

KOPINT-TÁRKI
INSTITUTE FOR ECONOMIC RESEARCH



MANUFACTURING BUSINESS SENTIMENT

CURRENT STATUS AND SHORT-TERM
PROSPECTS OF MANUFACTURING FIRMS

2025 fourth 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 33 years, with a prognosis for the next six months.

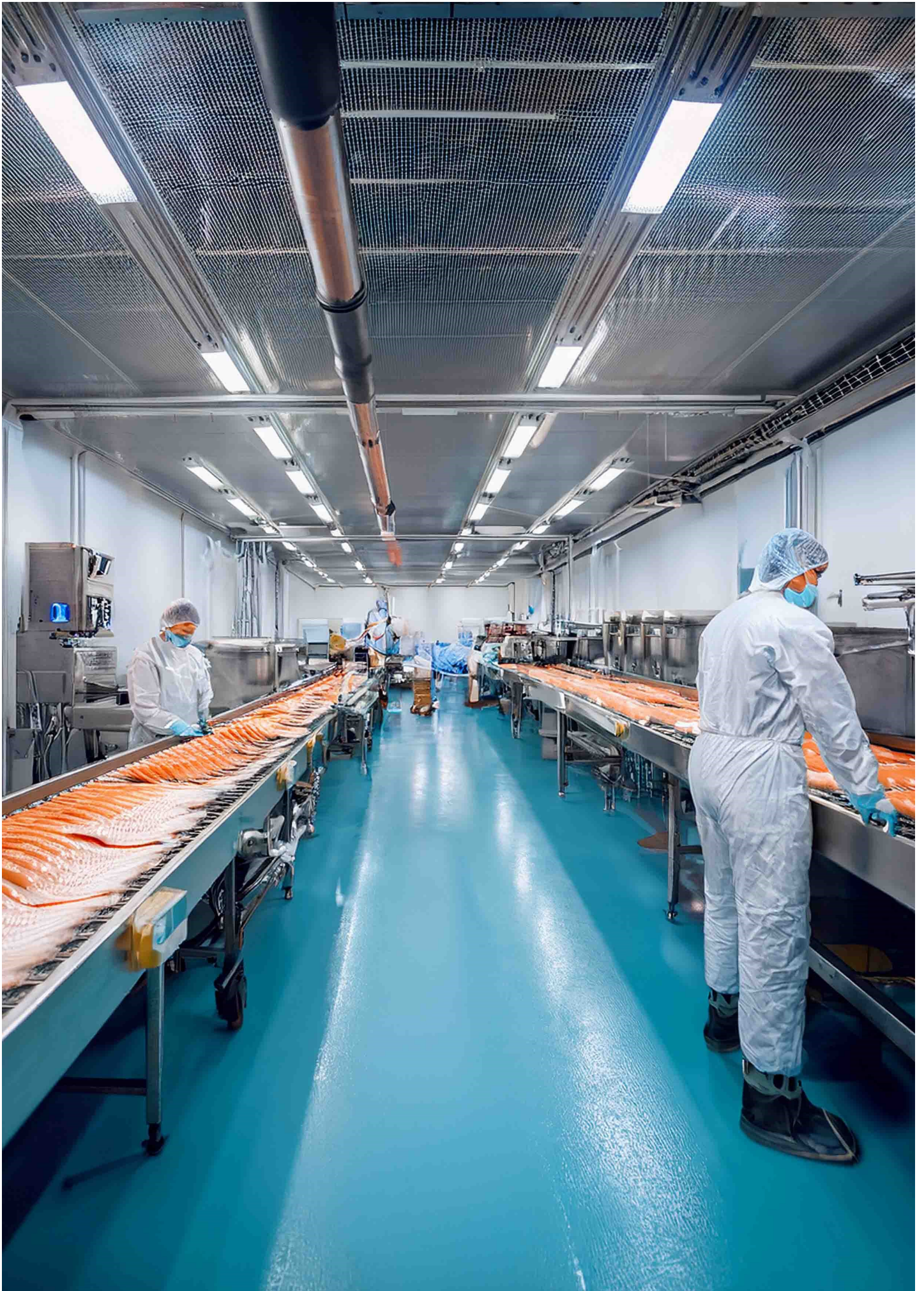
SUMMARY

Based on the results of the manufacturing industry business cycle survey conducted in the fourth quarter of 2025, the Hungarian manufacturing industry continues to stagnate. The barometer has been hovering around 50 points for more than a year now, and in the last quarter, the indicator improved only slightly, within the margin of error. Half of the companies currently feel they are in a moderate situation, and only a quarter of them consider their own situation to be good. There is no significant difference in terms of size and sales market (domestic or export). The subjective outlook index is also stagnating, with two-thirds of companies expecting no change in the next six months, and although the same number expect improvement as deterioration, this indicates that uncertainty remains. Companies producing only for the domestic market are more pessimistic than exporters, meaning that exporters have passed on the growth momentum to domestic suppliers.

