SZÁZADVÉG

MACROECONOMIC MONITOR

SEPTEMBER 2025

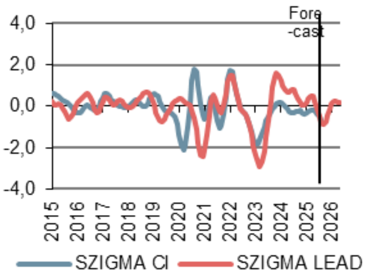
SZÁZADVÉG KONJUNKTÚRAKUTATÓ ZRT. ....

TABLE OF CONTENTS

1. SUMMARY

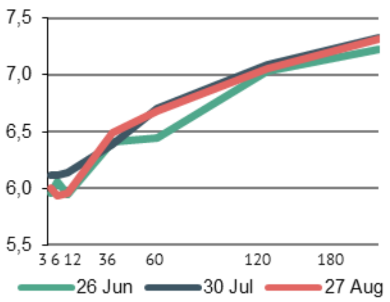
In Q2 2025, Hungary's economy grew by 0.2% year on year according to seasonally and calendar-adjusted and balanced data, while it strengthened by 0.4% quarter on quarter.

SIGMA indicators



Source: Századvég

Forint yield curve (%)



Source: Refinitiv

Our forecast (23.09.2025)	2025
Change in GDP (%)	0.8
Inflation (annual average, %)	4.7

At its September meeting, the central bank's Monetary Council did not change the base rate, which has been in place since September 2024. The base rate in Hungary therefore remains at 6.5%.

In July, retail sales increased by 1.7% year on year on both a raw and calendar-adjusted basis.

In July 2025, turnover in specialised and non-specialised food shops increased by 2.3%, and the turnover in non-food shops increased by 2.9%. In fuel retailing, sales fell by 2.4% year on year, in July.

Measured up to August 2025, the value of the monthly SZIGMA CI indicator, which provides a snapshot of the current state of the Hungarian economy, was -0.6894. This means that the Hungarian economy is still growing at a rate below its historical trend rate. The indicator weakened from the previous month, meaning that the economy's growth rate is moving away from its historical trend value.

The other indicator, SZIGMA LEAD, which is a short-term leading indicator for the outlook of the Hungarian economy, continued to forecast a trough in growth below the historical trend for the autumn of 2025. This will be followed by a period of strengthening, pushing economic growth above its historical trend in the first months of 2026. Subsequently, until the end of the forecast period, the growth rate of the Hungarian economy will remain above the historical trend, although with minor fluctuations.

In August 2025, consumer prices increased by 4.3% on average, compared to the same period of the previous year. Consumer prices did not change in a month. The seasonally adjusted core inflation rate was 3.9% on the same period last year.

2. OVERVIEW OF THE ECONOMY

2.1 External environment

In July 2025, construction output rose by 0.6% in the European Union

According to Eurostat's flash estimate published on 18 September 2025, seasonally adjusted construction output was up by 0.5% in the euro area and by 0.6% in the European Union in July 2025 compared with the previous month. Year on year, production rose by 3.2% in the euro area and by 3.6% in the European Union.

According to the monthly breakdown, buildings fell by 1.4% in the euro area, while civil engineering rose by 0.5% and specialised construction activities rose by 1.2%. The EU shows a similar picture: buildings fell by 1.3%, civil engineering by 0.7%, and specialised construction activities grew by 0.8%. On an annual basis, buildings grew by 3.3%, civil engineering by 3.4% and specialised construction by 2.8% in the euro area, while in the EU these figures were 3.6%, 2.9% and 2.7%, respectively.

Countries differ significantly. In July, Romania achieved the highest monthly growth at 20.1%, followed by Slovenia at 9.9% and Belgium at 2.2%. Spain saw the largest decline at 4.5%, followed by Sweden at 4.0% and Portugal at 1.5%. On an annual basis, Romania grew by 41.1%, Spain by 22.8% and Slovenia by 21.4%, while Sweden (−4.5%), Austria (−2.7%), France (−1.7%), and Germany (−1.2%) recorded declines. In Hungary, production grew by 0.8% on a monthly basis and by 5.0% on an annual basis.

2.2 Our SZIGMA indicators

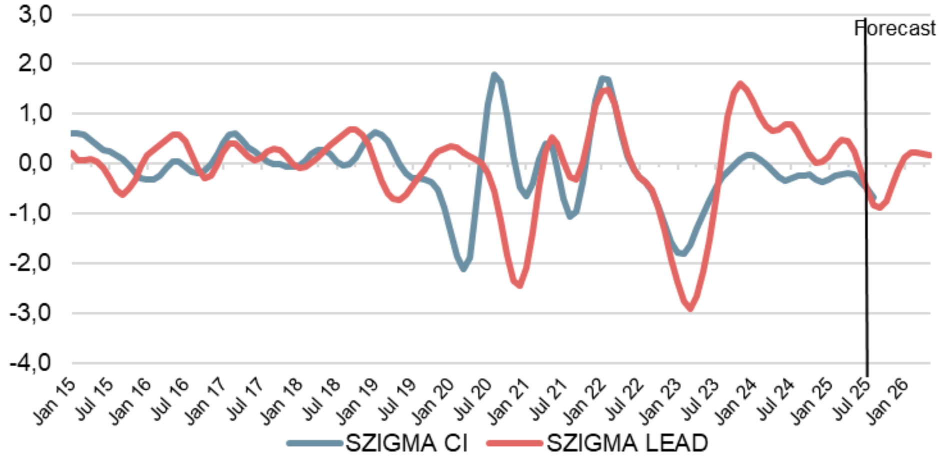
In August 2025, the growth rate of the Hungarian economy remained below its historical trend.

In September 2025, the value of the ***SZIGMA CI indicator reflecting the current state of the Hungarian economy*** was -0.6894 up to August 2025. This means that the Hungarian economy is still growing at a rate below its historical trend rate. The indicator weakened from the previous month, meaning that the economy's growth rate is moving away from its historical trend value. Among the figures underlying the indicators, ***industrial data*** paint a mixed picture. Month-on-month there was a slight improvement, while year-on-year there was a decline. The volume of *industrial production* decreased by 1.2% year on year and *strengthened by 2.1% month on month*, based on the latest seasonally and working-day adjusted data at a fixed base (2021 monthly average = 100.0) for July 2025. In July 2025, the volume of industrial sales on a fixed basis (monthly average in 2021 = 100.0) decreased by 2.7% on an annual basis and increased by 0.5% on a monthly basis, according to seasonally and working day-adjusted data (domestic and export). Looking at individual types, domestic industrial sales declined both on an annual basis (5.0%) and on a monthly basis (1.3%). Exports decreased by 1.3% on an annual basis, but increased by 1.1% on a monthly basis. ***Construction output*** showed improvement. According to the latest seasonally and working-day adjusted data for July 2025, construction output volume increased by 0.8% on a monthly basis and by 5.0% on an annual basis. As for main groups of construction, construction output strengthened in all dimensions except the month-on-month change in the construction of civil engineering works. On a monthly basis, the output in buildings increased by 3.9%, while the output in civil engineering works structures decreased by 1.8%. On an annual basis, output in buildings increased by 5.3% and in other structures by 6.9%. 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 July 2025, shrank by 5.9% on a monthly basis, while it grew by 1.9% on an annual basis. In terms of main groups of construction, none of the main groups saw an increase in their stock of contracts on a monthly basis. At the same time, the stock of construction contracts for civil engineering works at the end of July 2025 increased by 9.3% on an annual basis, mainly related to state/municipal investments. The other main group of construction, the stock of construction contracts for buildings at the end of July 2025, decreased by 9.7% on an annual basis.

In September 2025, **our short-term leading indicator**, the **SZIGMA LEAD indicator**, continued to signal a low point in growth below the historical trend for the fall of 2025 (September 2025). This will be followed by a period of strengthening, pushing economic growth above its historical trend in the first months of 2026. Subsequently, until the end of the forecast period, the growth rate of the Hungarian economy will remain above the historical trend, although with minor fluctuations. As regards the outlook for ***industry***, the industry continues to face difficulties based on the stock of industrial orders. Despite the fact that the stock of new orders in industry expanded on a monthly basis, both for domestic and export orders, within the current stock of orders in industry, only the stock of domestic orders expanded on an annual and monthly basis. On a monthly basis, the total stock of new orders in industry increased by

1.5%, of which the stock of new domestic orders in industry increased by 4.5% and the stock of new export orders in industry increased by 1.0%. However, the current stock of orders is down 3.7% overall on a monthly basis, of which the stock of export orders weakened by 4.7%, while the stock of domestic orders strengthened by 8.9%. 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 0.3 index points on a monthly basis and by 2.4 index points on an annual basis in August 2025, to stand at 88.9 index points, which was due to improving expectations among companies. At the same time, according to the IFO sub-index, the German manufacturing sub-index, business expectations weakened slightly as there were no signs of growth in orders yet. The other confidence index underlying the indicator, **Eurostat's consumer confidence index**, In August 2025, this improved by 1.5 index points on a monthly basis but weakened by 4.0 index points on an annual basis. Thus, in August 2025, it stood at -27.2 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% compared to the previous quarter.

