

SZÁZADVÉG

MACROECONOMIC MONITOR

JULY 2025



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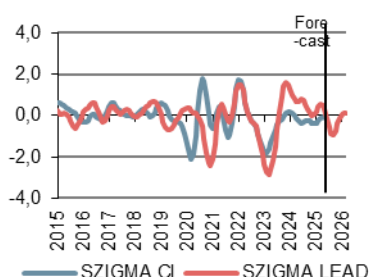
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1. SUMMARY

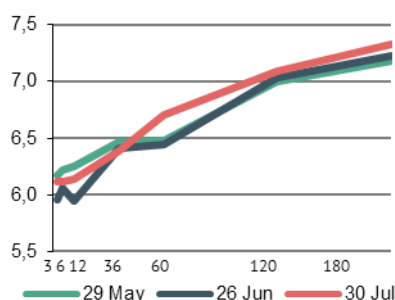
In Q2 2025, Hungary's economic performance grew by 0.2% year on year according to seasonally and calendar adjusted and balanced data, while it strengthened by 0.4% quarter on quarter.

SIGMA indicators



Source: Századvég

Forint yield curve (%)



Source: Refinitiv

Our forecast (25.06.2025)	2025
Change in GDP (%)	1.0
Inflation (annual average, %)	4.6

At its July 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 May, retail sales increased by 2.1% year on year on both a raw and calendar-adjusted basis.

In May 2025, turnover in specialised and non-specialised food shops increased by 0.5%, and the turnover in non-food shops increased by 4.0%. In fuel retailing, sales fell by 1.1% year on year in May.

The monthly value of the SZIGMA CI indicator, which provides feedback on the current state of the Hungarian economy, was -0.1919 for June 2025. This means that the Hungarian economy's growth rate continued to remain below its historical trend. The indicator showed a weaker economic performance compared to the previous month.

The latest forecast of another indicator, SZIGMA LEAD, a short-term indicator of the future of the Hungarian economy, suggests that Hungarian economic growth should pick up from autumn 2025. In addition, our short-term forecast continued to indicate economic growth above the historical trend in early 2026.

In June 2025, consumer prices increased by 4.6% on average, compared to the same period of the previous year. Consumer prices rose by 0.1% month on month. The seasonally adjusted core inflation rate was 0.1% higher than in the same period of the previous year.



2. OVERVIEW OF THE ECONOMY

2.1 External environment

Inflation in the EU rose by 0.1% from the previous month.

Eurostat's report of 17 July 2025 shows that the euro area's annual inflation rate was 2.0% in June 2025, up 0.1 percentage points from 1.9% in May. Inflation in the European Union as a whole increased to 2.3% from 2.2% in May. Despite the slight increase, these figures reflect a moderate inflation environment, especially after the high inflation waves of 2022–2023.

There are significant differences between Member States. The lowest inflation rates were recorded in Cyprus (0.5%), France (0.9%) and Ireland (1.6%), while the highest rates were in Romania (5.8%), Estonia (5.2%) and Hungary (4.6%).

The largest contributors to the inflation rate were services (+1.51 percentage points), followed by food, alcohol and tobacco (+0.59 percentage point), non-energy industrial goods (+0.13 percentage point) and energy (-0.25 percentage point). The negative contribution of energy suggests that the fall in energy prices has eased inflationary pressures.



2.2 Our SZIGMA indicators

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

In July 2025, the value of the **SZIGMA CI indicator reflecting the current state of the Hungarian economy** was -0.1919 up to June 2025. This means that the Hungarian economy's growth rate remained below its historical trend. The indicator showed a weaker economic performance compared to the previous month. The **industrial** data underlying the indicators showed a negative trend. The volume of industrial *production* decreased by 2.5% year on year and by 1.3% month on month, based on the latest seasonally and

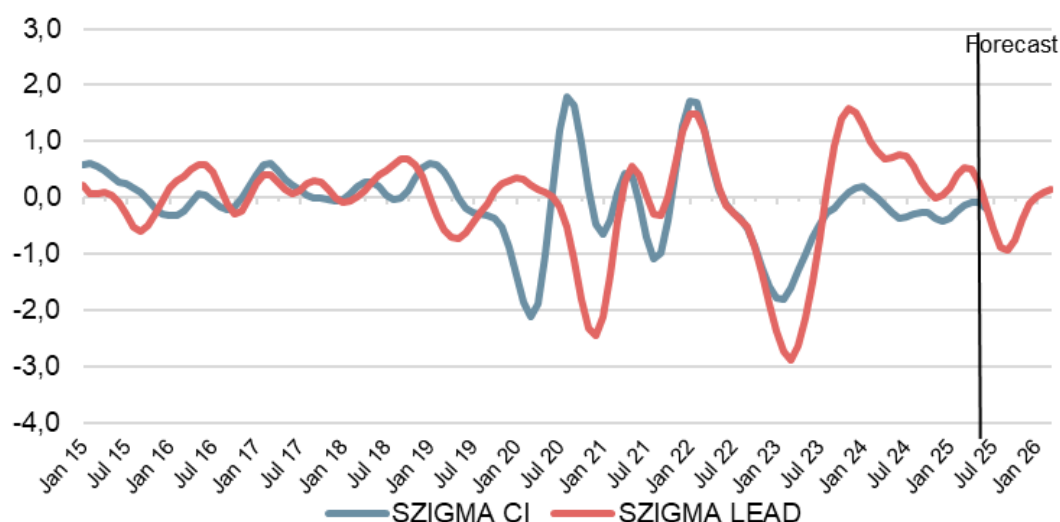
working-day adjusted data at a fixed base (2021 monthly average = 100.0) for May 2025. According to seasonally and working-day adjusted data, the volume of industrial *sales*, on a fixed basis (monthly average for 2021 = 100.0) for May 2025, declined in all dimensions (domestic, export), as well as on an annual and monthly basis. The volume of total sales (domestic and exports combined) contracted by 1.8% year on year and by 1.4% month on month. Domestic sales fell by 7.2% on an annual basis and by 2.8% on a monthly basis. Export sales fell by 1.0% on an annual basis and by 1.3% on a monthly basis. Meanwhile, **construction output** improved. The latest data, for May 2025, adjusted for seasonal and working day effects, show that the construction output volume increased significantly on a monthly and annual basis, by 2.5% month on month and by 4.8% year on year. The marked increase was due to a double effect. On a monthly basis, both the construction of buildings (0.6%) and the construction of civil engineering works (6.7%) supported the output of the construction industry. On an annual basis, however, construction of buildings (-9.9%) held back, while the construction of civil engineering works (+19.6%) boosted the output of the construction industry. 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 May 2025, shrank by 1.5% on a monthly basis, while it grew by 11.5% on an annual basis. In terms of main groups of construction, only the stock of contracts for the construction of civil engineering works increased, both on a monthly basis (2.7%) and an annual basis (29.3%). The stock of construction contracts for buildings at the end of May 2025 was down 10.7% month on month and 9.4% year on year. Therefore, the stock of construction contracts for civil engineering works, which are more closely linked to state/municipal investments, increased in May 2025.

In July 2025, **our short-term leading indicator, SZIGMA LEAD**, continued to forecast a surge in growth from autumn 2025 onwards. In addition, it continued to signal economic growth above the historical trend in early 2026. Looking at future **industrial** prospects, there are no real signs yet of growth in the stock of industrial orders. While the volume of new export orders in industry rose by 1.6% on an annual basis, it remained broadly flat on a monthly basis (-0.3%). Meanwhile, the stock of new industrial domestic orders decreased by 5.8% month on month and by 4.2% year on year. Thus, no significant improvement is expected yet in terms of new sales orders in the industry. 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 0.9 index points on a monthly basis and by 0.1 index points on an annual basis in June 2025, to stand at 88.4 index points. The IFO sub-index, the German manufacturing sub-index, showed a slight



improvement in the business environment. Although companies are noticeably more optimistic, the stock of orders has remained flat over the period. The other confidence index underlying the indicator, **Eurostat's consumer confidence index**, weakened by 1.4 index points on a monthly basis and by 4.8 index points on an annual basis in June 2025. Thus, in May 2025 it stood at -27.8 index points.