The confidence index shows a similar picture: it has been close to stagnation for nearly a year, with a current value of 51 points, while the adjusted trend remains at 49 points. The indicator is based on objective factors, such as order backlog, production forecasts, and finished product inventories. Although most companies have low inventory levels, which could be favorable in the event of a potential upturn in demand, capacity utilization remains low at only 68%. At the same time, production prospects have improved, with the average for the previous quarters rising from 50 points to 57 points. The increase in stock of orders is almost exclusively linked to export markets, while domestic orders are clearly low, with an index of only 37 points. This has divided the market: large exporting companies are already seeing the first signs of growth, while small companies, especially those with fewer than 20 employees, are still struggling to survive.

Among the factors hindering production, lack of demand continues to dominate, affecting half of respondents and persisting for a year now. Capacity utilization is below normal levels, and there is significant excess capacity in the system, mainly among companies producing for the domestic market. Capacity utilization among exporters is 69%, while among non-exporters it is only 66%. In addition, there has been an increase in the proportion of those who consider unclear economic regulations and an unpredictable economic policy environment to be obstacles. The economic policy direction does not allow companies to develop long-term strategies and investment plans. Rising consumer prices and restrictions on producer prices are further reducing profitability, and the survey was conducted before the oil price explosion that followed the events in Iran, which is expected to further increase uncertainty.

At the same time, the assessment of the Hungarian economy shows a slight improvement. The index currently stands at 30 points, its highest level since the summer of 2024, ending a year-long period of near-rock-bottom levels. However, the improvement is partly due to unfavorable developments: the manufacturing sector has shrunk significantly over the past four years, with 40,000 companies operating in the sector in January 2022 and only 36,000 in December 2025. The assessment of the outlook is slowly approaching the 50-point level, which indicates no change, and although the majority still consider the economic outlook to be poor, their proportion is steadily declining.



MANUFACTURING BUSINESS SENTIMENT INDICATOR

The manufacturing industry has been stagnating for over a year, and most companies are merely vegetating.

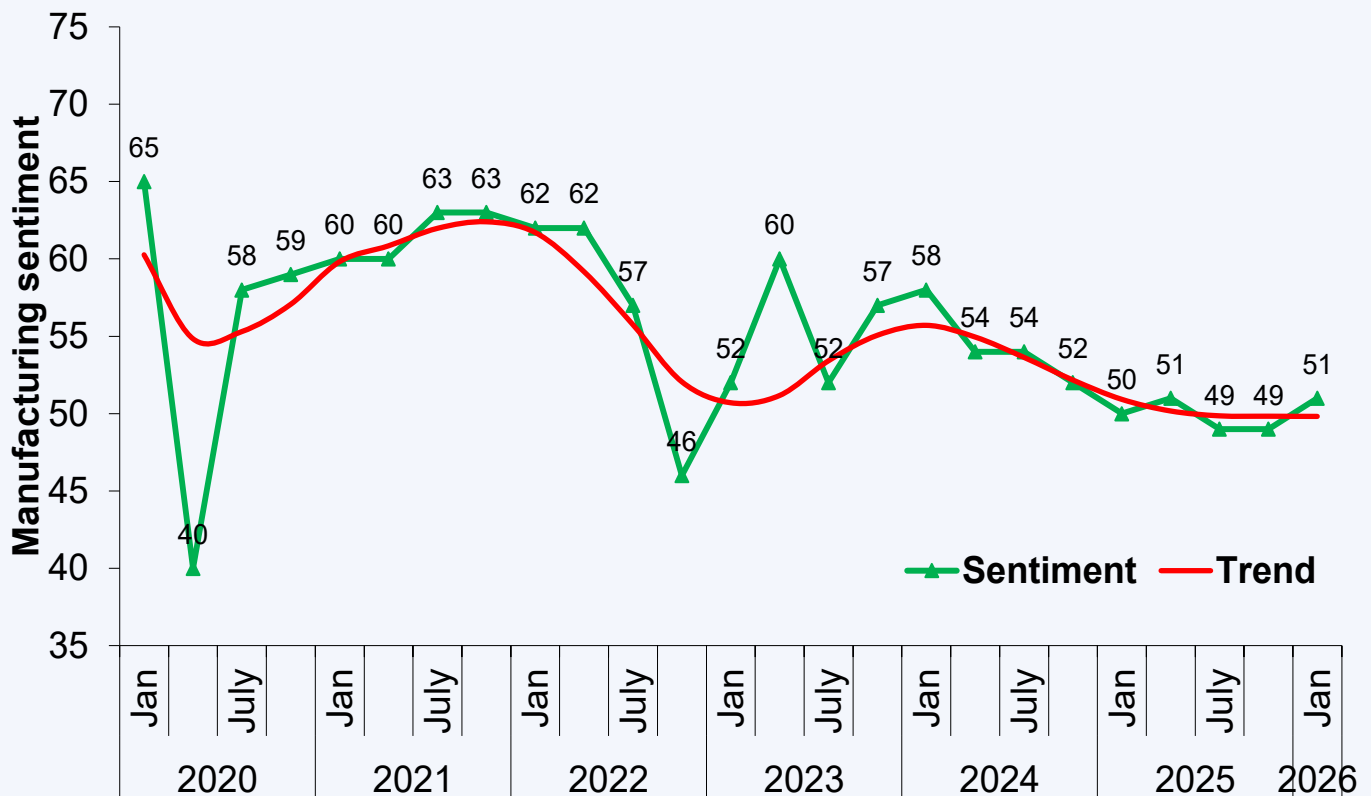
The manufacturing barometer has been stagnating around 50 points for more than a year, with only a slight improvement in the last quarter within the margin of error. Exactly half of the companies surveyed currently feel that they are in a "moderate" state, while the other half believe that the current situation is either good or bad. In other words, only a quarter of companies in the manufacturing sector can say that they are in a good position. There is no statistically significant correlation between company size and current situation assessment, nor is there any difference between respondents in terms of their main sales market (domestic or export).