In Q2 2025, gross domestic product (GDP) strengthened by 0.1% **on an annual basis** in raw data and by 0.2% in seasonally and calendar-adjusted and balanced data. Therefore, Hungarian GDP stagnated in the first half of 2025 according to raw data, and decreased by 0.1% according to seasonally and calendar-adjusted and balanced data.

At the same time, Q2 2025 GDP grew by 0.4% quarter on quarter.

On the **production** side: Q2 2025 GDP growth was supported by construction (0.2 percentage points) and services (0.9 percentage points). Meanwhile, agriculture (−0.3 percentage points) and industry (−0.7 percentage points) held back the growth of the Hungarian economy. The balance of product taxes and subsidies (0.0 percentage points) had no impact on economic growth. The Q2 performance of the individual sectors was as follows on an annual and quarterly basis: ***Compared to the same period last year***, agricultural output fell by 11.4% in ***Q2 2025***, while industrial output fell by 3.3%. Meanwhile, construction grew by 4.3% and the entire service sector by 1.3%. Within services, the largest annual volume growth was achieved by the arts, entertainment, leisure, and other services sector (6.5%). This was followed by information and communication with 6.3%, and accommodation and catering services with 3.2% growth. ***On a quarterly basis***, only agricultural output fell, by 6.0%, in Q2 2025. Construction recorded the highest quarterly volume growth, 6.0%. This was followed by a 0.6% growth in the combined performance of industry and services.

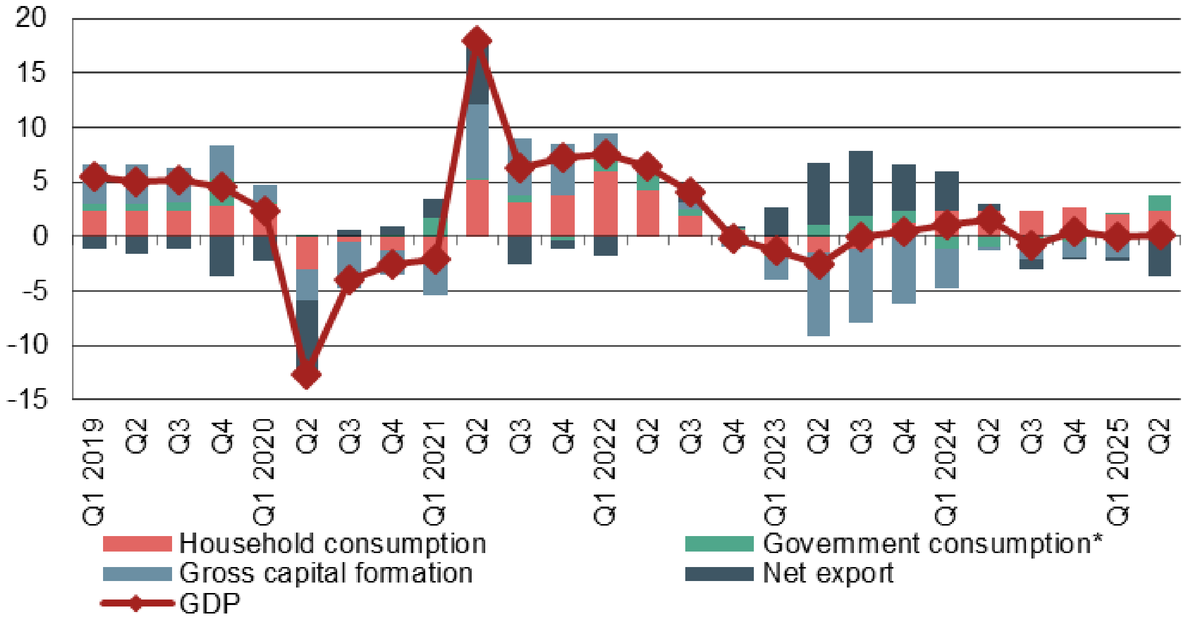
On the production side, Q2 2025 GDP growth continued to be boosted by household consumption, while investment and the external trade balance held it back. ***Household consumption contributed 2.4 percentage points to GDP growth, while actual household consumption, including benefits in kind, contributed 2.7 percentage points*** and **community consumption contributed 1.0 percentage points**. Overall, final consumption, which includes both the actual **final consumption of households** and collective consumption, supported economic growth by 3.7 percentage points. Meanwhile, **gross capital formation**, which includes investment (−1.7 percentage points) and changes in inventories (1.4 percentage points, ***weakened*** GDP performance by 0.3 percentage points, and **net exports** by 3.4 percentage points. The Q2 performance of the individual sectors was as follows on an annual and quarterly basis: Household final consumption expenditure excluding benefits in kind increased by 5.0% on an annual basis and by 1.4% on a quarterly basis. Community consumption increased by 9.8% on an annual basis and by 1.2% on a quarterly basis. Gross capital formation decreased by 0.9% on an annual basis, but gross fixed capital formation fell by 7.0%. Gross capital formation increased by 10.2% on a quarterly basis, while gross fixed capital formation, which forms part of this, decreased by 1.9%. On an annual basis, exports (goods and services) weakened by 0.9% in Q2 2025, while imports expanded by 4.0%. A similar trend was observed on a quarterly basis, with exports declining by 0.4% and imports rising sharply by 3.1%.

Looking at **individual items of foreign trade**, exports of services increased by 0.7% and imports of goods by 5.9% on an annual basis. On a quarterly basis, exports of services increased by 3.3% and imports of goods by 3.9%. So exports of services increased, which is welcome, but this accounts for a smaller share of the total foreign trade balance. Thus, it cannot offset the weakening of exports experienced in goods trade. Approximately 80% of foreign trade is trade in goods, so its development has a significant impact on net exports. *On an annual basis*, exports of goods fell by 1.3%, while imports rose sharply, by 5.9%.

The quarterly basis showed a similar trend: *compared to the previous quarter*, exports of goods decreased significantly, by 1.7%, while imports of goods increased at a higher rate, by 3.9%.

In the case of **services**, which account for a smaller share of foreign trade, exports increased by 0.7% on an annual basis, while imports fell sharply, by 4.6%. *Compared to the previous quarter*, exports of services increased by 3.3%, while imports fell by 2.6%.

FIGURE 2: CONTRIBUTION TO ANNUAL GDP GROWTH (CONSUMPTION SIDE, %)



**Including social benefits in kind.*
Source: Hungarian Central Statistical Office

2.3.2 Industry

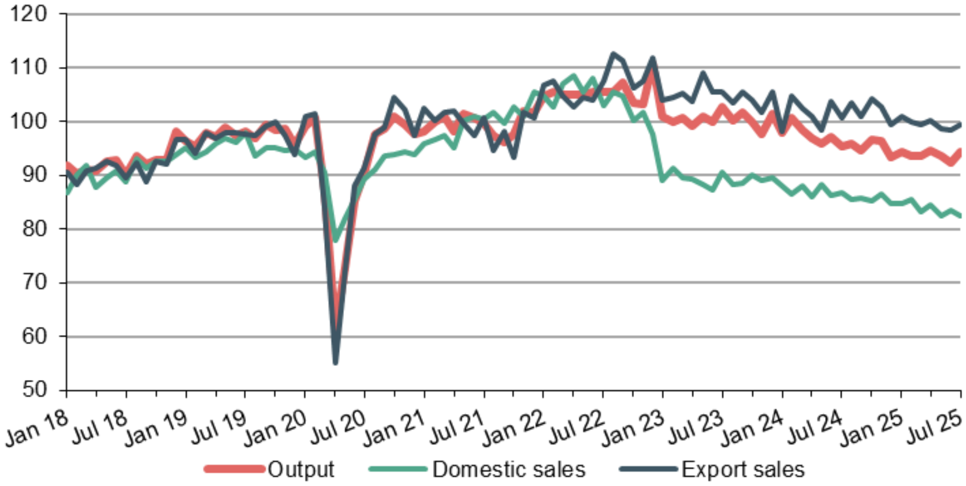
Month on month, the volume of seasonally and working-day adjusted industrial production increased by 2.0%.

In July 2025, industrial production volume decreased by 1.0% compared to the same period of the previous year based on both raw data as well as seasonally and working day-adjusted data. This means that cumulative performance for January-July 2025 was 3.5% lower than for January-July 2024.