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



Source: Századvég

2.3 The real economy

2.3.1 GDP

In Q2 2025, Hungarian GDP grew by 0.4% quarter on quarter according to seasonally and calendar-adjusted and balanced data.

According to the first estimate in the flash report of the Hungarian Central Office, GDP volume increased by 0.1% in raw data terms and increased by 0.2% in terms of seasonally and calendar-adjusted and balanced data in Q2 2025 compared with the same period of the previous year. The Hungarian economy expanded on a quarter-on-quarter basis as well. According to seasonally and

calendar-adjusted and balanced data, Hungarian GDP volume grew by 0.4%. Thus, in the first half of 2025, Hungary's GDP volume stagnated on a raw basis, while it contracted by 0.1% on a seasonally and calendar-adjusted and balanced basis. According to preliminary data, the services sector, and especially the information and communication sector, boosted economic growth in Q2 2025. However, agricultural and industrial outputs held back growth in the Hungarian economy.

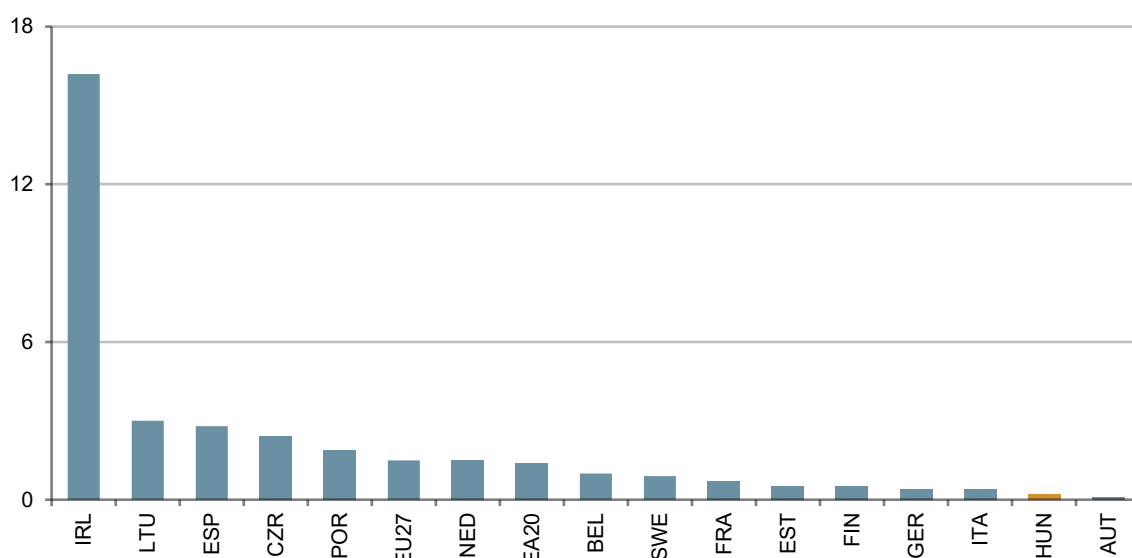
As for **international** comparisons, from 2024 onwards, preliminary EU GDP data are published in two releases. The first EU release coincides with the publication of Hungarian GDP data, which includes indicators for nearly half of the Member States. Two weeks later, Eurostat will publish preliminary GDP figures for the rest of the EU, including the other Member States.



Eurostat published the first preliminary statistics for Q2 2025 on 30 July 2025 (with fewer countries). Complete preliminary statistics will be published on 14 August 2025.

Annualised GDP data for Q2 2025 show that Hungary's GDP grew by 0.2%, the second lowest in the EU. Austria had the weakest year-on-year performance, growing by 0.1%. Ireland recorded the highest growth rate, at 16.2% year on year. This was followed by Lithuania (3.0%) and Spain (2.8%). Member States for which Eurostat publishes data did not record an economic downturn on an annual basis. Therefore, the EU average (EU27) was 1.5% and the eurozone (EA20) was 0.9%.¹

FIGURE 2: EU Q2 2025 GDP GROWTH (YEAR/YEAR, %)



Remark: Seasonally and calendar adjusted indices. First (preliminary) estimate. (Not included due to lack of data: Bulgaria, Denmark, Greece, Croatia, Cyprus, Latvia, Luxembourg, Malta, Poland, Romania, Slovenia and Slovakia.)
Source: Eurostat, link: <https://ec.europa.eu/eurostat/web/products-euro-indicators/w/2-30072025-ap>

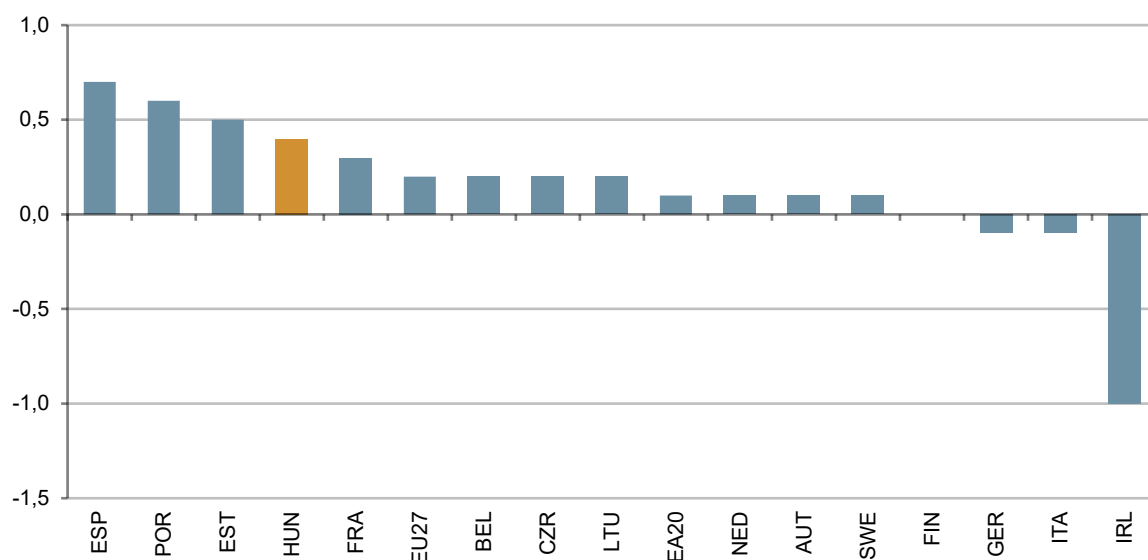
On a quarter-on-previous-quarter basis, Hungarian GDP growth (0.4%) was the fourth highest among the 15 Member States for which Eurostat data are available in **Q2 2025**, exceeding both the EU average (0.2%) and the euro area average (0.1%). The highest economic growth rate (0.7%) was in Spain. This was followed by Portugal (0.6%) and Estonia (0.5%). Of the 15 Member States, 3 saw their outputs fall compared to the previous quarter (Q1 2025). The weakest economic growth rate was in Ireland (-1.0%). This was followed by Germany and Italy with a -0.1% drop in economic output. Overall, growth rates were 0.2% for the EU27 and 0.1% for the euro area (EA20) on a quarterly basis.²

¹ 15 Member States, the EU27 and the euro area. 12 Member States are not included due to lack of data: Bulgaria, Denmark, Greece, Croatia, Cyprus, Latvia, Luxembourg, Malta, Poland, Romania, Slovenia and Slovakia.