There may be a turnaround, but most companies are still reluctant to believe it.

The subjective outlook index also shows stagnation, but here the proportion of those who do not expect any change in the next six months is higher, as three-quarters of companies in the sector believe that their situation will not change in either a positive or negative direction. Here, too, we found no difference in the responses based on size; the same proportion of companies are confident of an upturn in the next six months as are confident of a downturn, but the vast majority do not expect any significant change. There is a small but noticeable difference between exporters and domestic companies. Companies that only produce for the domestic market see their future as worse than those that also export.

The fact that the same number of companies expect improvement as further deterioration means stagnation in terms of the index, but it could also be a sign of change in the sector. It is unlikely that asymmetric effects will prevail (very good for one segment, very bad for another), but rather that companies are likely to sense potential change (in any direction) but do not yet believe it.

MANUFACTURING BUSINESS SENTIMENT 2025 Q4



MANUFACTURING CONFIDENCE INDEX

Companies are very confident about the improvement, but there is no sign of change in the stock of orders yet.

Similar to the business cycle barometer, the confidence index has been stagnating for nearly a year. Here, too, we can only speak of a shift within the margin of error. Although the index stands at 51 points, the adjusted trend remains at 49 points, and it is unlikely that this will change significantly in the next quarter.

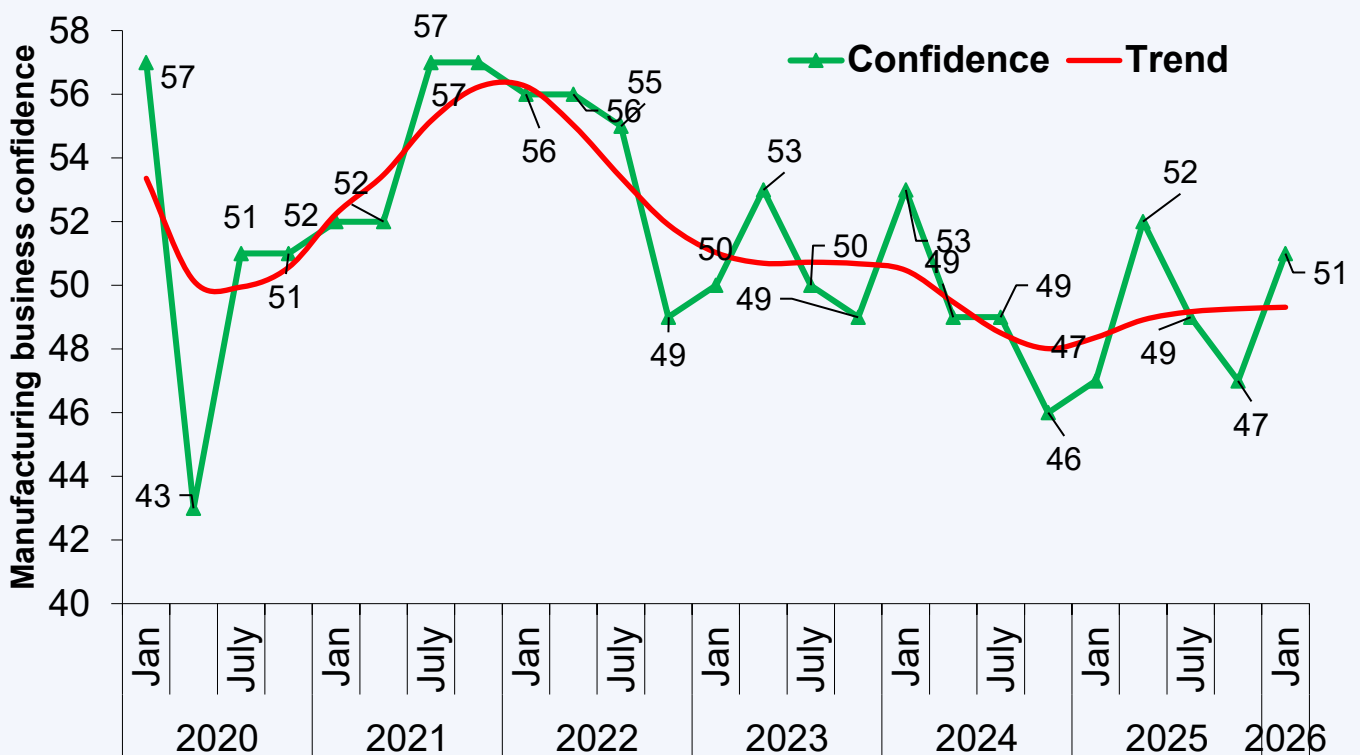
Unlike the barometer, this indicator is based on objective economic indicators such as stock of orders, production forecasts, and final product inventories. In the latter case, it can be said that most companies have low finished product inventories, which has a positive effect on future prospects, as rising demand will inevitably induce production. However, as capacity utilization remains low (68%), the measured inventory level should be considered a negative factor. It is welcome news, however, that production prospects have clearly improved from an average of 50 points in previous quarters to 57 points.