Industrial sales weakened by 2.7% on an annual basis in July 2025, supported by a 5.3% decline in domestic industrial sales and a 1.3% decline in export sales. The decline in *industrial export sales* was mainly due to the manufacture of transport equipment and the manufacture of computers. Exports in the manufacture of transport equipment, which represents 32% of the total, weakened by 1.5%. *However, exports of computer, electronic and optical products, which account for 14% of the total, increased by 16.2%.* The 1.7% decline in manufacturing contributed to the year-on-year decline in *domestic* industrial sales.

Industrial output improved on a monthly basis. Whether this is a brief period of correction or the beginning of a trend will only become clear later. Compared to the previous month (June 2025), seasonally and working day adjusted **industrial production volume** increased by 2.0% in July 2025. In addition, industrial **sales** volume increased by 0.5% on a monthly basis, driven by a 1.1% increase in export sales and a 1.3% decrease in domestic sales.

FIGURE 3: INDUSTRIAL PRODUCTION AND SALES TRENDS (2021 MONTHLY AVERAGE = 100%)



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

In July 2025, a 0.5% fall in manufacturing output, which continued to be the dominant sector with a weight of 95.8%, 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 3.7%, decreased by 7.2%, and mining and quarrying, with a weight of 0.6%, decreased by 8.5%. In manufacturing, the volume of industrial production decreased in 9, while it increased in 4 of the 13 subsections. The performance of the three main manufacturing sectors, which accounted for 52.2% of manufacturing output, was mixed. *Manufacture of transport equipment*, which has the largest weight (26.3%), essentially stagnated on an annual basis (growing by 0.1%). However, the second largest subsection, *food* (with a weight of 14.2%), decreased by 8.5%. The third largest subsection (11.6%), *manufacture of computer, electronic and optical products*, grew by 27% on an annual basis, again the highest volume growth among the 13 manufacturing subsections. The largest decline in performance (20.0%) was suffered by a small sub-section, coke production.

In July 2025, the **stock of new orders** in the priority manufacturing industries fell by 3.2% year on year on a fixed basis (average monthly price in 2021), while it increased **by 1.5% month on month**. New domestic orders contributed 4.5% and new export orders 1.0% to the monthly growth. **The volume of orders for July 2025 decreased by 3.7% on a monthly basis.** This was driven by an *8.9% increase in the stock of domestic orders in industry* and a 4.7% decline in the stock of export orders in industry. **On an annual basis, the stock of orders in July 2025 decreased to a greater extent by 7.3%.** The *15.5% increase in the stock of domestic orders in industry* was not enough to offset the 9.1% decline in the stock of export orders in industry.

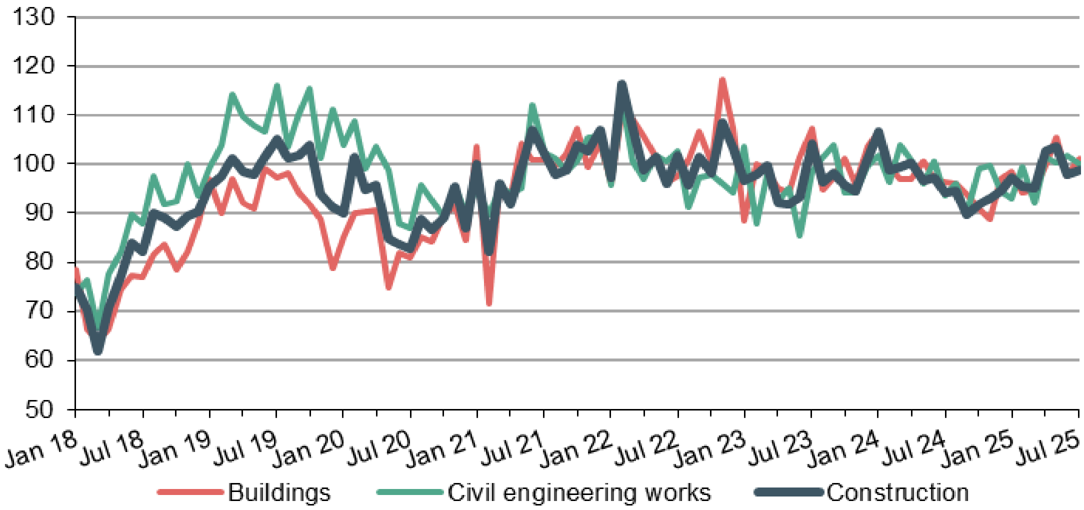
2.3.3 Construction

Construction output was up by 0.8% month on month in July 2025.

In July 2025, the **annual** volume of construction output increased by 4.9% in terms of raw data. Thus, cumulatively, construction output in January-July 2025 exceeded that of the previous year, January-July 2024, by 0.8%. Both main groups of construction contributed to the construction industry’s performance in July 2025. On an annual basis, the output in the construction of buildings increased by 5.7% and the output in civil engineering works (roads, bridges, railways, complex industrial facilities, pipelines, etc.) increased by 4.7%.

On a monthly basis, July 2025 construction output, adjusted for seasonal and working day effects, also increased by 0.8%. This was supported by a 1.8% decline in the output of civil engineering works and a 3.9% increase in the output of buildings.

FIGURE 4: CHANGES IN THE CONSTRUCTION INDUSTRY (MONTHLY AVERAGE FOR THE YEAR 2021 = 100%)

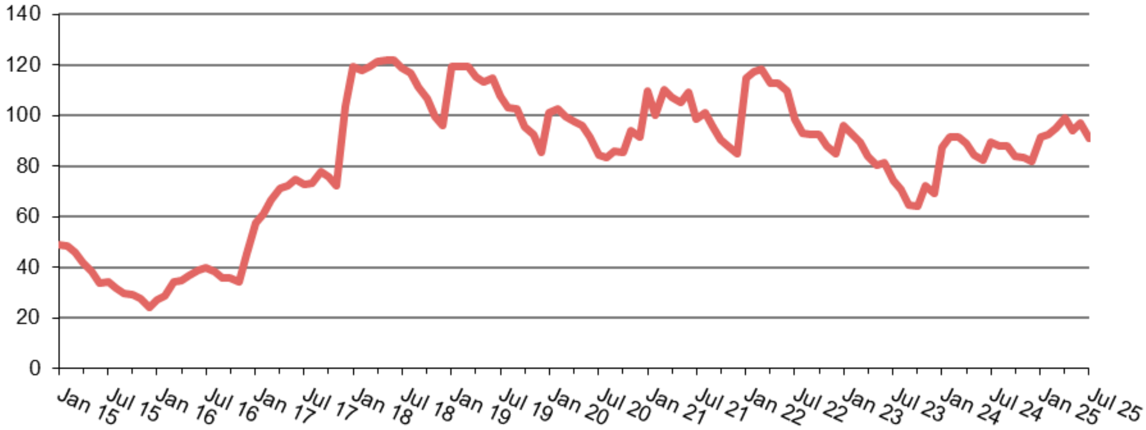


Source: Hungarian Central Statistical Office, Századvég, Remark: Seasonally and calendar adjusted indices.

In terms of stocks of contracts, the **stock of new contracts** in July 2025 was down both on a monthly (37.9%) and annual (48.9%) basis. The **month-on-month decrease** was driven by a 18.9% decline in the volume of new contracts for the construction of buildings and a 49.5% decline in the volume of new contracts for the construction of civil engineering works. The significant growth in the stock of new contracts caused **the stock of construction contracts at the end of July 2025** to decrease by 5.9% month on month and to increase by 1.9% year on year. Looking at cumulative stocks, the period January-July 2025 exceeded the period January-July 2024 by 1.9%.

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 (July 2025: 91.2) is high, ranking in the top third of values for the 2023-2024 period.

FIGURE 5: CHANGES IN MONTH-END CONSTRUCTION CONTRACTS (MONTHLY AVERAGE FOR 2021 = 100%)



Source: Hungarian Central Statistical Office, Századvég

2.3.4 Retail

In July, retail sales increased by 1.7%.

In July, retail sales increased by 1.7% year on year on both a raw and calendar-adjusted basis.