² 15 Member States, the EU27 and the euro area. 12 Member States are not included due to lack of data: Bulgaria, Denmark, Greece, Croatia, Cyprus, Latvia, Luxembourg, Malta, Poland, Romania, Slovenia and Slovakia.



FIGURE 3: GDP GROWTH IN Q2 2025 IN THE EU (Q/Q, %)



Remark: Seasonally and calendar adjusted indices. First (preliminary) estimate. (Not included due to lack of data: Bulgaria, Denmark, Greece, Croatia, Cyprus, Latvia, Luxembourg, Malta, Poland, Romania, Slovenia and Slovakia.)
Source: Eurostat, link: <https://ec.europa.eu/eurostat/web/products-euro-indicators/w/2-30072025-ap>

2.3.2 Industry

Month on month, the volume of seasonally and working-day adjusted industrial production decreased by 1.3%.

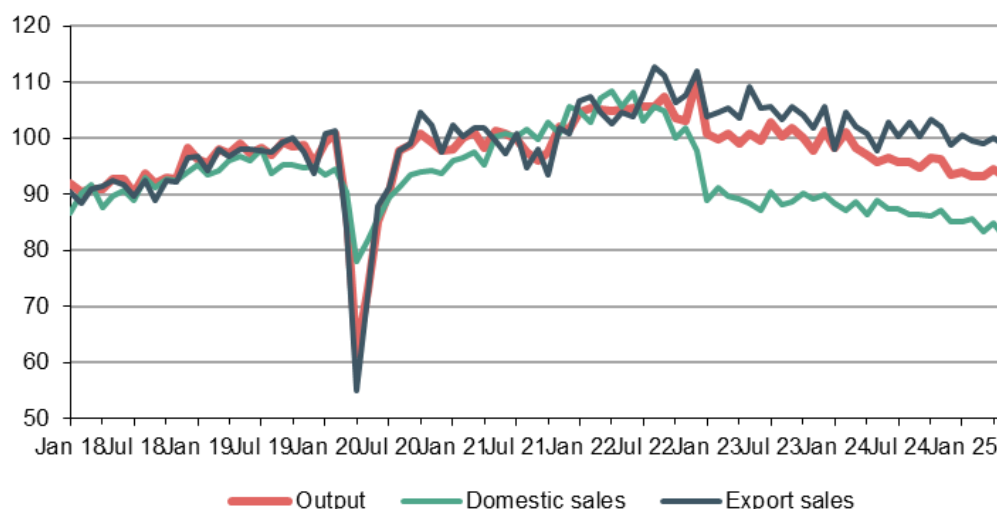
In May 2025, industrial production volume decreased by 2.6% compared to the same period of the previous year based on both raw data and seasonally and working day adjusted data. This means that cumulative performance for January-May 2025 was 4.1% lower than for January-May 2024.

Industrial sales weakened by 2.5% on an **annual** basis in May 2025. This was driven by an 8.0% decline in domestic industrial sales and an 0.7% increase in export sales. The major growth drivers in *industrial export sales* were the manufacture of transport equipment and the manufacture of computers. Exports in the manufacture of transport equipment, which represents 33.0% of the total, grew by 3.7%. *Exports of computer, electronic and optical products, which account for 13% of the total, increased by 1.9%.* The 9.0% decline in manufacturing contributed to the year-on-year decline in *domestic* industrial sales.

At the same time, industrial output declined on a monthly basis as well. Compared to the previous month (April 2025), seasonally and working day adjusted **industrial production volume** decreased by 1.3% in May 2025. Besides, industrial sales volume decreased by 1.5% month on month. This is attributable to a 1.4% decline in export sales and a 2.8% decline in domestic sales.



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



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

In May 2025, a 2.7% fall in manufacturing output, which was the dominant sector (95.9%), contributed most to the decline in industrial production on an annual basis. Of the other two sectors accounting for industrial output, energy, with a weight of 3.5%, increased by 6.9%, and mining and quarrying, with a weight of 0.6%, decreased by 7.4%. In manufacturing, the volume of industrial production decreased in 11, while it increased in 2 of the 13 subsections. The performance of the three main manufacturing sectors, which accounted for 50.5% of manufacturing output, was mixed. *Manufacture of transport equipment*, the largest contributor with a 27.4% share, increased by 6.1% year on year, achieving the highest volume growth. However, the second largest subsection, *food* (with a weight of 13.1%), decreased by 6.0%. The third largest subsection (9.9%), *manufacture of computer, electronic and optical products*, grew by 1.1% on an annual basis, again the second highest volume growth among the 13 manufacturing subsections. The sharpest decline in performance (17.3%) was in chemical products manufacturing.

In May 2025, the **stock of new orders** in the priority manufacturing industries, on a fixed basis (average monthly price in 2021), increased by 0.7% **year on year**, while it **increased by 1.5% month on month**. The year-on-year volume growth was driven by a 1.6% increase in the stock of new export orders. In addition, new export and new domestic industrial order volumes declined. The **volume of the total stock of orders also fell**, by 11.0% year on year and by 3.2% month on month. This **decline in volume was due to a fall in the stock of export industrial orders**, which fell by 3.5% on a monthly basis and by 12.3% on an annual basis. Meanwhile, **the stock of domestic industrial orders expanded both on a monthly basis** (1.4%) and on **an annual basis** (8.6%).



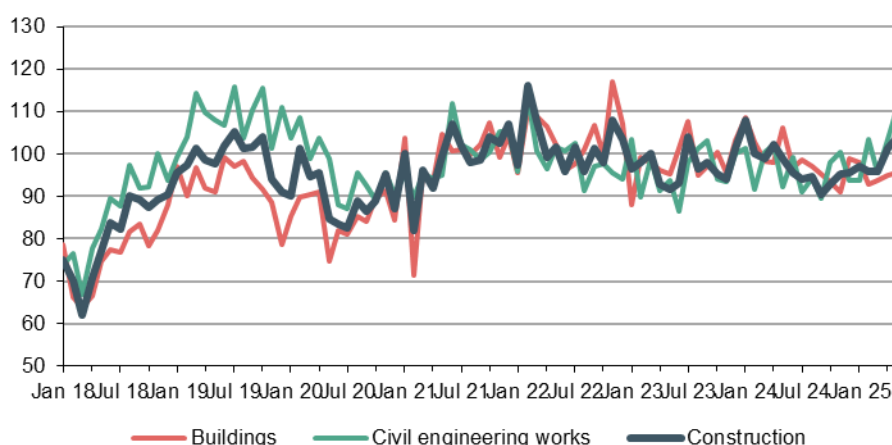
2.3.3 Construction

Construction output in May 2025 was up 2.5% on the previous month.

In May 2025, the annual volume of construction output increased by 3.6% in terms of raw data. Therefore, cumulatively, construction volumes in the period January-May 2025 were 2.4% below those in the period January-May 2024. In May 2025, contrasting trends took place in the two main groups of construction. The construction of buildings decreased by 9.3% year on year, while civil engineering works (roads, bridges, railways, complex industrial facilities, pipelines, etc.) increased by 26.0%.

At the same time, adjusted for seasonal and working day effects, construction output grew by 2.5% **month on month** in May 2025. This month-on-month growth was attributable mainly to the increase in the output of civil engineering works (6.7%) and, to a lesser extent, to the increase in the output of building construction (0.7%).

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.

