



MANUFACTURING BUSINESS SENTIMENT

CURRENT STATUS AND SHORT-TERM
PROSPECTS OF MANUFACTURING FIRMS
2025 second quarter





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The publication is based on the aggregated data of the quarterly manufacturing business sentiment test of KOPINT-TÁRKI and the information derived from the data.

Economic sentiment surveys are used in dozens of countries to quickly assess the economic situation and outlook. The pioneer – and one of the most important developers, supporters and popularizers – of the application of this method is the IFO Institute in Munich. Since 1953, the Centre for International Research on Economic Tendency Surveys (CIRET, <http://www.ciret.org/>), whose Secretariat has been part of the IFO for a long time and is now attached to KOF ETH (Zurich), has been involved in coordinating national work (<http://www.kof.ethz.ch/>). Among indicators of cyclical activity, indicators from business tendency surveys for business cycles are published by the OECD and the EU. The OECD publishes key results in its monthly Main Economic Indicators and EUROSTAT electronically in its public online database.

The tool of economic sentiment surveying is an easy, quick questionnaire for managers of business organizations. The questions relate to the company's situation, the state of the economy and the development of certain cyclical factors: production, order, stocks, and demand. The aggregation of responses indicating the most indicative trends allows a quantified assessment of the economic situation. The advantage of the economic sentiment survey is that, based on its results, changes in economic trends can be predicted quite reliably if information is collected regularly.

KOPINT-DATORG has used this method to measure manufacturing industry activity in Hungary since 1987. Since the fall of communism, several organizations have been collecting information in this way. However, KOPINT-TÁRKI, which has been conducting the economic sentiment survey since March 2007 as the legal successor of the research department of Kopint-Datorg, is currently the only company that has been surveying corporate managers for their opinion quarterly for 32 years, with a prognosis for the next six months.

SUMMARY

The manufacturing barometer fell to 49 points in the second quarter, indicating the continuation of slow erosion since January 2024. The dissatisfaction of companies is mostly related to their current situation, which has been below 50 points for three quarters now. The outlook indicator also showed a significant decline, from 57 to 51 points. This decline indicates that the hoped-for positive turnaround, such as the stabilisation of trade relations between the US and the EU, did not result in a significant increase in the number of orders. Despite this, companies in a good position do not expect a deterioration, which shows that there is a relatively well-performing segment of the domestic manufacturing industry.

The confidence index also decreased, from 52 points to 49 points, which is a change within the margin of error, but clearly shows a stagnant trend. The most noticeable change is the resumption of the increase in the level of finished goods inventories, which indicates that the expected positive turn has not been achieved. Companies have become more cautious, and inventory levels are not as high as a year earlier. The production forecast has also fallen from 55 to 51 points, but 51 points still indicates expansion. In the longer term, however, the trend is clearly deteriorating, although the production outlook index was last below 50 points two years ago.

Half of the companies surveyed reported low order backlogs, which is considered very low. Domestic and export stocks also indicate a decline in the near future. Although companies expect stagnation domestically, they expect a clear increase in exports, but this will probably only be noticeable next year.

Lack of demand continues to be the biggest obstacle to production, especially in the domestic market. The proportion of those complaining about the economic environment is also on the rise, rising significantly from 20% to 33% in a year. The companies mainly mention domestic problems, such as high prices due to the unfavorable weather at the beginning of the year, which food processors cannot pass on. More than two-thirds of the Hungarian manufacturing industry consists of micro and small enterprises, where the owners' livelihood problems also affect the company, which leads to a weakening of the willingness to invest. This economic sociological factor is not negligible, as it can also be felt at the level of the national economy.

Confidence in the Hungarian economy has improved slightly among manufacturing companies, but remains extremely unfavourable. The outlook score is just 39 points, which is a slight positive shift in the negative spiral that has been going on for 14 quarters. The indicator reflects the subjective feeling of companies, and a growth of around 3% expected next year could pull it out of the bottom. However, the index assessing the current state of the domestic economy reacts much more slowly to changes. Domestic companies are hoping for a growth impulse primarily from foreign markets, as they are currently less expecting a recovery from domestic sources and expect only limited orders from other sectors.



RESULTS

Methodology

In July 2025, 100 companies and company managers invited to participate in the survey completed the quarterly economic sentiment test of KO-PINT-TÁRKI. Two unique indicators are used to present test results. One is saldo, which is the difference between the ratio of positive (increasing, high, good) and negative (decreasing, low, bad) responses according to their content. The other is the positive saldo [=50+(saldo/2)], which is identical in content to the saldo, but its value is not between -100 and +100, but between 0 and 100, so its representation is more graphic. In the case of a positive saldo, the unchanged is represented by the value 50. From the time series of saldos and positive saldos, the state of the economy and the tendencies of economic processes are usually inferred. (The smoothed trends in some analysis charts are based on surveys from 1992 to 2024, not from the shorter time series shown in the figures.)