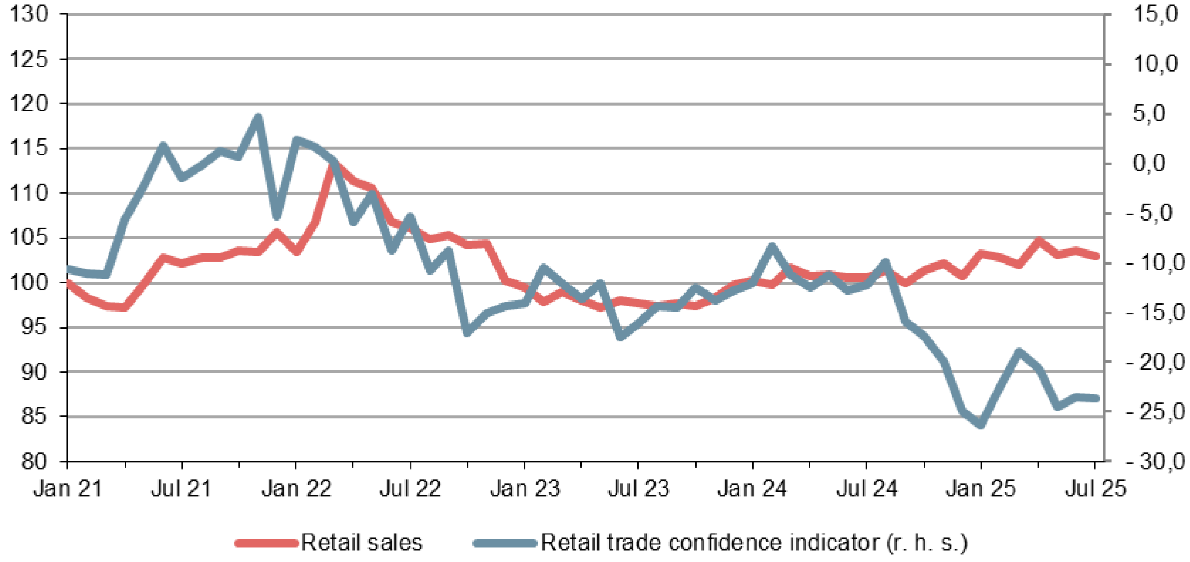
In July 2025, turnover in specialised and non-specialised food shops increased by 2.3%, and the turnover in non-food shops increased by 2.9%. In fuel retailing, sales fell by 2.4% year on year, in July.

In food retailing, sales volumes increased by 3.4% in non-specialised food and beverages shops, while the volume in specialised food, beverage and tobacco stores decreased by 1.2%.

In non-food retailing, the volume of mixed range of manufactured goods increased by 3.6%, 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 decreased by 0.5%, while turnover in second-hand goods decreased by 1.6%. The sales volume of computers and other specialised goods fell by 1.0%. Among the other categories, the 6.8% increase in the volume index of mail order and internet retailing, and the 13.0% increase in the turnover volume of cosmetics shops stand out.

Overall, the largest growth was observed in non-food retail trade, particularly in cosmetics shops, where volume increased by 13.0%. Other categories showed a more moderate increase.

FIGURE 6: 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 July, the unemployment rate was 4.4%.

In July 2025[1], according to the latest data of the Hungarian Central Statistical Office, the seasonally adjusted activity rate of the population aged 15-74 was 68.3% (4,895,800 employees), which is 30,100 less than in the same period of the previous year. The seasonally adjusted number of employees was 4,679,200, a decrease of 36,400 compared to the same period of the previous year. The number of the unemployed was 216,600, a year-on-year increase of 5,400. Based on August data, employment decreased by 1,400 month on month, unemployment increased by 4,300, and overall activity increased by 2,900 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, continues to apply to employees, but presents a different picture in the case of the unemployed. The decline in the working-age population between June and August was 65,100 from the same period in 2024. The number of employees decreased by 29,900 and the number of the inactive decreased by 36,600, while the number of the unemployed increased by 2,600. Rising unemployment suggests that the proportion of people leaving the labour market in August was lower than those who turned active from inactive.

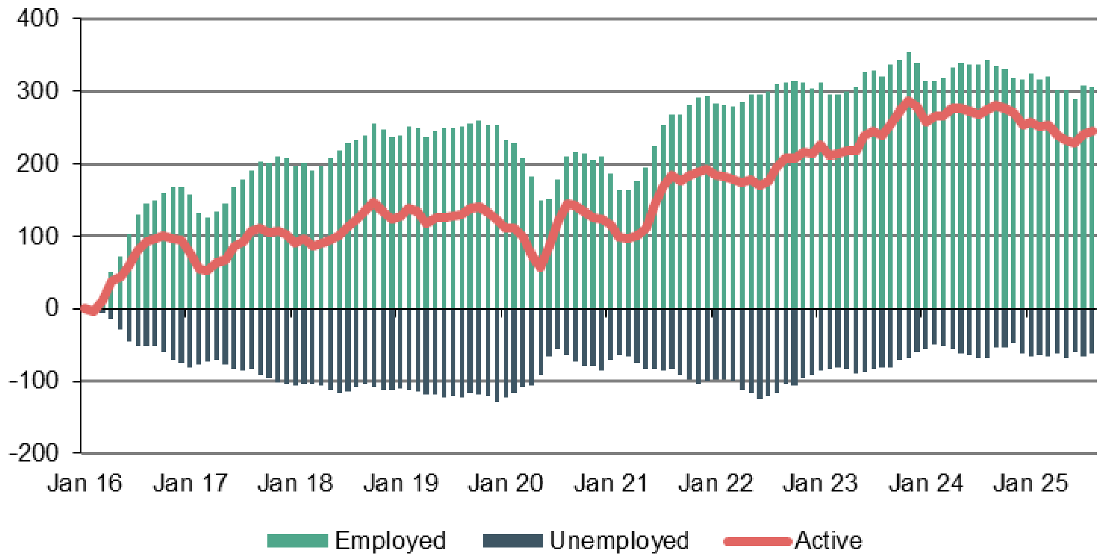
[1] Three-month moving average

Both the number of people aged 15-64 and the number of those in employment in this age group decreased compared to the same period last year, while the employment rate rose slightly, by 0.1 percentage points. The comparison to the previous period also shows an increase (0.1 percentage points), bringing the indicator to 75.4% for this age group. This phenomenon can be explained by the fact that the number of people aged 15-64 is declining at a faster rate than the number of people employed in this age group, meaning that the employment rate can increase even with fewer people in employment.

In July, the seasonally adjusted number of full-time employees rose by 8,800 compared to the same period last year and by 2,200 compared to June. Compared to July 2024, there were 6,800 fewer employees in the competitive sector and 3,200 more employees in the public sector. The number of people employed in the non-profit sector increased by 8,200 in one year. Compared to June, the number of employees increased slightly in the corporate, budgetary, and nonprofit sectors.

According to Eurostat's latest data from June, Hungary's unemployment rate of 4.3% was the ninth lowest among the 27 countries of the European Union. The EU average was 5.8% in the sixth month of the year.

FIGURE 7: CHANGES IN THE LABOUR MARKET (JANUARY 2016 = 0, THOUSAND EMPLOYEES)



Source: Hungarian Central Statistical Office, Századvég

Real earnings rose by 4.9% in July.

In July 2025, average gross earnings in the national economy were HUF 693,700, 9.0% higher than in the same period of the previous year. Median gross earnings were HUF 570,000, an increase of 9.6% in a year. Average net earnings rose by 9.6% and median net earnings by 10.7% compared with a year earlier, reaching HUF 484,200 and HUF 399,000, respectively. The purchasing power of earnings also continued to grow: real earnings rose by 4.9% while consumer prices rose by 4.3%.

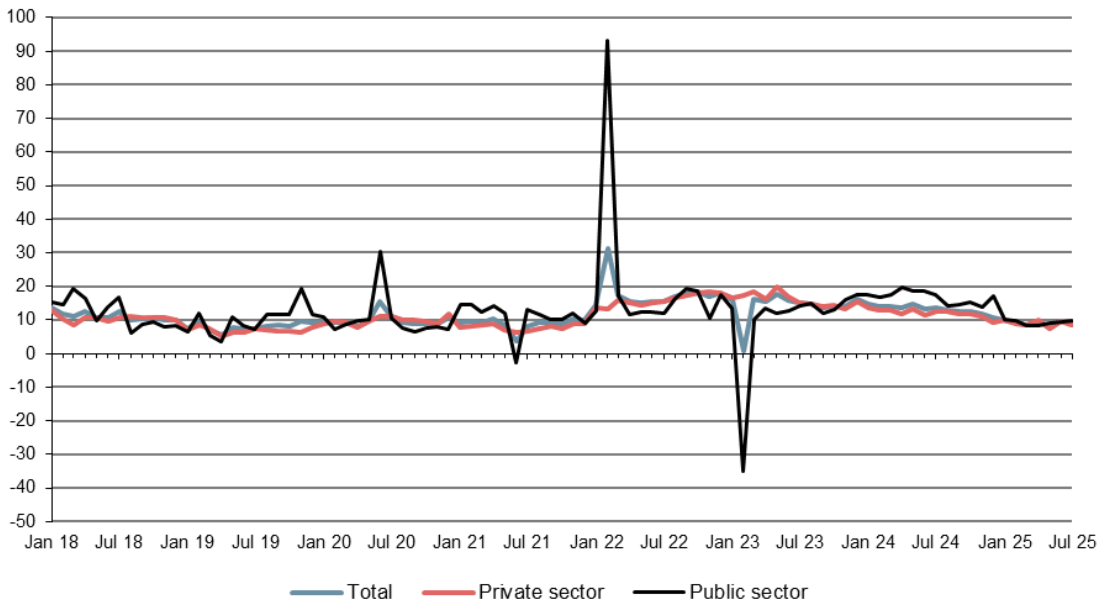
The dynamic growth in earnings continues to reflect the wage-increasing effect of the January increase in the minimum wage and the guaranteed minimum wage. At the same time, the faster growth of median values indicates that the median continues to converge towards the average value, which shows a reduction in income inequality. As this was more pronounced in net values, it suggests that the impact of the new family tax relief was greater among those earning below the average income.