A two-faced sector: the big players can already see the first signs of hope, but the small ones are still fighting for survival.

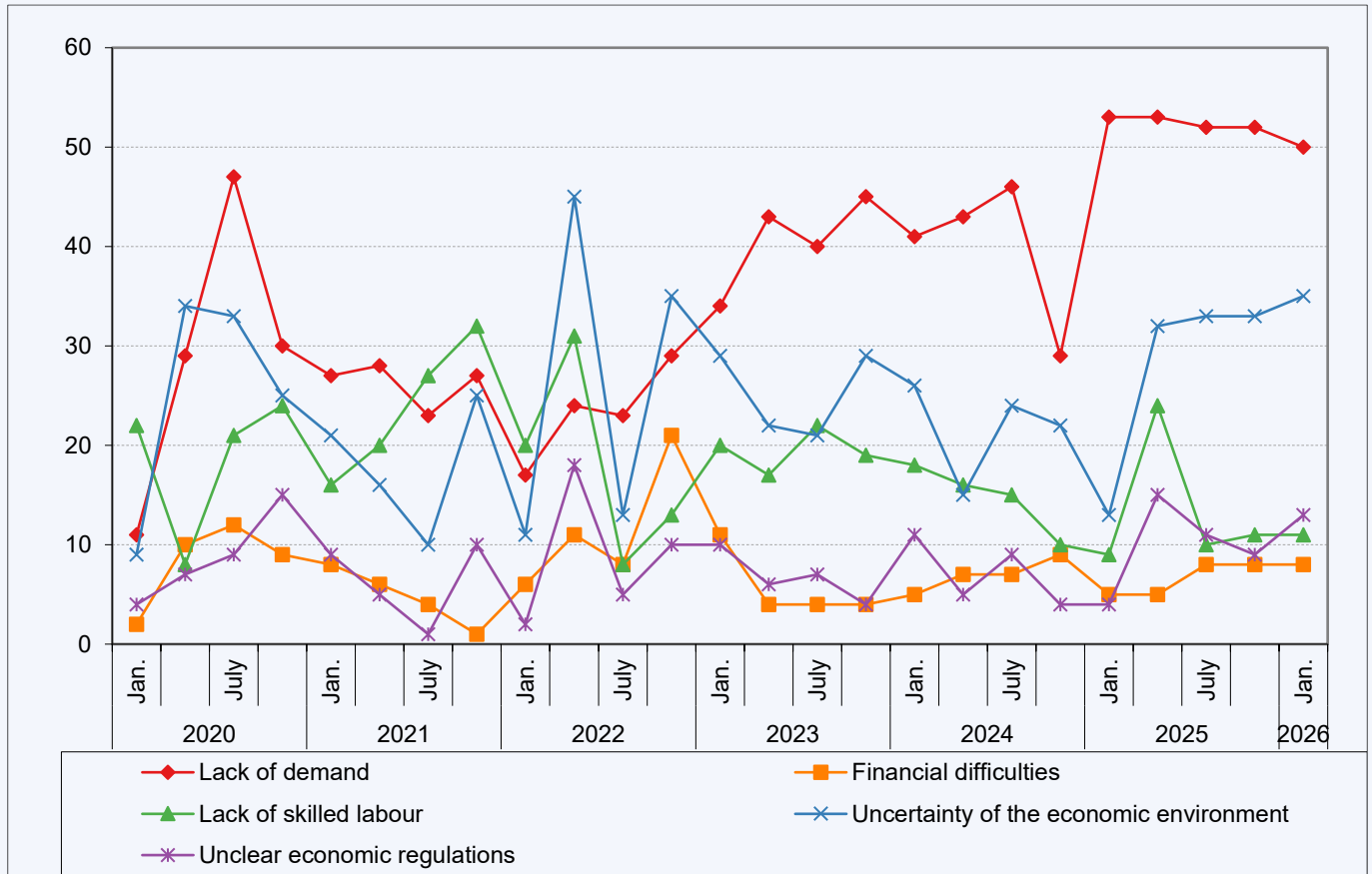
This is almost exclusively due to export markets, as this is the only area where an increase in orders is expected. Domestic orders are clearly low, with a balance of only 37 points, and this is largely concentrated among large companies, while small companies are clearly facing a drying up of the domestic market.