Indicators

Saldo = [favorable answers, %] - [unfavorable answers, %]

Positive saldo = (saldo/2)+50

Example

How your company considers its
current situation? Distribution

Good 25%

Medium 60%

Bad 15%

Total 100%

Saldo = 25% - 15% = 10 points

Positive saldo = (10/2) + 50 = 5 + 50 = 55 points

The survey was conducted in July 2025.

In the current survey, with a confidence level of 95%, the margin of error is +/- 10 points for the barometer and confidence index.

MANUFACTURING BUSINESS SENTIMENT INDICATOR

The slow erosion of the economy continues, and companies are increasingly dissatisfied with their current situation.

The outlook has also deteriorated significantly, as the expected favorable turnaround has not materialized and the order backlog has not changed significantly.

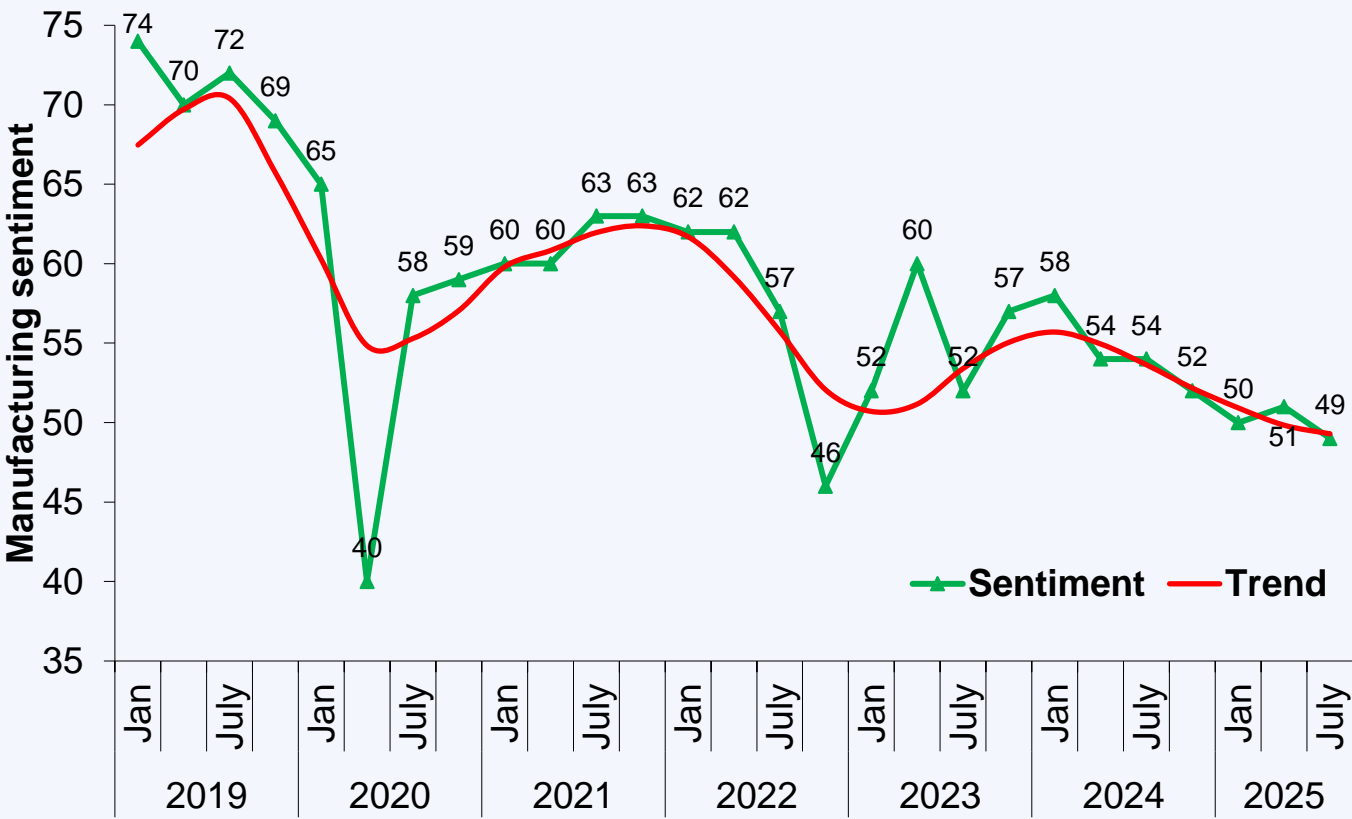
Although still within the margin of error, the manufacturing barometer fell below 50 points to 49 points in the second quarter. This continued the slow erosion trend that has been ongoing since January 2024.