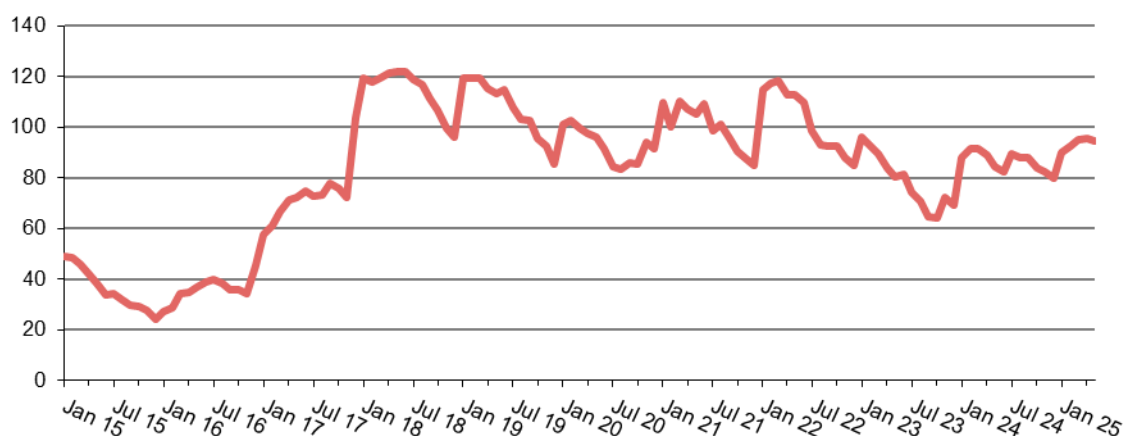
In terms of stocks of contracts, the **stock of new contracts** in May 2025 was up both on a monthly (17.5%) and annual (17.0%) basis. The **monthly increase** was driven by a 7.6% rise in the volume of new contracts for the construction of buildings and a 22.7% increase in the volume of new contracts for the construction of civil engineering works. Despite the significant growth in the stock of new contracts, **the stock of construction contracts at the end of May 2025** decreased by 1.5% month on month, while increasing by 11.5% year on year. Looking at cumulative stocks, the period January-May 2025 already exceeded the period January-May 2024 by 11.5%.

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 (94.3) is a high level, *reaching* the highest value for the period 2023-2024. In January 2023, the level was 95.8. Subsequently, the stock of contracts at the end of the month under review fell sharply and then started to improve. It only managed to come close to its previous high in January 2024 (87.7). The highest level in 2024 (91.3) was recorded in February and March 2024, falling to its lowest



level (80.0) by the end of 2024. **The current stock of contracts at the end of May 2025 (94.3) exceeded the highest level reached in 2024 (91.3)**, but economic growth would still require further expansion.

FIGURE 6: CHANGES IN MONTH-END CONSTRUCTION CONTRACTS (MONTHLY AVERAGE FOR 2021 = 100%)



Source: Hungarian Central Statistical Office, Századvég

2.3.4 Retail

Retail sales volume increased by 2.1% in May.

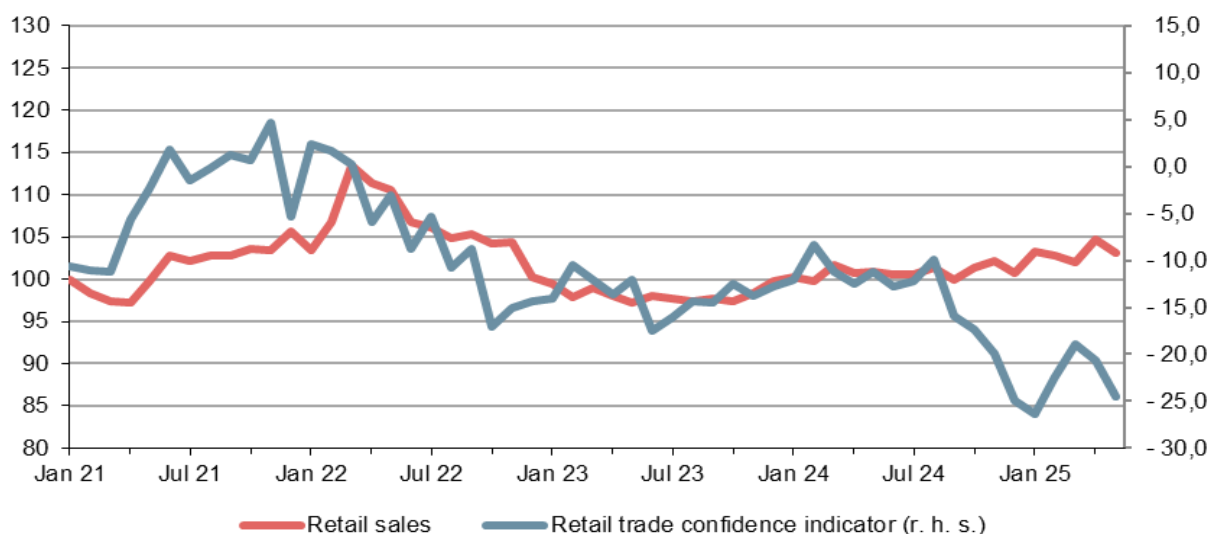
In May, retail sales increased by 2.1% year on year on both a raw and calendar-adjusted basis. In May 2025, turnover in specialised and non-specialised food shops increased by 0.5%, and the turnover in non-food shops increased by 4.0%. In fuel retailing, sales fell by 1.1% year on year in May.

In food retailing, sales volumes increased by 2.1% in non-specialised food and beverages shops, while the volume in specialised food, beverage and tobacco stores decreased by 4.0%.

In non-food retailing, the volume of mixed range of manufactured goods increased by 9.1%, while the turnover of books, newspapers and stationery decreased by 3.7% compared to the same period last year. Turnover in pharmaceutical and medical goods shops decreased by 0.2%. In addition, sales of second-hand goods fell by 2.5%. The sales volume of computers and other specialised goods increased by 0.6%. Among the other categories, the 7.2% increase in furniture and electrical goods stores, the 4.8% increase in the volume index of mail order and internet retailing, and the 9.0% increase in the turnover volume of cosmetics shops stand out. Overall, the largest growth was observed in non-food retail trade, particularly in non-specialised shops dealing in manufactured goods, where volume increased by 9.1%. Other categories showed a more moderate increase.



FIGURE 7: RETAIL SALES (JANUARY 2021 = 100%) AND EUROSTAT'S RETAIL TRADE CONFIDENCE INDICATOR



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

2.3.5 Labour market

In June, the unemployment rate was 4.3%.

In June 2025³, according to the latest data of the Hungarian Central Statistical Office, the seasonally adjusted activity rate of the population aged 15-74 was 68.1% (4,879,000 employees), which is 44,000 less than in the same period of the previous year. The seasonally adjusted number of

employees was 4,661,000, a decrease of 49,000 compared to the same period of the previous year. The number of the unemployed was 218,600, a year-on-year increase of 4,700. Based on June data, employment decreased by 12,600 month on month, unemployment increased by 7,100, and overall activity shrank by 5,500 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 there are also signs of consolidation.

Looking at the entire population aged 15–74, the demographic trend observed over a longer period of time, whereby the number of the employed and the unemployed is declining simultaneously, with a largely constant employment rate, continued. The decline in the working-age population between April and June was 62,500 from the same period in 2024. The number of employees decreased by 49,100 and the number of the inactive decreased by 18,100, while the number of the unemployed increased by 4,700. Rising unemployment suggests that the proportion of people leaving the labor market in June was lower than those who turned active from inactive.