As a result, the market has become asymmetrical, with some hope for growth perhaps emerging for large companies with export markets, while for small companies, especially those with fewer than 20 employees, short-term survival may remain the only goal. The latter may find hope in the fact that large companies' domestic production consumption will spill over to small companies, but this will definitely take time, although it could happen as early as this year.

MANUFACTURING CONFIDENCE INDEX 2025 Q4



FACTORS HAMPERING PRODUCTION 2025 Q4



FACTORS HAMPERING PRODUCTION

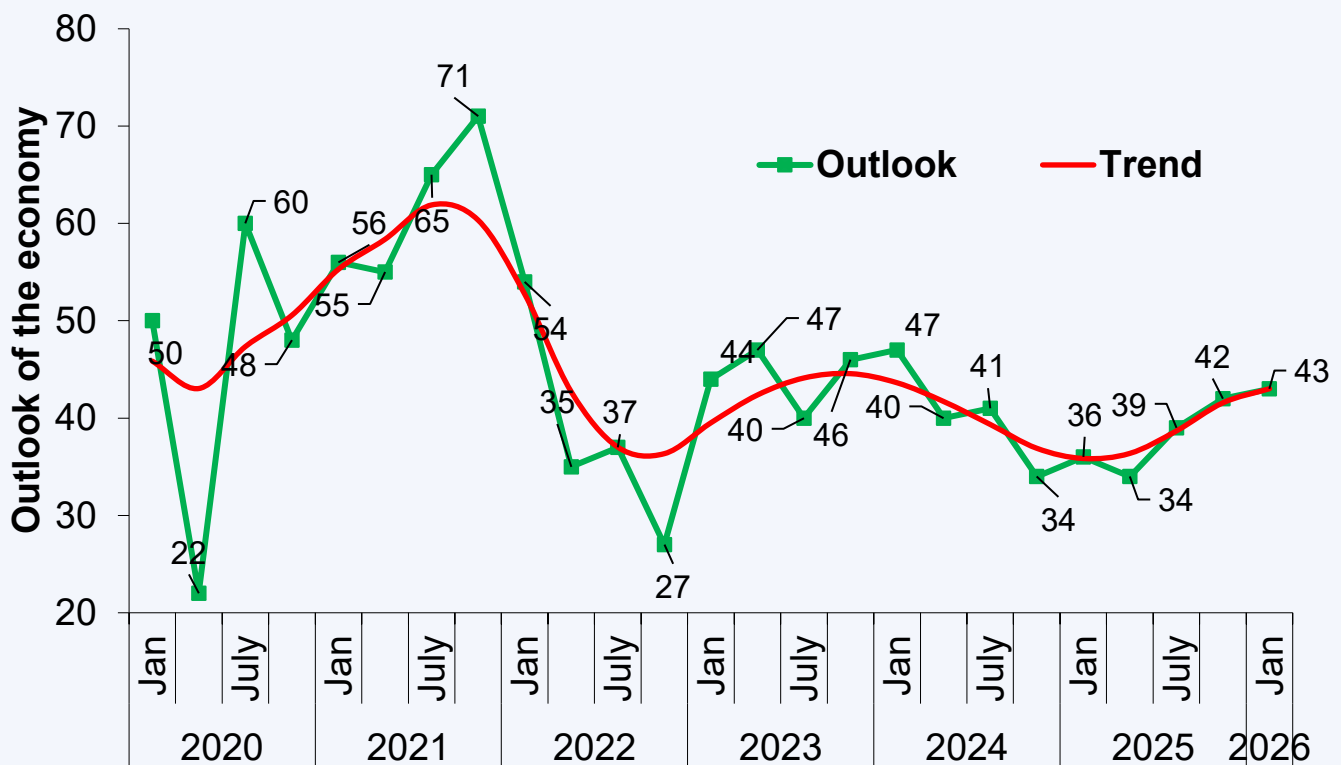
Half of respondents reported struggling with a lack of demand, a situation that has persisted for roughly a year. Capacity utilization (68%) remains below normal levels, and although stock of orders are showing a little upward trend, they remain low, with excess capacity in the system. Here, too, there is a statistically significant difference between exporters and domestic producers, as the aforementioned excess capacity is almost exclusively found among domestic producers. This is clearly reflected in the capacity utilization rate at the sales market level: 69% for exporters and only 66% for non-exporters.