Companies remain dissatisfied with their current situation, and here too we can observe a longer trend, as the index of current situation assessment has been below 50 points for three quarters (47 points in July).

The outlook indicator fell sharply in one quarter, from 57 points to 51 points. However, this did not break the trend, as the previous quarter was considered extremely optimistic. There may be many reasons behind this, but such minor upturns followed by rapid reversals primarily indicate that the expected favorable turnaround did not occur. This could be because trade relations between the US and the EU seemed to be settling down at the beginning of the summer, and companies now have a somewhat clearer picture, but the order backlog has not changed significantly as a result.

The positive news is that companies currently in a good position do not expect the situation to deteriorate, which means that there is a segment of the domestic manufacturing industry where companies are feeling relatively comfortable.

MANUFACTURING BUSINESS SENTIMENT 2025 Q2



MANUFACTURING CONFIDENCE INDEX

Manufacturing companies waited in vain for a positive turnaround

The manufacturing confidence index stood at 49 points in the summer, and in this case too, we saw a rapid rebound from 52 points in the previous quarter. The change is within the margin of error, but we can see a clear stagnating, slightly upward trend.

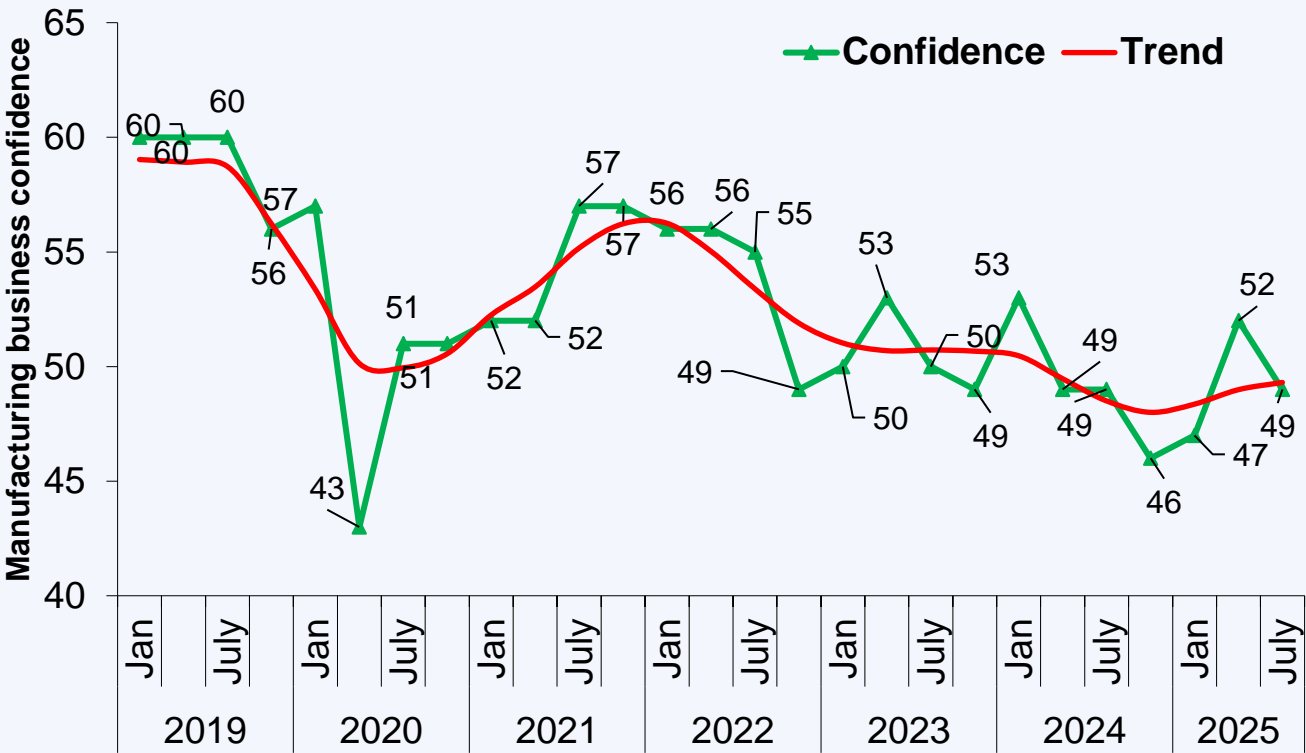
There has been only one significant change in the components of the indicator, namely that the level of finished product stocks has started to rise again, and the shift is beyond the margin of error. This process also suggests that the expected positive turnaround, for which companies have started to build up stocks, has not yet materialized. Based on our survey, inventory levels are not yet considered too high, meaning that companies have become much more cautious compared to levels a year ago.