In May, the seasonally adjusted number of full-time employees rose by 3,900 compared to the same period last year and by 310 compared to April on a month-on-month basis. Compared

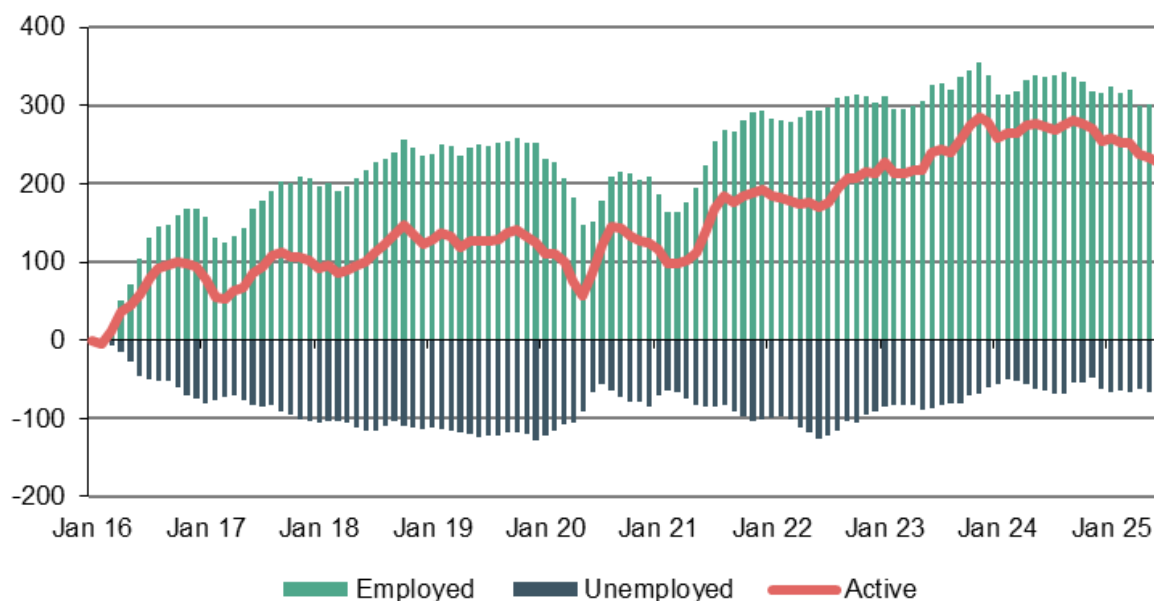
³ Three-month moving average



to May 2024, there were 5,400 fewer employees in the competitive sector and 2,800 more employees in the public sector. The number of people employed in the non-profit sector increased by 6,700 in one year. Compared to April, the number of employees increased slightly in all sectors.

According to Eurostat's latest data from May, Hungary's unemployment rate of 4.3% was the tenth lowest among the 27 countries of the European Union. The EU average was 5.9% in the fifth month of the year.

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



Source: Hungarian Central Statistical Office, Századvég

Real earnings rose by 3.2% in May.

In May 2025, average gross earnings in the national economy were HUF 702,800, 7.8% higher than in the same period of the previous year. Median gross earnings were HUF 562,300, an increase of 10.2% in a year. Real earnings increased by 3.2%, while consumer prices rose by 4.4%.

In May, the increase in average gross earnings was 7.4% in the business sector, 9.0% in the public sector and 8.3% in the non-profit sector. In May, the highest average gross earnings were recorded in the corporate sector, at HUF 711,300. The same figure was HUF 710,300 in the non-profit sector and HUF 670, 300 in the public sector.

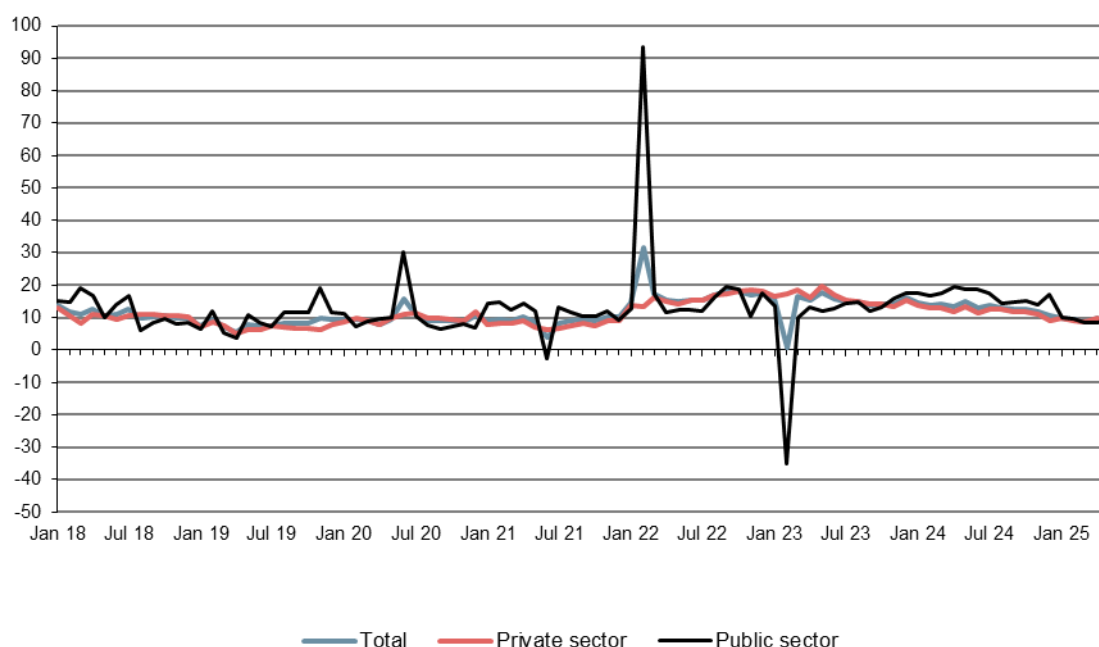
Gross and real earnings of full-time employees rose in all quintiles compared to the same period last year. The fourth quintile showed the highest increase in earnings: average gross earnings rose by 10.1% between January and May compared with the same period last year.



This dynamic is explained mainly by the upward pressure on wages caused by shortages of workers in certain occupations.

We expect unemployment to continue to fall over the next two years (2025: 4.1%, 2026: 3.6%), while gross wages are forecast to rise by 9.5% in 2025 and 7.2% in 2026.

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 May, the volume of exports of goods increased by 3.2% and imports by 5.4% year on year.

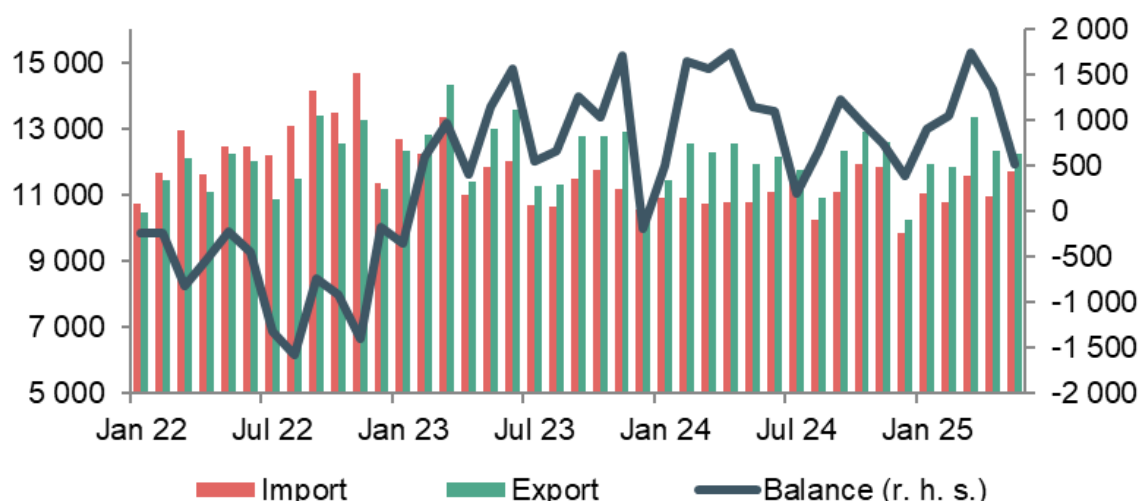
In May, the import volume of food products, beverages and tobacco decreased by 2.6%, and their export volume by 9.2% year on year. As for energy carriers, imports increased by 28.0%, while exports by 89.0%. As for processed products, imports increased by 3.5%, and exports decreased by 4.8% year on year. As for machinery and transport equipment, imports increased by 5.0%, and exports by 6.4%.

