 1MÁP (HUF 56.26 billion). The total stock of government securities held by retail investors stood at HUF 11,357.11 billion at the end of May 2025, up from HUF 11,274.79 billion at the beginning of 2025, meaning that people held HUF 82.32 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 29.6% in March (i.e. decreased by 0.3 percentage point from the previous month), which is below the upper limit (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 29.5%, with the March ratio higher than this.

The Hungarian government debt rating remains in the investment grade category with all three major international credit rating agencies. Of these, Moody’s Investors Service affirmed Hungary’s sovereign debt rating of “Baa2” on 30 May 2025, but left the outlook negative.⁵ The rating agency explains that the negative outlook mainly reflects persistent uncertainties about EU funding and fiscal risks, particularly given the potential increase in spending pressures as the 2026 elections approach. In parallel, Moody’s has lowered its forecast for Hungarian GDP growth to 1% in 2025. Meanwhile, Fitch Ratings maintains its “BBB” rating for Hungary, which is one category higher, with a stable outlook, while S&P Global Ratings keeps the country in the “BBB-” category with a negative outlook.

⁵ <https://www.portfolio.hu/gazdasag/20250530/megjott-a-moodys-friss-itelete-magyarorszagrol-764949>

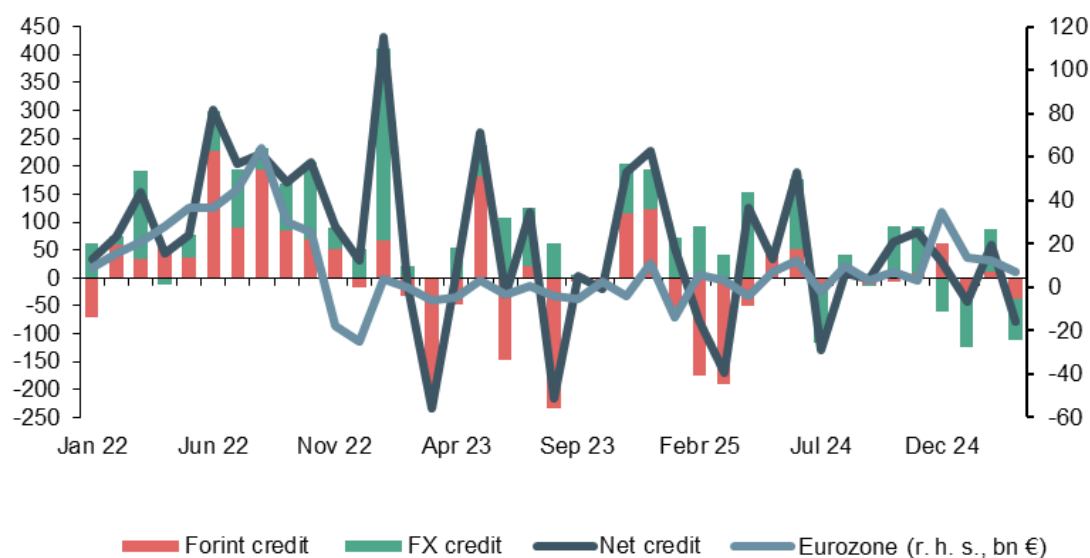


2.6.6 Corporate credits

Corporate credits decreased in Hungary.

Seasonally adjusted data show that the net borrowing of HUF loans in the business sector decreased by HUF 38.6 billion in March 2025. Net foreign currency loans also decreased, with repayments amounting to HUF 71.7 billion in March 2025. Seasonally adjusted total net borrowing decreased by HUF 79.5 billion in the period under review. Corporate borrowing in the euro area stood at EUR 6,969 million in March 2025.

FIGURE 15: CORPORATE BORROWING (HUF BILLION)



Source: MNB, ECB, Századvég



3. SZÁZADVÉG'S FORECAST⁶

TABLE 1: 2025 Q1 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.

⁶ Date of preparation: 20 March 2025



SZÁZADVÉG

**“In our
changing
world, we can
only make good
decisions based
on quality
data.”**

Századvég's mission is to help create clarity for better decisions. And good decisions require two things: clear objectives and substantial information.

We work to learn and understand Hungarian and international economic and social processes, and thus provide useful and understandable knowledge to decision-makers, whether they are corporate, governmental or private.