Companies continue to report low order volumes

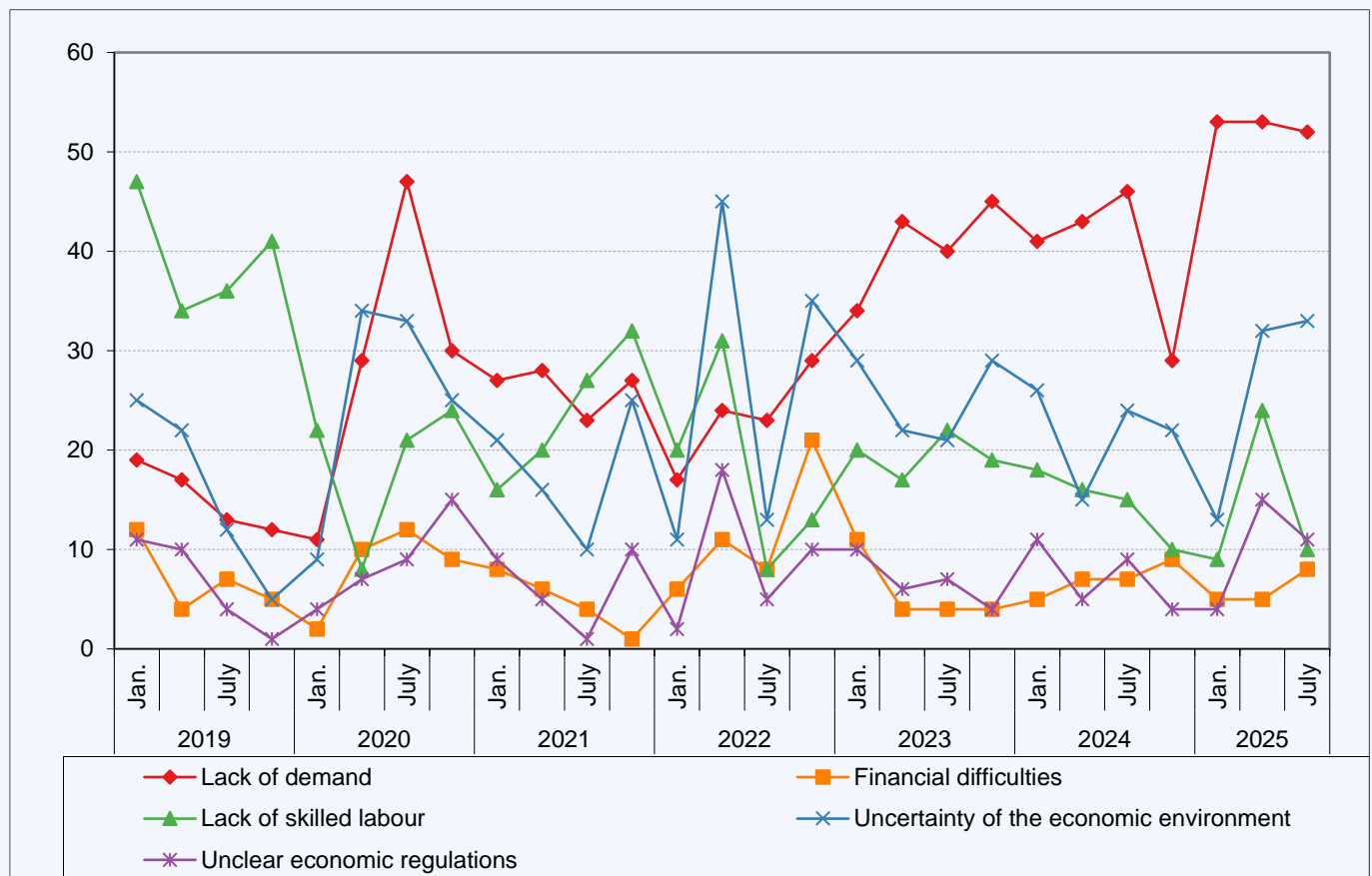
The production forecast also fell back to 51 points from 55 points in the previous quarter. The trend is therefore somewhat hectic, but in the longer term it clearly shows a downward trend, although 51 points still indicates expansion. Incidentally, the last time the production outlook index was below 50 points (48) was two years ago.