In July, the increase in average gross earnings was 8.7% in the business sector, 10.1% in the public sector and 9.1% in the non-profit sector. At the same time, the highest average gross earnings were recorded in the non-profit sector, at HUF 709,600. The same figure was HUF 692,700 in the corporate sector and HUF 691,700 in the public sector.

Looking at the breakdown of average gross earnings of full-time employees by quintiles, it can be seen that both gross nominal earnings and real earnings increased in all five groups compared to the same period last year. The fourth quintile showed the highest increase in earnings: average gross earnings rose by 10.2% between January and July compared with the same period last year. Growth in the second and third quintiles also exceeded that of the fifth quintile, while growth in the first quintile approached that of the fifth quintile. This dynamic is explained mainly by the wage-increasing effect caused by labour shortage 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 8: CHANGES IN GROSS WAGES (ANNUAL CHANGE, %)



Remark: Seasonally and calendar-adjusted indices

Source: Hungarian Central Statistical Office, Századvég

2.4 External balance

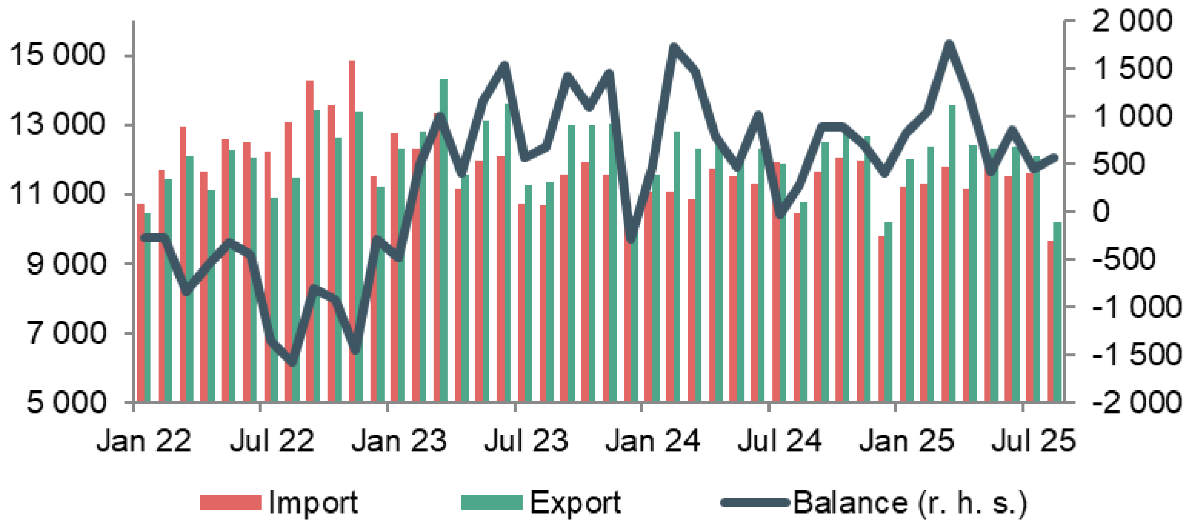
In August, the seasonally and working day-adjusted volume of exports exceeded July's figure by 0.7% while imports fell below July's figure by 1.1 %. Compared to data from a year earlier, export volume fell by 4.4% and import volume by 4.1%.

In August, the import volume of food products, beverages and tobacco decreased by 0.9%, and their export volume increased by 1.7% year on year. As for energy carriers, imports were 43.0% higher and exports were 14.0 % higher than in the same period of the previous year. As for processed products, imports decreased by 9.6%, and exports by 11.0% year on year. Exports of machinery and transport equipment fell by 4.4% and imports by 3.8 % compared to a year earlier.

The foreign trade surplus amounted to EUR 557 million in August.

According to estimates for August 2025, the value of exports and imports in EUR terms barely changed compared to the same period last year (by only EUR 1 billion and EUR 0.5 billion, respectively). The foreign trade surplus in goods amounted to EUR 557 million, which is EUR 263 million higher than a year earlier.

FIGURE 9: BALANCE OF FOREIGN TRADE IN GOODS (EUR MILLION)



Source: Hungarian Central Statistical Office, Századvég

2.5 Fiscal outlook

Tax revenues rose by 8.7% by the end of August, with VAT receipts increasing by 12.9%.

At the end of August 2025, the deficit of the general government subsector stood at HUF 3,025.5 billion. This was caused by a deficit of HUF 3,012.7 billion in the central budget and HUF 122.6 billion in social security funds, as well as a surplus of HUF 109.8 billion in extra-budgetary funds. In August, the monthly balance of the central subsystem showed a deficit of HUF 239.1 billion. This means that 63.4% of the cash deficit target of HUF 4,774.0 billion had been achieved.

Cumulative central subsystem revenue in the first eight months of 2025 was 7.1% higher, and central budget revenue were 7.1% higher than in the last year. Tax and contribution revenues of the central subsystem increased by 8.7%, higher than the general revenue level.

Payments by economic units increased by 3.6%, i.e. HUF 85.0 billion, compared to the end of August 2024. At the same time, within payments from economic units, corporate tax receipts, the most significant item, were 3.6% (HUF 27.2 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. The surtax on energy suppliers also fell by HUF 28.0 billion. Payments by economic units were still able to grow because, among other things, payments by financial organisations were HUF 43.8 billion higher than in the first eight months of 2024. (The increase was due to higher advance payments of the special tax and a higher extra profit tax on credit institutions.) Furthermore, tolls also showed an increase of HUF 20.1 billion.

Revenues from taxes on consumption increased by 9.7% (HUF 621.4 billion) compared to a year earlier. VAT receipts, the most significant item, were HUF 615.3 billion (12.9%) higher than in the previous year. Most of the increase in VAT receipts was due to a 6.5%, HUF 551.1 billion, increase in VAT payments. The other part of the increase is due to a decrease in VAT refunds. Excise tax revenue was HUF 29.6 billion (2.8%) less than in the first eight months of 2024. The fall is largely due to a reduction in excise duties on tobacco products, which is larger than the increase in excise duties on fuels. Revenue from financial transaction taxes was HUF 157.0 billion higher than in the previous year, thanks to tax rate increases in the second half of 2024 and the taxation of conversion transactions.

Personal income tax receipts increased by 9.4%, i.e. HUF 278.8 billion, compared to the figure at the end of August last year. Receipts from social contribution tax and social security tax increased by 9.5% (HUF 506.7 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.

In August, HUF 311.3 billion in funding arrived from the EU, meaning that cumulative revenue from EU programmes more than tripled in one month to HUF 436.8 billion. At the end of August, total revenue from EU programmes was HUF 500.1 billion, down HUF 173.6 billion from a year earlier. Expenditure on EU programmes amounted to HUF 1442.3 billion, an increase of HUF 356.0 billion compared to the end of August last year.

Thanks to dividend payments from MVM Zrt., Szerencsejáték Zrt. and Corvinus Zrt., payments related to state assets were HUF 383.5 billion higher at the end of August than at the end of August 2024.

In the first eight months of 2025, central government expenditure was 6.9% higher than in the previous year. Within this, central subsystem expenditure also increased by 6.9%.

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 9.0 billion compared to the previous year. Road network availability fees also increased by HUF 155.0 billion, while subsidies for public transport increased by HUF 26.7 billion.

Family benefits increased by HUF 10.3 billion, while housing benefits were HUF 2.8 billion lower than in the same period of the previous year.