The proportion of those complaining about unclear economic regulations began to rise again, reaching 13% in this quarter. Companies complain about unpredictability and that economic policy trends do not allow them to develop long-term strategies and investment plans. Another problem is the rise in consumer prices, which the government intends to curb by limiting producer prices, which naturally has a negative impact on corporate profitability. It is important to note that the survey was conducted before the oil price explosion triggered by events in Iran, which will obviously further increase uncertainty for companies.

Lack of demand and unused capacity. Without exports, there is little hope.

An uncertain economic environment, which the oil crisis only adds to.

The outlook of the Hungarian economy in the next 6 months



OUTLOOK FOR THE HUNGARIAN ECONOMY

There may be sad developments behind the improvement in sentiment: the number of companies in the manufacturing industry has shrunk by thousands in four years.

As we predicted last quarter that the country's economic situation had clearly managed to move away from its lowest point. The index currently stands at 30 points, which was last this "high" in the summer of 2024. This marks the end of a year-long series. Of course, it should be noted that this is still well into negative territory, and it is not expected to climb above 50 points in the near future (the last time it was above 50 points was in January 2022, four years ago).

The relatively favorable shift is the result of many factors. On the one hand, large exporting companies seem to be sensing some upturn in demand on the world market, and on the other hand, this improvement in sentiment may also be the sad consequence of companies in a truly bad situation slowly dropping out of the market. In January 2022, the last period when companies assessed the state of the Hungarian economy as favorable, there were still 40,000 companies operating in the manufacturing industry, while in December 2025 there were only 36,000. A comparable decline in the corporate population among the larger sectors (at least 10,000 companies) was only seen in the information and communication sector.

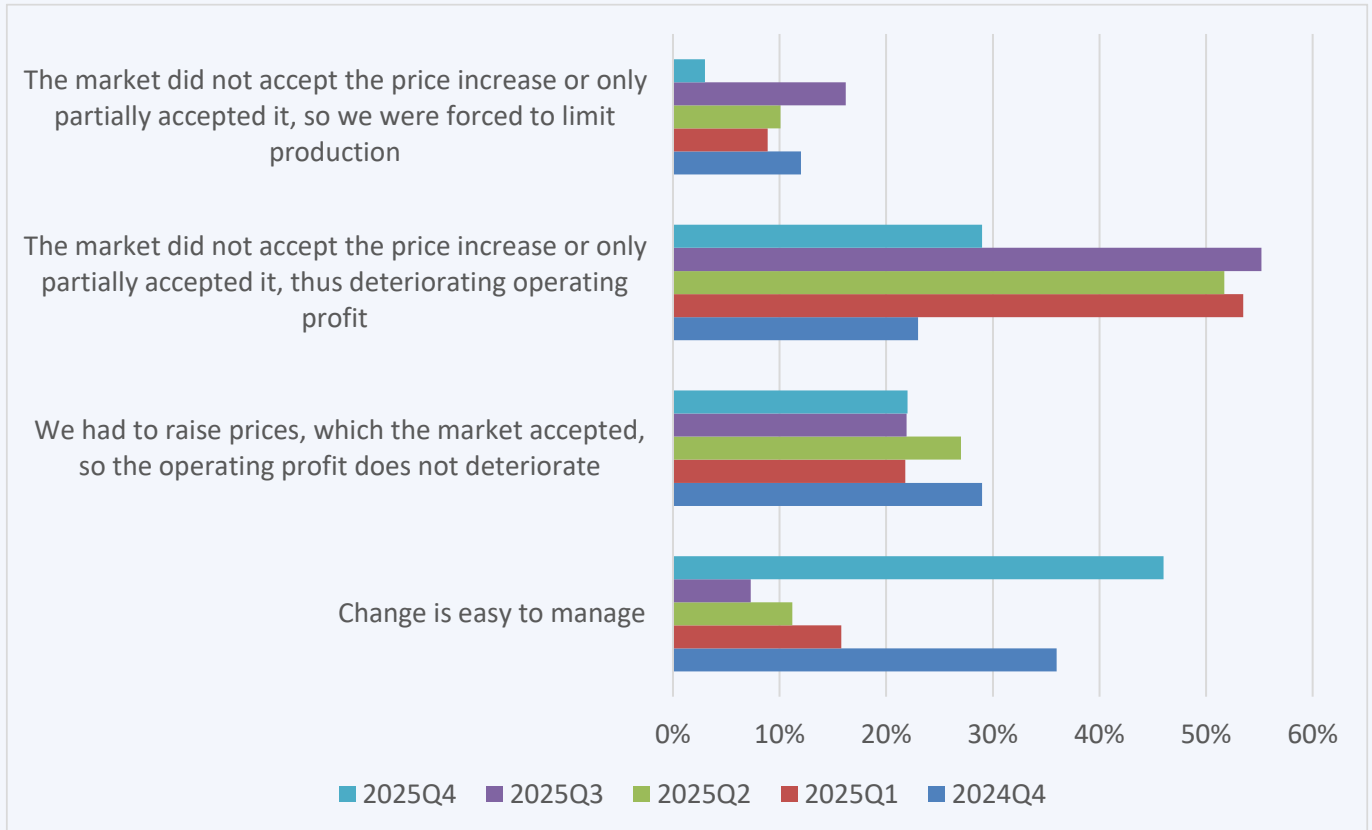
The outlook is improving, but is there any substance behind it?