Half of the companies reported low order books, resulting in a balance of 42 points, which is considered very low. The current domestic balance is 33 points and the export balance is 44 points, meaning that a decline in sales is expected in the short term in all respects. Companies expect stagnation domestically, but clear growth in exports, although this will only be noticeable next year.

MANUFACTURING CONFIDENCE INDEX 2025 Q2



FACTORS HAMPERING PRODUCTION 2025Q2



FACTORS HAMPERING PRODUCTION

In the summer of 2025, the biggest factor hindering production will continue to be lack of demand, which more than half of the companies surveyed complained about. This mainly concerns domestic demand, while foreign demand was mentioned by slightly fewer respondents.

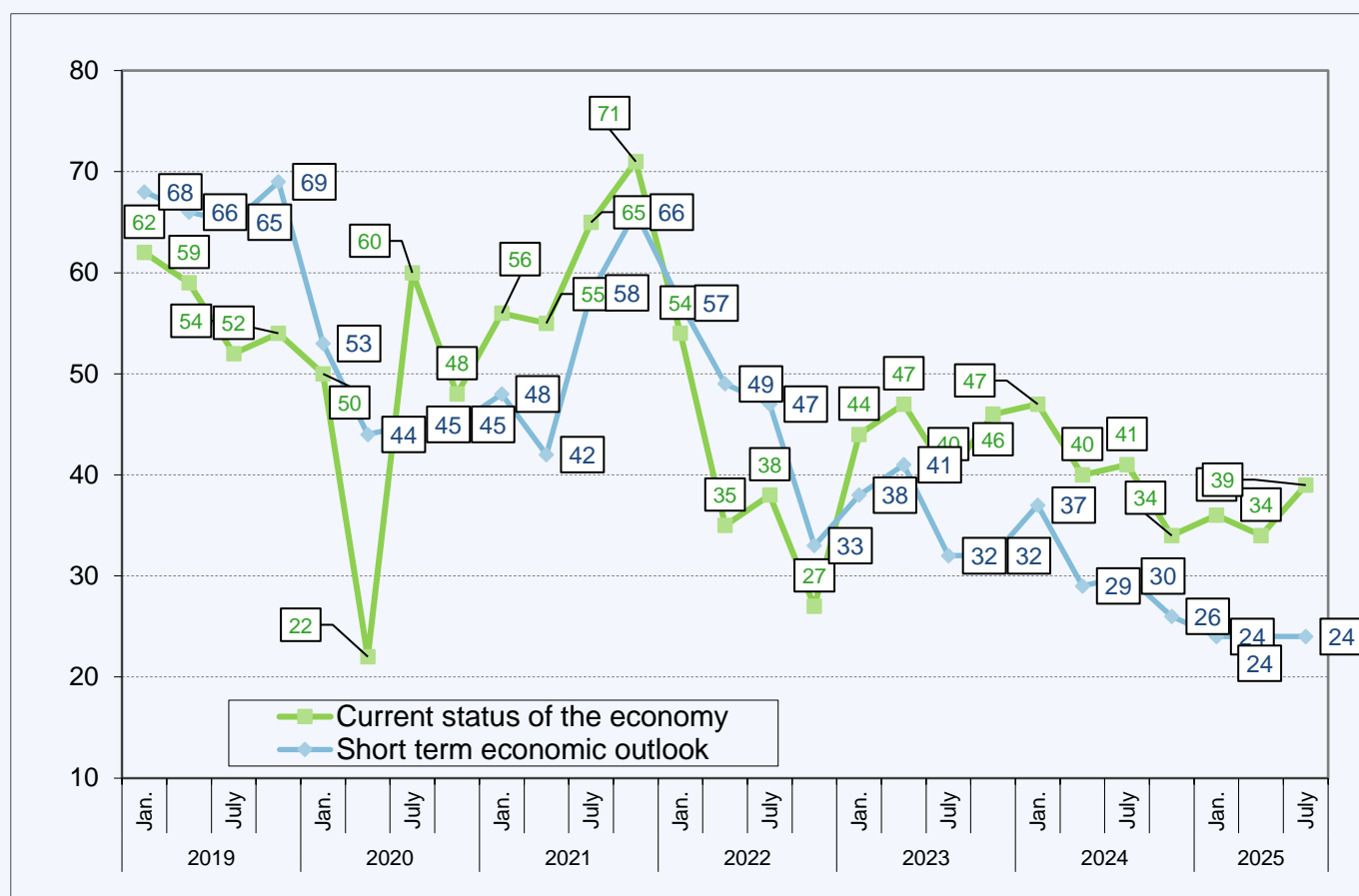
The proportion of those complaining about the economic environment is clearly on the rise again, reaching 33% this quarter, compared to less than 20% a year earlier. A third of respondents therefore consider the external environment to be a risk. The responses indicate that companies are primarily complaining about domestic problems, with many mentioning that the unfavorable weather at the beginning of the year pushed up wholesale prices and food processors are unable to pass this on to retail chains and consumers, and are therefore forced to limit production.