The foreign trade surplus amounted to EUR 514 million in May.

According to estimates for May 2025, the value of exports in EUR terms increased by 2.3% and imports by 7.1% compared to the same period of the previous year. This brought the foreign trade surplus in goods to EUR 514 million, which is EUR 506 million weaker than a year earlier.



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



Source: Hungarian Central Statistical Office, Századvég

2.5 Fiscal outlook

Budget revenue and expenditure both increased by 4.2% in the first half of the year, with VAT receipts up by 15.2% by the end of June.

At the end of June 2025, the deficit of the central budgetary subsystem stood at HUF 2,773.6 billion. This was caused by a deficit of HUF 2,727.6 billion in the central budget and HUF 118.9 billion in social security funds, as well as a surplus of HUF 72.9 billion in extra-budgetary funds. In June, the monthly balance of the central subsystem showed a surplus of HUF 27.4 billion. Compared to the new cash deficit target of HUF 4,774.0 billion, 58.1% of the annual deficit target had been achieved by the end of June.

Cumulative central subsystem revenue in the first half of 2025 were 4.2% higher, and central budget revenue were 3.1% higher than in the last year. Tax and contribution revenues of the central subsystem increased by 9.5%, higher than the general revenue level.

Payments by economic units increased by 2.7%, i.e. HUF 49.0 billion, compared to the end of June 2024. At the same time, within payments from economic units, corporate tax receipts, the most significant item, were 3.4% (HUF 21.6 billion) lower than in the same period of the previous year. This represents a significant shortfall compared to the 27.5% increase set out in the budget appropriations. Payments from the energy sector also fell by HUF 31.2 billion. Payments by economic units were still able to grow because payments by financial organisations were HUF 45.2 billion higher than in the first half of 2024. (The increase was due to higher advance payments of the special tax and a higher extra profit tax on credit institutions.) Tolls also showed an increase of HUF 16.1 billion.



Revenues from taxes on consumption increased by 11.8% (HUF 559.6 billion) compared to a year earlier. VAT receipts, the most significant item, were HUF 541.5 billion (15.2%) higher than in the previous year. Most of the increase in VAT receipts was due to a 7.0%, HUF 441.0 billion, increase in VAT payments. The other part of the increase is due to a decrease in VAT refunds. Excise tax revenue was HUF 3.6 billion (0.5%) more than in the first half of 2024.

Personal income tax receipts increased by 10.4% (i.e. HUF 225.3 billion) compared to the end of June of the previous year. Receipts from social contribution tax and social security tax increased by 9.7% (HUF 386.2 billion) compared to the same period of the previous year. The rise in revenues from these taxes was driven by an increase in wage bills and earnings.

The total revenue from EU programmes at the end of the sixth month was HUF 176.4 billion, down HUF 401.8 billion from a year earlier. Expenditure on EU programmes amounted to HUF 1221.7 billion, an increase of HUF 275.9 billion compared to the end of June last year.

Thanks to the HUF 200 billion dividend payment by Szerencsejáték Zrt. and Corvinus Zrt., payments related to state assets rose to HUF 561.2 billion by the end of June.

In the first half of 2025, central government expenditure was 4.2% higher than in the previous year. Within this, central subsystem expenditure increased by 3.2%.

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

Subsidies for public utility services, including both the overhead cost reduction policy and subsidies for the water utility system, increased by HUF 29.1 billion compared to the previous year. Road network availability fees also increased by HUF 144.8 billion, while subsidies for public transport increased by HUF 2.0 billion.

Housing subsidies decreased by HUF 14.2 billion compared to the same period last year.

Expenditure on central budgetary institutions and chapter-administered appropriations was HUF 395.3 billion higher than in the first six months of the previous year. This corresponds to an increase of 6%, while the Budget Act foresees a decrease of 6.5%.

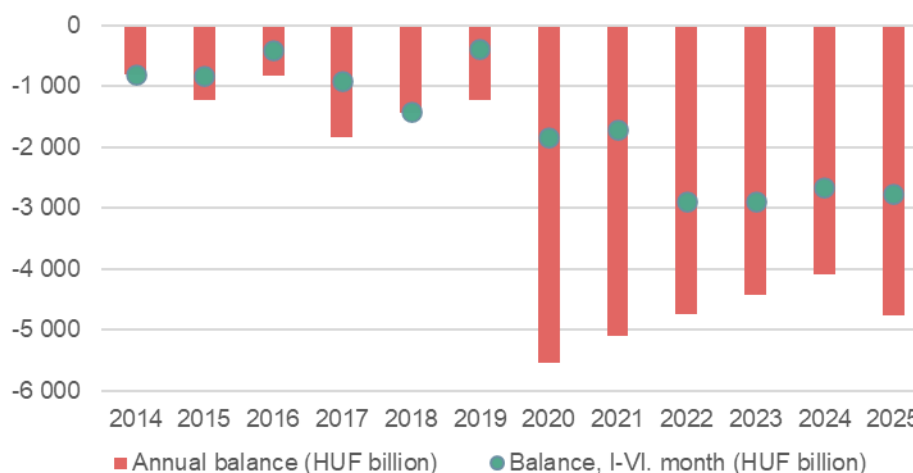
Expenditure on public assets decreased by HUF 391.6 billion compared to the same period of the previous year, as the same period of 2024 was substantially affected by the expenditure related to the buy-back of Budapest Liszt Ferenc Airport.

By the end of June 2025, pensions amounted to HUF 3,492.6 billion, an increase of 5% (HUF 166.7 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 2,479.9 billion, an increase of HUF 205.0 billion, i.e. 9.0%, 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 10.5% (HUF 141.8 billion).

The balance of interest expenditures and receipts was HUF 547.5 billion (30.8%) more negative than at the end of June 2024.



FIGURE 11: CENTRAL SUBSYSTEM BALANCE*, 2014-2025 (APRIL CUMULATIVE BALANCE, HUF BILLION)



Source: Hungarian State Treasury

2.6 Monetary developments

2.6.1 Consumer prices

Consumer prices rose by an average of 4.6% in June.

In June 2025, consumer prices increased by 4.6% on average, compared to the same period of the previous year. Over the past year, the prices of electricity, gas and other fuels as well as those of alcoholic beverages and tobacco have increased the most, by 8.6% and 6.3%, respectively. Food prices rose by 6.2% compared to the same period of the previous year. Consumer prices rose by 0.1% month on month. The seasonally adjusted core inflation rate was 0.1% higher than in the same period of the previous year.

A larger share of the 6.2% average increase in food prices was due to a 26.0% rise in egg prices, a 26.0% rise in edible oil prices and a 24.4% rise in flour prices. The price of edible oil rose by 22.2%, that of coffee at shops by 20.3%, that of chocolate and cocoa by 19.6% and that of fresh domestic and tropical fruit by 17.7%, 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 31.2%, pork fat prices by 22.9% potato prices by 7.8% and milk product (without cheese) prices by 7.2%. 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 7.8%, and there were no price decreases in this category.