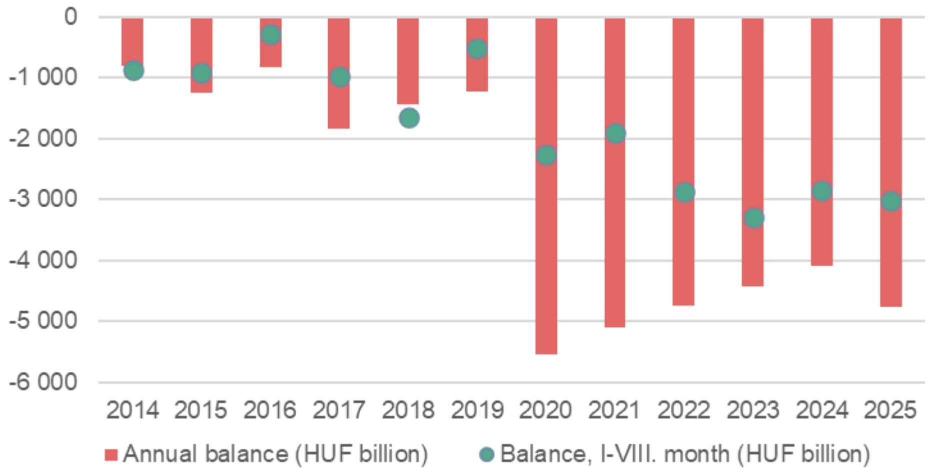
Expenditure on central budgetary institutions and chapter-administered appropriations was HUF 1,014.1 billion higher than in the first eight month of the previous year. This corresponds to an increase of 11.8%, while the Budget Act foresees a decrease of 6.5%.

Expenditure on public assets decreased by HUF 248.0 billion compared to the same period of the previous year, as expenditure related to the repurchase of Budapest Liszt Ferenc Airport continued in the first half of 2024.

By the end of August 2025, pensions amounted to HUF 4,497.6 billion, an increase of 5% (HUF 215.8 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 3,283.3 billion, an increase of HUF 276.7 billion, i.e. 9.2%, 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 10.5% (HUF 188.0 billion).

Interest expenses rose to HUF 2,928.3 billion, resulting in a balance of interest expenses and income that was HUF 579.7 billion (27.4%) more negative than at the end of the first eight months of 2024.

FIGURE 10: CENTRAL SUBSYSTEM BALANCE, 2014–2025 (AUGUST CUMULATIVE BALANCE, HUF BILLION)



Source: Hungarian State Treasury

2.6 Monetary developments

2.6.1 Consumer prices

Consumer prices rose by an average of 4.3% in August.

In August 2025, consumer prices increased by 4.3% 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 11.0% and 7.3%, respectively. Food prices rose by 5.9% compared to the same period of the previous year. Consumer prices did not change in a month. The seasonally adjusted core inflation rate was 3.9% on the same period last year.

A larger share of the 5.9% average increase in food prices was due to a 28.9% rise in fresh domestic and fruit prices, a 19.9% rise in egg prices and a 18.5% rise in the price of coffee at shops. Chocolate and cocoa prices rose by 18.3%, fruit and vegetable prices and prices other confectionery products and fruit and vegetable juices increased by 13.6%, all of which were above 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 29.5%, pork fat prices by 25.2% flour prices by 11.6% and sugar prices by 10.0%. The rise in excise duties at the beginning of the year played a significant role in the average inflation rate of 7.3% for alcoholic beverages and tobacco. Within the product group, tobacco and wine prices saw a significant increase of 8.5% and 8.3%, respectively, and there were no price decreases in this category.

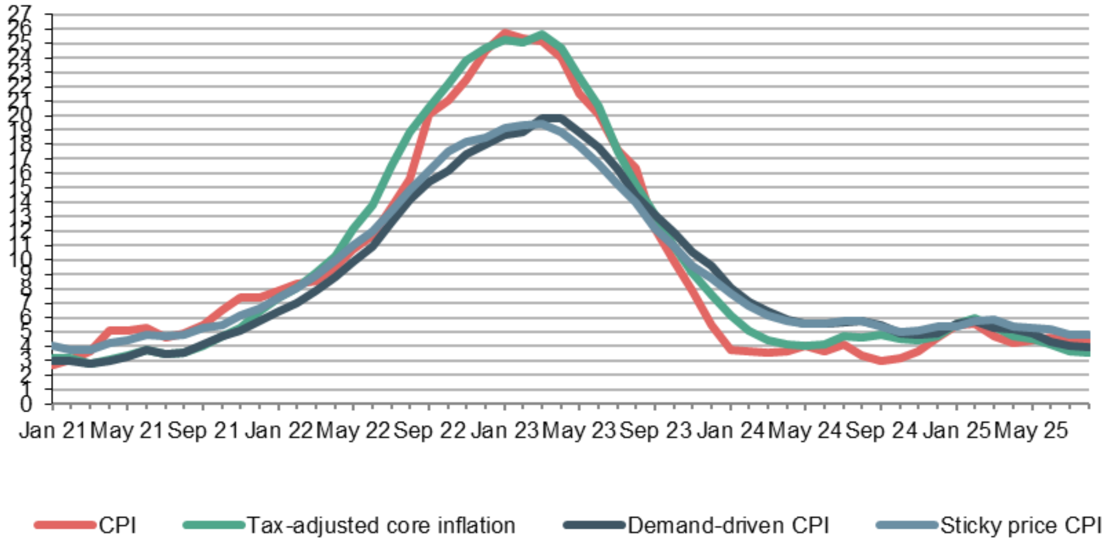
The average annual increase in consumer durable goods of 2.1% in July was followed by an average increase of 2.4% in August. If we look at the main group in more detail, we can see that the price of kitchen and other furniture increased by 6.3% and jewellery by 22.2%, which is above average. Inflation in consumer durable goods was boosted by a 5.2% rise in the price of living and dining-room furniture and a 4.4% rise in the price of videos and tape recorders. It is also important to note the positive trend in the television market, where prices were 4.2% lower in August compared to the same period last year.

The average increase in household energy prices was 11.0% in August 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 20.7% for coal, 15.9% for briquettes and coke and 7.8% for firewood. In addition, the price of natural and manufactured gas rose by 23.2% and the price of electricity by 2.0%.

In August, the price of services rose by an average of 5.4%, with theatre tickets contributing to this increase by 11.3% and repairs of major household appliances by 10.7%. 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 10.2% compared to the previous year. Prices of household services and other public entertainment increased by 10.1% and 10.0%, 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, a 0.8% decrease in TV fees and a 1.1% decrease in the rates for transport of goods. 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 remained unchanged. Within the total consumer basket, food prices were unchanged from the previous month. Prices of services rose by 0.5%, while the price of electricity, gas and other fuels did not change compared with the previous month. The price of other products and fuels fell by 0.7% from July.

FIGURE 11: THE EVOLUTION OF INFLATION (ANNUAL CHANGE IN PERCENTAGE)



Source: MNB, Századvég

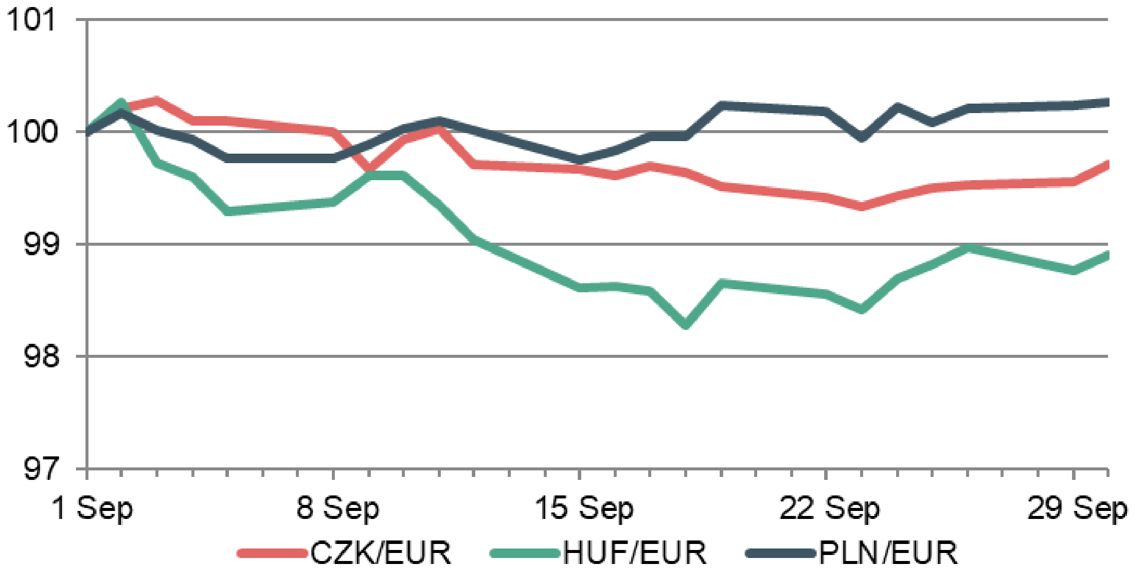
Among the core inflation indicators published by the MNB, the core inflation rate net of indirect taxes was 3.6%, the core inflation rate excluding processed food was 3.9% and the sticky price inflation rate was 4.8% in the eighth of the year. The core inflation rate, 0.7 percentage point lower than total inflation, shows that goods with faster-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.