Micro-enterprise owners project their own livelihood problems onto the company, which is not a new phenomenon in itself, but to this extent it was previously only typical during crises. This economic and sociological factor cannot be ignored, as more than two-thirds of the domestic manufacturing industry consists of micro and small enterprises, and the decline in investment appetite, although certainly low in volume for individual companies, is noticeable at the national economic level as a whole.

Dissatisfaction with the economic environment has also increased dramatically.

Micro-enterprise owners project their own livelihood concerns onto their companies, which causes a decline in investment appetite, and this is also felt at the national economic level.

SITUATION AND OUTLOOK FOR THE HUNGARIAN ECONOMY IN THE 6 MONTHS FOLLOWING THE SURVEY



OUTLOOK FOR THE HUNGARIAN ECONOMY

The negative spiral has been going on for more than three years now.

There has been a slight but positive change within the margin of error in the confidence of manufacturing companies in the Hungarian economy. However, the overall picture is still very unfavorable, as the outlook score is only 39 points, compared to 34 points in the previous quarter. This means that the negative spiral has now lasted for 14 quarters, or about three and a half years.

At present, there are no signs of a turnaround in Hungary that could reverse confidence in the economy, even in the medium term. At the same time, it should be noted that this indicator reflects the subjective feelings of companies, which are extremely sensitive, so even the 3% growth expected next year due to the base effect could easily lift the indicator from its current low.

Instead of an upturn from internal sources, businesses are primarily hoping for growth impulses from foreign markets.

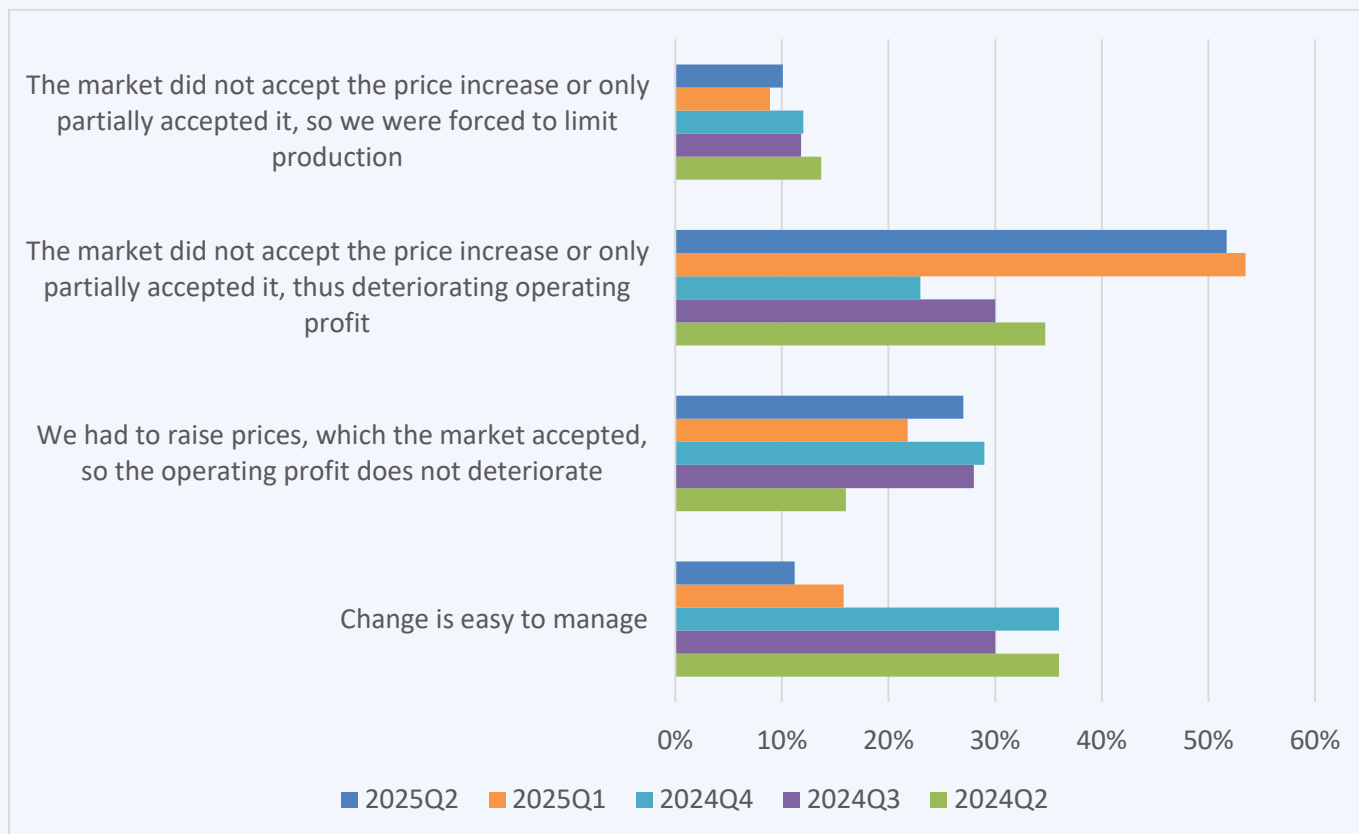
The same is true for the index assessing the current situation of the domestic economy, which has been at a low point for three quarters now. However, this indicator reacts much more slowly to changes, so even in a period of recovery, it is expected to react only slowly, and even then it is not certain that it will be able to move towards 50 points.