The average annual increase in consumer durable goods of 2.2% in May was followed by an average increase of 2.6% in June. If we look at the main group in more detail, we can see that the price of living and dining-room furniture increased by 4.6% and jewellery by 23.8%, which is above average. Inflation in consumer durable goods was boosted by a 3.7% rise in the new passenger cars and a 3.6% rise in the price of heating and cooking equipment. It is also



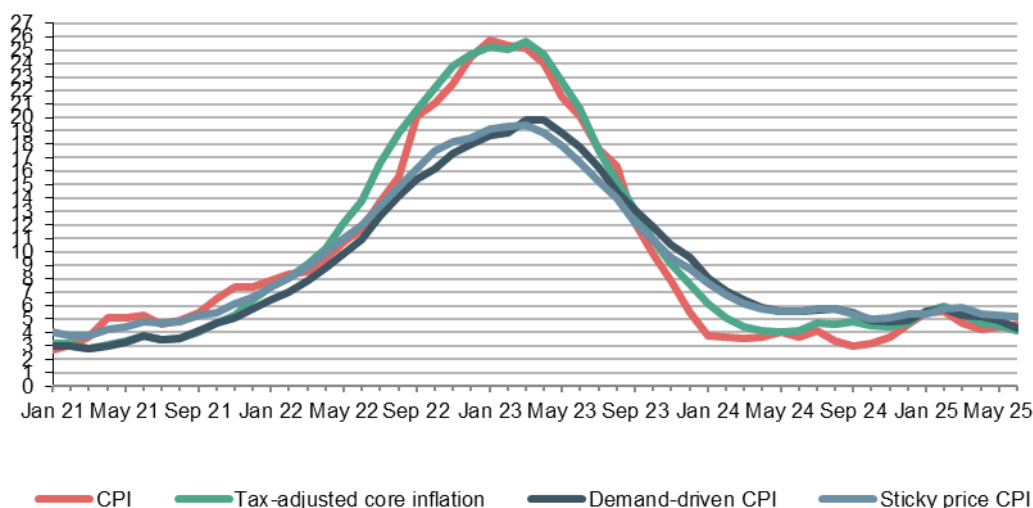
important to note the positive trend in the television market, where prices were 2.4% lower in June compared to the same period last year.

The average increase in household energy prices was 8.6% in June as compared to the same period of the previous year. Within electricity, gas and other fuels, there were no price decreases compared to the same period last year, with coal prices up 18.2%, briquettes and coke up 13.5% and butane and propane gas up 5.8% across the group. In addition, the price of natural and manufactured gas rose by 18.4% and the price of electricity by 1.1%.

In June, the price of services rose by an average of 5.4%, with theatre tickets and postal services contributing to this increase by 11.3% and repairs of major household appliances by 11.4%. 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 were 9.4% higher than in the same period of the previous year. Prices of household services and personal care services increased by 10.5% and 10.1% 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 and a 0.8% decrease in TV fees. 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 6.0%.

Compared to the previous month, consumer prices increased by 0.1%. Within the overall consumer basket, food prices rose by 0.1% compared with the previous month. Prices of services rose by 0.6%, while the price of electricity, gas and other fuels fell by 0.7% compared with the previous month. The price of other products and fuels fell by 0.7% from May.

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 4.1%, the core inflation rate excluding processed food was 4.3% and the sticky price inflation rate was 5.2% in the sixth month of the year. The core inflation rate, 0.5 percentage



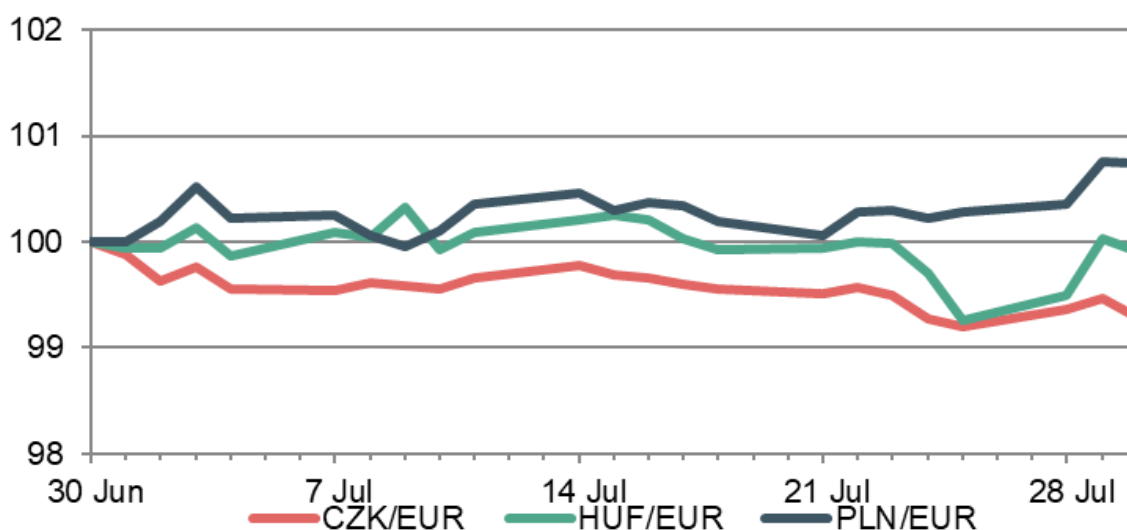
point lower than total inflation, shows that, after a long period of time, goods with fast-moving prices have again contributed more to Hungary's inflation rate.

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 July. In the past period, the Czech koruna strengthened by 0.71%, and the Polish zloty weakened by 0.74% against the Euro. Government bond yields were roughly flat over the period, with the Czech 10-year government bond yield 12 basis points higher at 4.35%, and the Polish 10-year yield 5 basis point higher at 5.47%.

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



Source: Refinitiv, Századvég

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

Hungarian money and foreign exchange market indicators also showed a mixed picture over the last month. The HUF strengthened by 0.1% against the euro and weakened by 0.5% against the Swiss franc and by 1.4% against the US dollar. This means that at the end of July 2025, 1 euro was worth 399 forints, 1 US dollar was worth 345 forints and 1 Swiss franc was worth 429 forints. In July, sovereign debt held by foreigners increased by HUF 498 billion to

HUF 6,048 billion.



2.6.3 Base rate

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

At its July 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 decision to leave the central bank's interest rate unchanged was primarily motivated by the need to maintain a sustainable approach to the inflation target and preserve financial stability.