In September, regional currencies performed mixed against the euro: the Czech koruna strengthened by 0.66%, and the Polish zloty weakened by 0.04%. Government bond yields rose to varying degrees during the period under review: the Czech 10-year government bond yield rose by 22 basis points to stand at 4.53%, and the Polish 10-year yield rose by 2.8 basis points to stand at 5.48%.

FIGURE 12: CHANGES IN EXCHANGE RATES IN THE REGION (BASELINE VALUE = 100%)



Source: Refinitiv, Századvég

In September, the Hungarian currency strengthened against the euro, the Swiss franc and the dollar.

Hungarian money and foreign exchange market indicators have strengthened over the past month. The HUF strengthened by 1.5% against the Euro, by 1.6% against the Swiss franc, and by 2.2% against the US dollar. This means that at the end of September 2025, 1 euro was worth 391 forints, 1 US dollar was worth 332 forints and 1 Swiss franc was worth 417 forints. From the previous month, sovereign debt held by foreigners decreased by HUF 274 billion to HUF 6,829 billion by the end of September.

2.6.3 Base rate

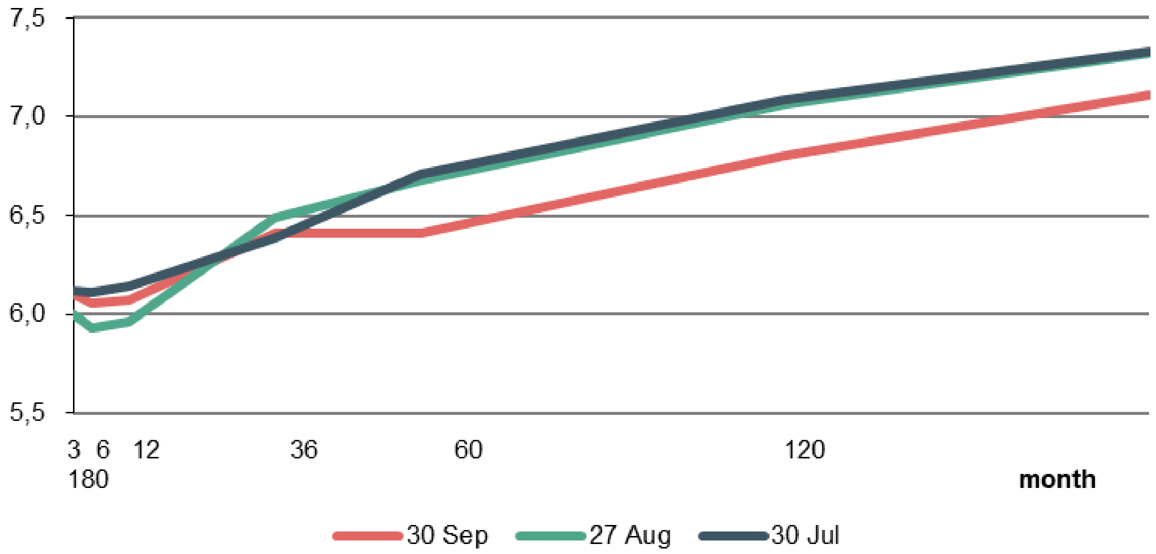
At its September meeting, the central bank's Monetary Council kept the base rate at 6.5%.

At its September meeting, the Monetary Council of the central bank left monetary conditions unchanged from September 2024, leaving the base rate to currently stand 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. Annual inflation did not increase during the month, but the August figure of 4.3% is still well above the MNB's inflation target of 3%. In addition, inflation risks remain significant, owing to, among other things, strong price dynamics in market services, rising global food prices, and uncertain developments in commodity prices. International money and commodity markets continue to be dominated by geopolitical uncertainties and trade tensions, which justify a cautious, tight monetary policy. In the view of the Monetary Council, maintaining current interest rates is essential to anchor inflation expectations, maintain positive real interest rates and thereby sustain 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 10 basis points and 13 basis points on the secondary yield curve in September. This means that the 3-month yield was 6.10%, the 6-month yield was 6.06% and the 1-year yield was 6.07% on 30 September. The 3-year yield fell by 8 basis points to 6.41%. Over the past month, a 27 basis point decline could be observed over the 5-year period. Yields are down 26 basis points over the 10-year horizon and 21 basis points over the 15-year horizon compared to the previous month. These three yields changed, therefore, to 6.41%, 6.80%, and 7.11%, respectively.

FIGURE 13: CHANGES IN THE HUF YIELD CURVE (%)



Source: GDMA, Századvég

On 15 September 2025, the total value of "MÁP Plusz" government securities held by retail investors was HUF 817.04 billion after a HUF 6.14 billion decrease from the HUF 823.28 billion level in the previous month. In addition, the cumulative value of PMÁP (Prémium Magyar Állampapír, or Premium Hungarian Government Bond) securities was HUF 4,102.60 billion, while the cumulative value of the "Bónusz" Hungarian Government Bonds was HUF 2,454.74 billion. Treasury Savings Bills amounted to HUF 598.25 billion and FixMÁP to HUF 2,907.94 billion. Funds held in "Baby" Bonds amounted to HUF 464.73 billion and funds held in Printed MÁP Plus amounted to HUF 94.56 billion. The retail stock of FixMÁP increased by HUF 75.59 billion and that of BMÁP by HUF 68.87 billion compared to the previous month. Significant decreases are observed in the PMÁP (HUF 107.84 billion).

The total stock of government securities held by retail investors stood at HUF 11,424.94 billion at the end of August 2025, up from HUF 11,309.95 billion at the beginning of 2025, meaning that people held HUF 162.06 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 changed by 0.15 percentage point to 31.3% in August, which is above the range (maximum 30%) specified in the financing plan for 2025 of GDMA. Over the past 12 months, the foreign currency debt ratio averaged 30.3%; the foreign currency ratio in August was slightly higher than this figure.

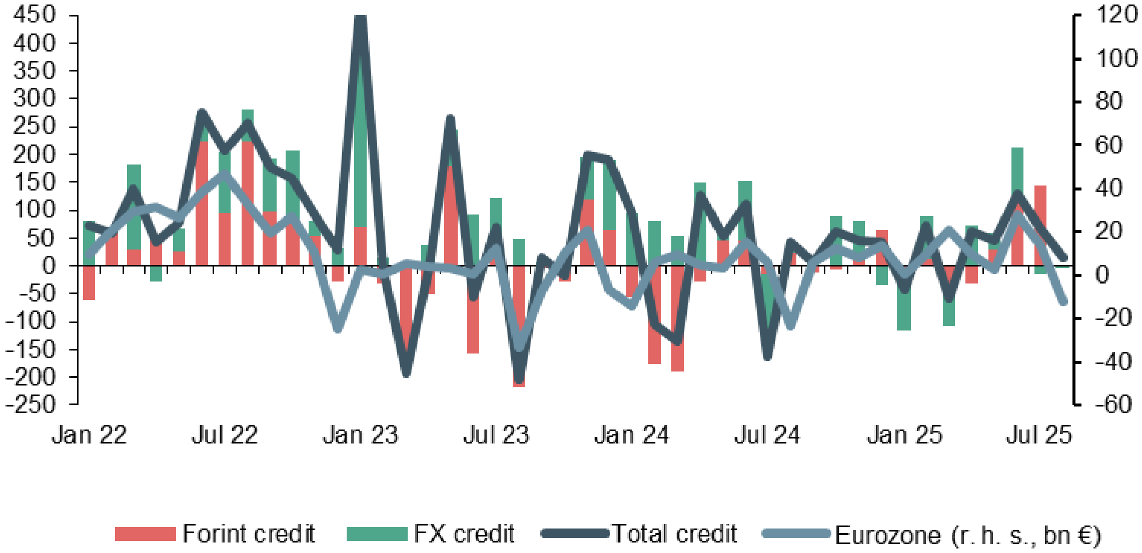
Hungary's sovereign debt rating has remained stable in the investment grade category of all three major international credit rating agencies, after no rating agency recently changed its assessment. On 6 June 2025, Fitch Ratings affirmed Hungary's sovereign debt rating at "BBB" with a stable outlook.[2] Moody's Investors Service affirmed Hungary's sovereign debt rating of "Baa2" on 30 May 2025, but left the outlook negative.[3] 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.