Domestic businesses can probably expect growth momentum primarily from abroad, but the extent of this is also much smaller than before. The manufacturing industry is currently less likely to experience an upturn fueled by internal sources, and it can only expect a limited number of orders from other sectors.

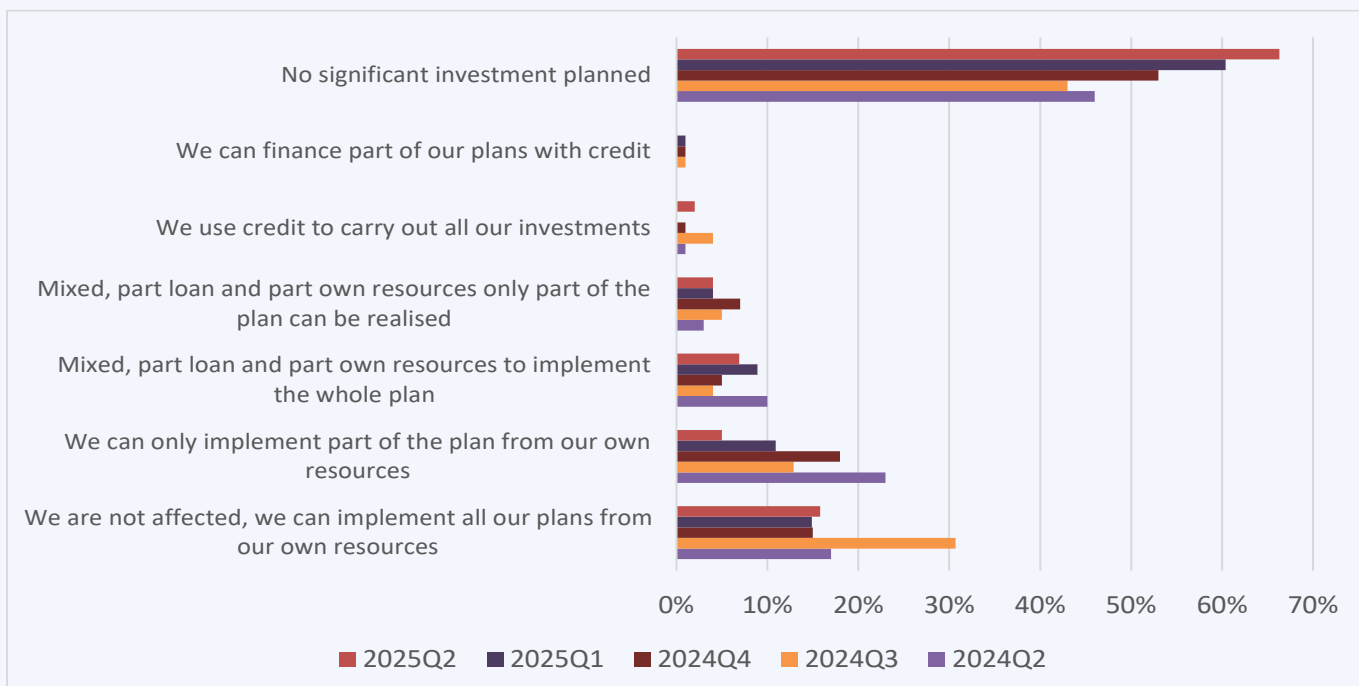
ACTUALITIES

Every quarter, we supplement our business survey with current economic issues. The questions remain in the test as long as they have significant explanatory power for the development of Hungarian manufacturing production. The topics are therefore ad hoc and cannot be used to create a long time series.