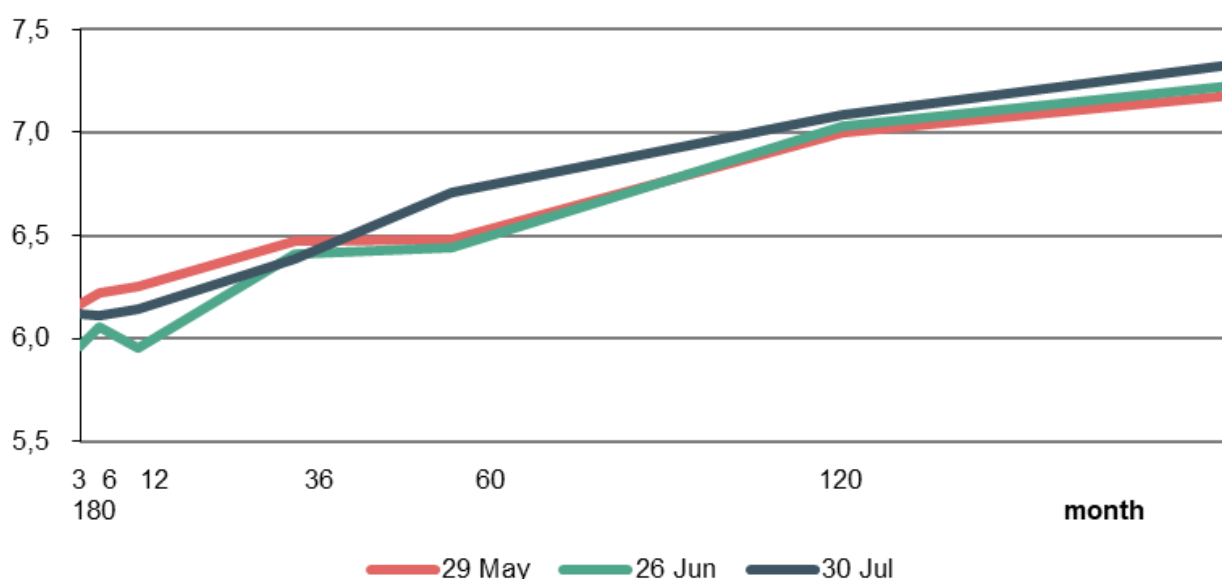
Although inflation rose to 4.6% in June, the decline in core inflation and the moderation of corporate price expectations point to a favorable trend, but inflationary risks remain. These include strong price dynamics in market services, rising global food prices, and volatile commodity prices and persistent increases in labour costs. International money and commodity markets continue to be driven by geopolitical uncertainties and trade tensions, which justify a cautious monetary policy. In the view of the Monetary Council, maintaining tight monetary conditions is essential to anchor inflation expectations, maintain positive real interest rates and thereby ensure price stability and financial market equilibrium over the medium term.

2.6.4 Government securities market

In the government bond market, yields for shorter maturities varied between -2 basis points and 27 basis points on the secondary yield curve in July. This means that the 3-month yield was 6.12%, the 6-month yield was 6.11% and the 1-year yield was 6.14% on 30 July. The 3-year yield fell by 2 basis points to 6.39%. Yields are up 27 basis points over the 5-year horizon, 6 basis points over the 10-year horizon and 10 basis points over the 15-year horizon compared to the previous month. These three yields changed, therefore, to 6.71%, 7.09%, and 7.33%, respectively.



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



Source: GDMA, Századvég

On 22 July 2025, the total value of “MÁP Plusz” government securities held by retail investors was HUF 823.64 billion after a HUF 2.36 billion increase from the HUF 821.28 billion level in the previous month. In addition, the cumulative value of PMÁP securities was HUF 4,390.97 billion, while the cumulative value of the “Bónusz” Hungarian Government Bonds was HUF 2,284.89 billion. Treasury Savings Bills amounted to HUF 587.01 billion and FixMÁP to HUF 2,696.68 billion. In addition, funds held in “Baby” Bonds amounted to HUF 459.58 billion and funds held in Printed MÁP Plus amounted to HUF 98.35 billion. The retail stock of FixMÁP increased by HUF 118.34 billion and that of BMÁP by HUF 89.27 billion compared to the previous month. Significant decreases are observed in the PMÁP (HUF 138.66 billion). The total stock of government securities held by retail investors stood at HUF 11,341.12 billion at the end of July 2025, up from HUF 11,274.79 billion at the beginning of 2025, i.e. HUF 66.33 billion more 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 increased by 1.01 percentage point to 31.3% in June, which is above the range (maximum 30%) specified in the financing plan for 2025 of GDMA. Over the past 12 months, the average foreign currency debt ratio averaged 29.9%, with the July ratio somewhat higher than this.

Hungary’s sovereign debt rating has remained stable in the investment grade category of all three major international credit rating agencies, after no rating agency recently changed its assessment. On 6 June 2025, Fitch Ratings affirmed Hungary’s sovereign debt rating at “BBB”



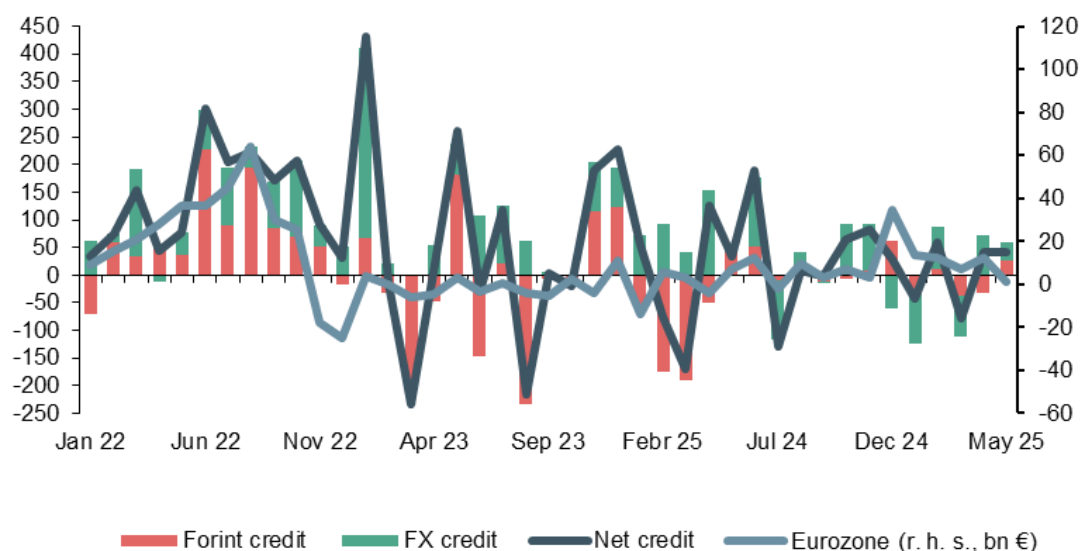
with a stable outlook.⁴ Moody's Investors Service affirmed Hungary's sovereign debt rating of "Baa2" on 30 May 2025, but left the outlook negative.⁵ And S&P Global Ratings rates the country as "BBB-", also with a negative outlook.

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 27.3 billion in May 2025. The value of net lending in foreign currency increased, with net borrowing amounting to HUF 32.9 billion in the fifth month of the year. Seasonally adjusted total net borrowing increased by HUF 42.0 billion in the period under review. Corporate borrowing in the euro area was EUR 1,187 million in May 2025.

FIGURE 15: CORPORATE BORROWING (HUF BILLION)



Source: MNB, ECB, Századvég

⁴ <https://www.fitchratings.com/research/sovereigns/fitch-affirms-hungary-at-bbb-outlook-stable-06-06-2025>

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



3. SZÁZADVÉG'S FORECAST⁶

TABLE 1: 2025 Q2 FORECAST

	2024	2025	2026
Gross domestic product (volume index)	0.5	1.0	2.6
Household final consumption expenditure (volume index)	5.1	3.7	3.7
Gross fixed capital formation (volume index)	-6.4	-3.5	5.0
Export volume index (based on national accounts)	-3.0	1.9	4.5
Import volume index (based on national accounts)	-4.0	2.9	4.8
Balance of international trade in goods (EUR billion)	1.4	1.4	1.0
Consumer price index (%)	3.7	4.6	3.8
Central bank base interest rate at the end of the period (%)	6.5	6.4	5.5
Unemployment rate (%)	4.5	4.1	3.6
Current account balance as a percentage of GDP	2.2	2.0	1.5
Net lending as a percentage of the GDP	2.6	2.4	1.8
ESA balance of public finances as a percentage of GDP	-4.9	-4.1	-3.7
Sovereign debt as a percentage of GDP	73.5	73.2	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: 25 June 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.