As far as the outlook is concerned, there has been a slow but clear shift towards a level of 50 points, which represents no change. A narrow majority still believes that the economic outlook is poor, but their proportion is steadily declining. It is likely that the 50-point mark will be reached this year, which would also mean that the lowest point has been reached. The decline in skepticism is a positive sign, but a rebound based on fundamentals (i.e., not influenced by election results) is not to be expected this year.

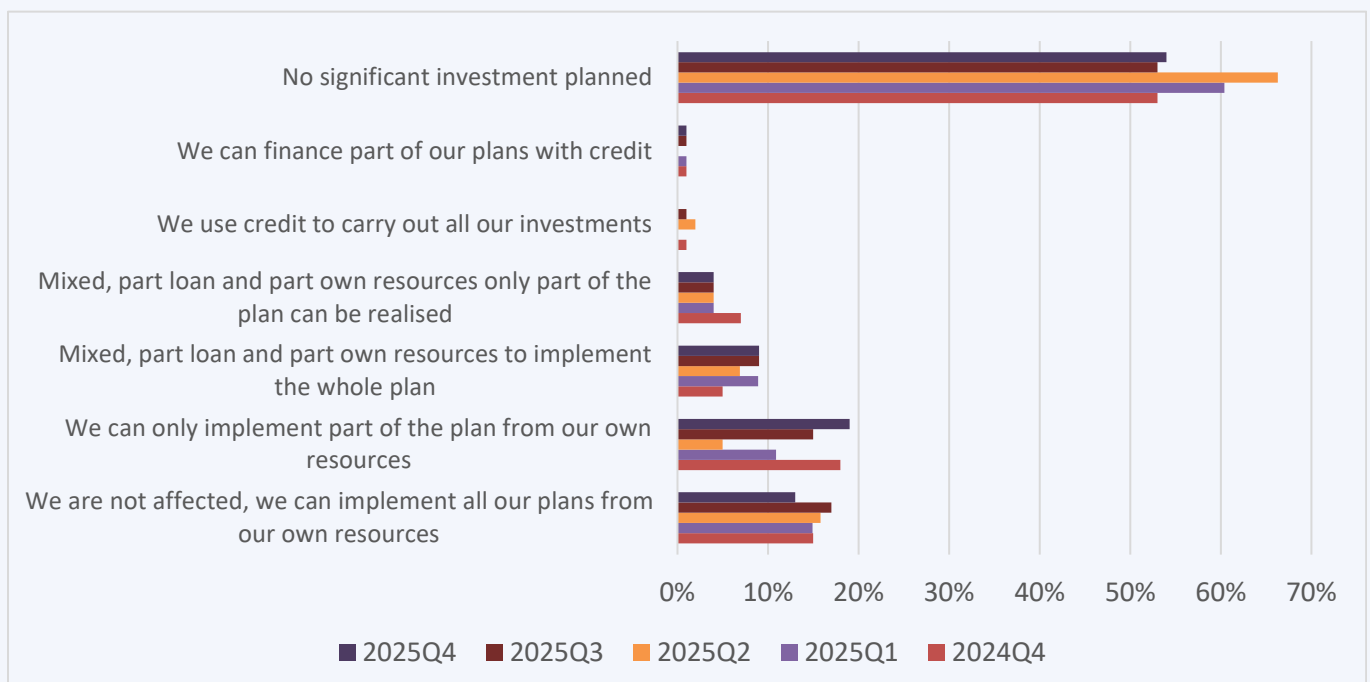
ACTUALITIES

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?