Based on seasonally adjusted data, Hungarian companies took out HUF 1.9 billion in forint loans in August 2025. The trend in foreign currency loans was the opposite, falling by HUF 3.4 billion compared to the previous month. During the period under review, total borrowing amounted to HUF 15.0 billion. Loans to companies in the euro area fell significantly in the eighth month of the year, by EUR 12,366 million.

FIGURE 14: CORPORATE BORROWING (HUF BILLION)



Source: MNB, ECB, Századvég

[2] https://www.fitchratings.com/research/sovereigns/fitch-affirms-hungary-at-bbb-outlook-stable-06-06-2025
[3] https://www.portfolio.hu/gazdasag/20250530/megjott-a-moodys-friss-itelete-magyarorszagrol-764949

3. MACROECONOMIC FORECAST

Századvég Konjunktúrakutató estimates that the Hungarian economy could grow by 0.8% in 2025, followed by 2.7% in 2026 and then 2.3% in 2027. Consumption continues to support economic growth, but stronger external conditions are essential to achieve a sustainable growth path in the long term.

3.1 Inflation

As regards the external environment, European inflation reached 2.0% in Q3 2025 and may decline further next year. The European Central Bank forecasts that the euro area inflation rate will be 2.1% in 2025, 1.7% in 2026, and 1.9% in 2027. In line with these inflation expectations, the European Central Bank left the refinancing rate unchanged in September after its June decision, and it remains at 2.15%. Favourable external inflation trends should keep external inflationary pressures in Hungary contained.

The price of Brent crude oil fluctuated wildly after the outbreak of the conflict between Israel and Iran, demonstrating that oil prices are highly dependent on global geopolitical developments. In our current forecast, we have again assumed a downward trend in oil prices, ranging between USD 70 and USD 66.

In Hungary, changes in the prices of food and services contributed most to inflationary dynamics in the first half of the year. High inflation remained typical for these two product groups in Q3, but, in July and August, household energy prices also jumped (which is difficult to estimate due to regulated prices), thus contributing to inflation dynamics exceeding 4% despite the small weight of this product group in the consumer basket. Domestic inflation trends are rather characterised by downside risks. Extending price caps until the end of November could moderate the rate of price increases this year. If the measure is extended beyond November, inflation may decline and the rate of monetary depreciation in Hungary may return to the central bank's target range. The strength of the forint may also contribute to more favourable inflation dynamics than the baseline path through a reduction in imported inflation.

Factoring in global and Hungarian trends, Hungarian inflation could be 4.7% in 2025, 3.8% in 2026, and 3.5% in 2027. We expect that inflation in Hungary could fall to around 3% by the end of 2027. Domestic inflation trends determine the central bank's room for manoeuvre this year: despite interest rate cuts by major central banks, the current strict communication policy of the Hungarian central bank suggests that the base rate is likely to remain at 6.5% until the end of the year. Carry trade, which exploits interest rate differentials, may thus continue to support the strength of the forint. We expect interest-rate cuts in Q1 next year at the earliest.

3.2 GDP

Seasonally and calendar-adjusted and balanced data show that Q2 2025 GDP was 0.2% higher on an annual basis and 0.4% on a quarterly basis. In the first half of 2025, GDP stagnated in raw data terms and showed a 0.1% decline in terms of seasonally and calendar-adjusted data. We expect that the Hungarian economy will expand by 0.8% in 2025, 2.7% in 2026 and 2.3% in 2027.

Based on developments in the first half of the year, Hungarian economic growth will be powered mainly by rising consumption in 2025. Our calculations indicate that consumption may increase by 4.1% this year and 4.2% next year. Consumption growth can mainly be attributed to real wage growth, the government's economic action plan, the increasingly widespread personal income tax exemption for mothers, and the increase in the amount of the family tax benefit, all of which increase the disposable income of households.

Investments fell by 11.6% in Q1 compared to the same period last year. In Q2, investments rose by 0.4% year on year. The reasons for the weak investment performance are mainly to be found in the lack of business confidence resulting from the unpredictable international environment and the weak economic outlook in Europe. We expect a modest increase in investments during the remainder of the year. We expect investment to shrink by an overall 2.1% in 2025, followed by growth of 6.3% in 2026 and 3.6% in 2027. In addition to base effects, the capitalisation of large investments and the government's factory construction programme may also play a role in the strengthening of investments.

Hungarian exports could grow by 0.7% in 2025. Looking at the dynamics during the year, we expect exports to pick up rather in the last quarter of the year. Hungarian exports could grow by 5.1% and 5.4% respectively over the next two years, but this is conditional on external demand picking up. Exports growth may be boosted by lower uncertainty thanks to the customs agreement and the expected upturn in the German economy. Hungary's imports may rise by 3.3% this year, by 6.2% next year and then by 5.9% in 2027, mainly supported by consumption growth. In addition to consumption, the import demand for exports is also high, so we expect net exports to negatively affect economic growth in 2025, which may slowly turn positive again by 2027.

3.3 Labour market

The labour market continues to prove resilient in the face of negative external factors, with an employment rate of 65.1% in Q2 2025, down 0.1 percentage points from the same period last year. In addition, the unemployment rate rose by 0.2 percentage points to 4.5%.

The trends behind the key figures have remained stable over the past year and a half to two years, with economic activity and employment rates continuing to grow, while unemployment remains at around 4%, which is considered economically healthy. The decline of the economically active population is a recurring issue every quarter, but a closer look at the data reveals that the working-age population has declined faster than usual in the last two quarters, which is a characteristic feature of the Hungarian age structure.

In addition to the trends, it is also worth mentioning the unique factors that dominated Q2 2025. In the first half of the year, agriculture was hit by the contagious foot-and-mouth disease virus, the effects of which are also reflected in lower employment figures. This year's cool, variable summer weather already had an impact in June, which may explain the decline in the accommodation and catering sector.

2025 could see strategic changes for sustainable labour market growth come to the fore again: the government's goal is to reach an activity rate of 85% among 15-64 year olds in Hungary by 2030 (it reached 78.6% in 2024). This requires helping current jobseekers into the labour market, as well as identifying the potential labour reserves in the inactive population and helping them into work through the right labour market action plan. Labour market developments are positively influenced by the relevant points of the New Economic Policy Action Plan announced at the end of last year, such as the three-year wage agreement, the increase in the family tax benefit and the exemption of mothers from paying personal income tax. We expect unemployment to start falling over the next two years (2025: 4.3%, 2026: 3.4%), while gross wages are forecast to rise by 9.2% in 2025 and 7.1% in 2026.

3.4 Government budget

In the 2025 fiscal year, the most significant tax revenue items (VAT, personal income tax, social security contributions, and social contribution tax) will perform as expected, with the exception of the corporate tax and excise duty, where a shortfall is expected. Revenues from the EU were significantly lower during the year than the government had planned. On the expenditure side, the expenditures of budgetary bodies exceeded government expectations to the greatest extent, followed by interest expenditures and the over-performance of expenditures in the state investment chapter in terms of amount. In an interview with Reuters in early September, Minister of National Economy Márton Nagy said that the budget deficit could reach 4.5% of GDP, but that the government's main objective of continuously reducing the deficit would not be jeopardised by this amendment. Our forecast is quite similar to the communication from the minister, projecting a deficit of 4.6%. The increase in spending by budgetary bodies and uncertainties surrounding the receipt of EU funds remain the primary risk factors for increasing the deficit. Budget deficit consolidation will continue in 2026, with a deficit-to-GDP ratio of 4.0% expected next year.

In line with the MNB's forecast, the slower growth, the higher cash deficit and local government deficits mean that we do not see the reduction in the ratio of government debt to GDP (2024: 73.5%) as achievable this year, only next year. Government debt is expected to rise to 73.7% of GDP at the end of 2025 and then to decline to 73.0% of GDP in 2026.

4. SZÁZADVÉG'S FORECAST[4]

TABLE 1: Q3 2025 FORECAST

	2024	2025	2026
Gross domestic product (volume index)	0.5	0.8	2.7
Household final consumption expenditure (volume index)	5.1	4.1	4.2
Gross fixed capital formation (volume index)	-6.4	-2.1	6.3
Export volume index (based on national accounts)	-3.0	0.7	5.1
Import volume index (based on national accounts)	-4.0	3.3	6.2
Balance of international trade in goods (EUR billion)	1.4	-0.2	0.0
Consumer price index (%)	3.7	4.7	3.8
Central bank base interest rate at the end of the period (%)	6.5	6.5	5.5
Unemployment rate (%)	4.5	4.3	3.4
Current account balance as a percentage of GDP	2.2	1.1	1.0
Net lending as a percentage of the GDP	2.6	1.5	1.3
ESA balance of public finances as a percentage of GDP	-4.9	-4.6	-4.0
Sovereign debt as a percentage of GDP	73.5	73.7	73.0

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: 23 September 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.

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