HOW DOES THE RISE OF INPUT PRICES AFFECT THE COMPANY'S PROFITABILITY?

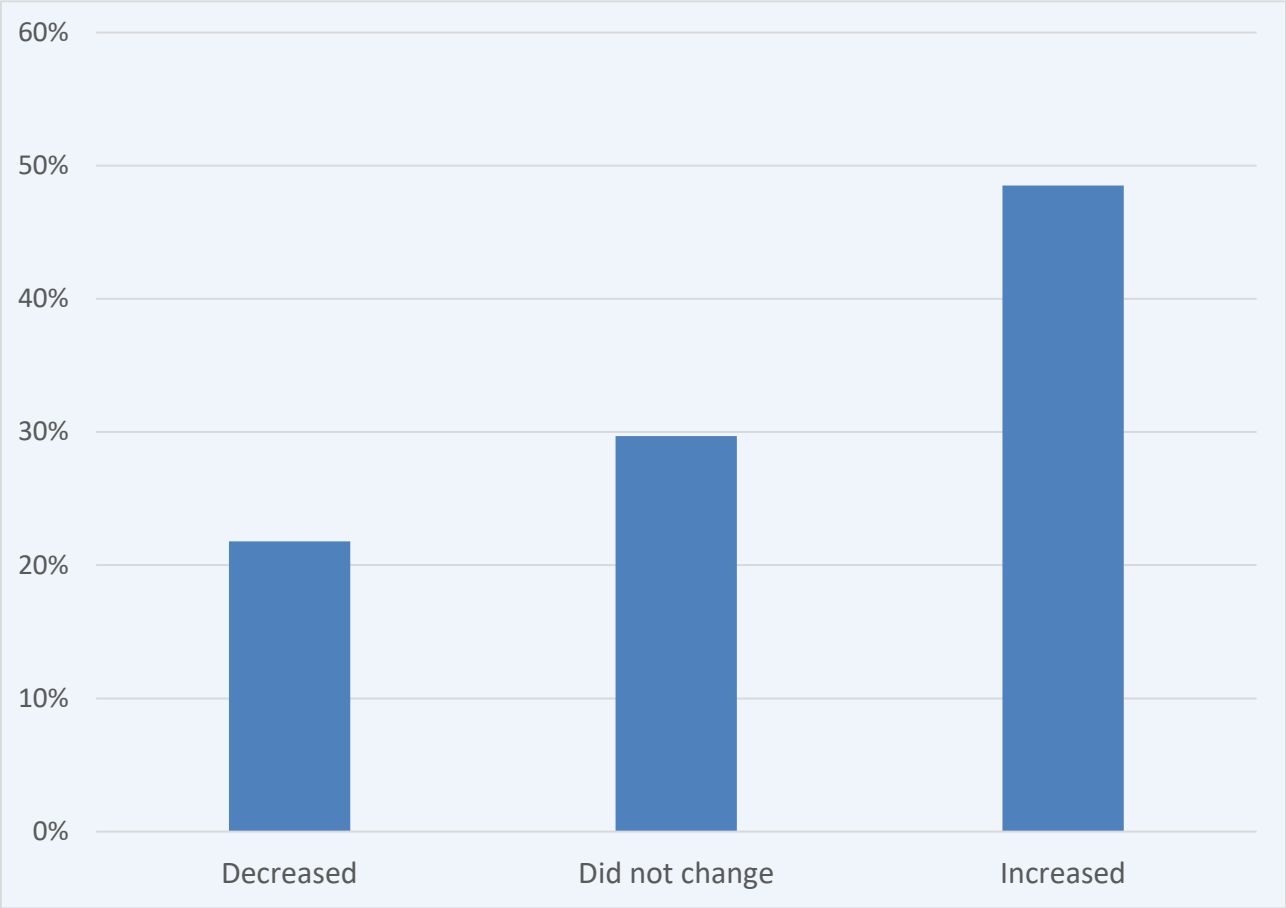


HOW DOES THE CURRENT BUSINESS ENVIRONMENT AFFECT YOUR INVESTMENTS?





HOW DID YOUR FIRM’S PRODUCTIVITY CHANGED IN THE PAST 5 YEARS?







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