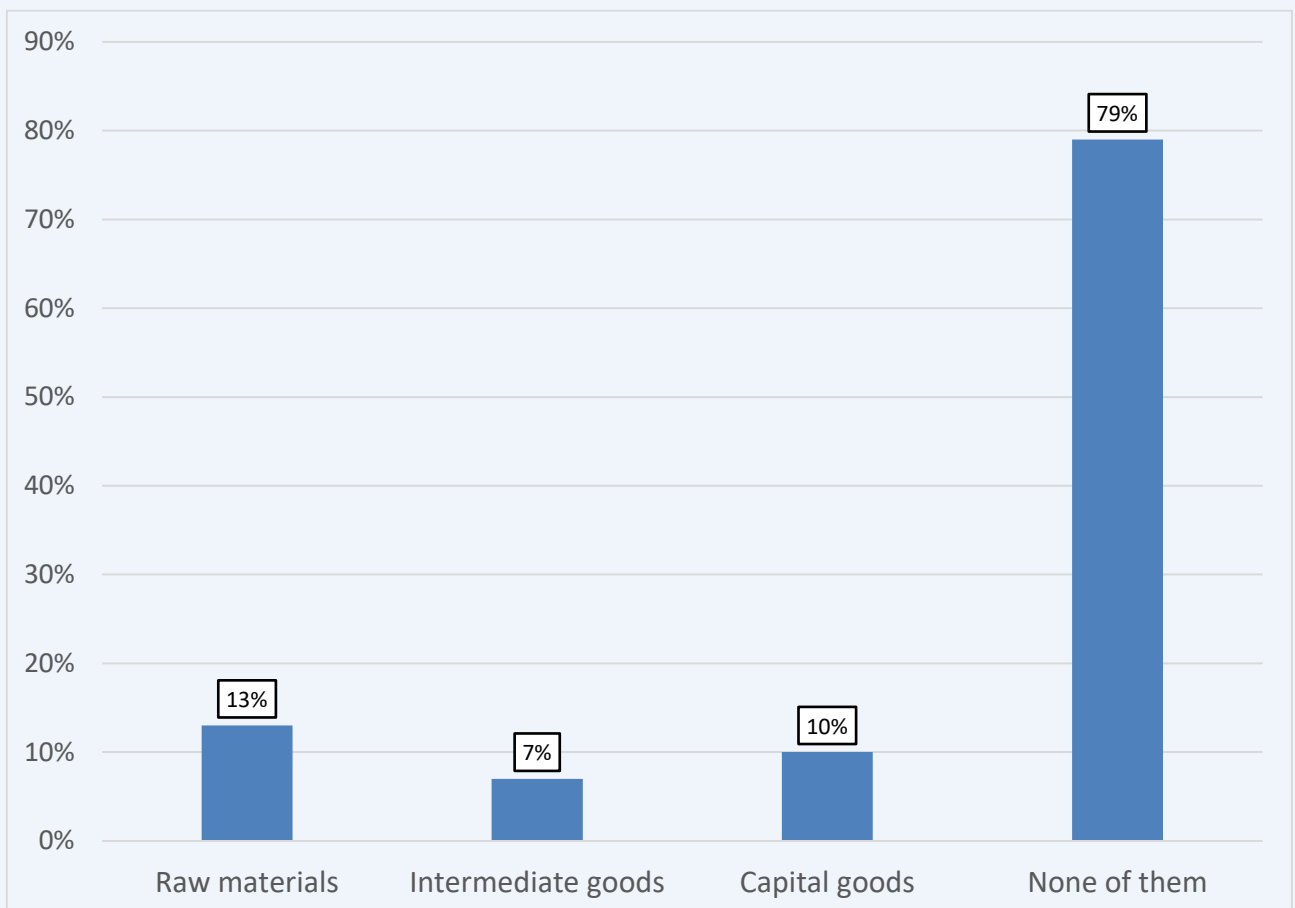


HOW DOES THE CURRENT BUSINESS ENVIRONMENT AFFECT YOUR INVESTMENTS?





DO YOU IMPORT RAW MATERIALS, INTERMEDIATE PRODUCTS, OR CAPITAL GOODS DIRECTLY FROM CHINA?







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