KOPINT-TÁRKI

INSTITUTE FOR ECONOMIC RESEARCH

MANUFACTURING BUSINESS SENTIMENT

CURRENT STATUS AND SHORT-TERM PROSPECTS OF MANUFACTURING FIRMS

2026 second quarter

Budapest, 2026

www.kopint-tarki.hu

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 eco-nomy and the development of certain cyclical factors: production, order, stocks, and de-mand. The aggregation of responses indicating the most indicative trends allows a quantifi-ed 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 de-partment of Kopint-Datorg, is currently the only company that has been surveying corpora-te managers for their opinion quarterly for 33 years, with a prognosis for the next six months.

SUMMARY

According to the KOPINT-TÁRKI survey conducted in July 2026, the Hungarian manufacturing sector is returning to a more realistic outlook following the heightened optimism that characterised the previous quarter. Although the manufacturing barometer fell from 58 points in the previous quarter to 53 points, this shift is within the margin of error, and the indicator remains at a more favourable level than in the period leading up to the elections. Currently, only around one-fifth to one-quarter of companies operating in the sector consider their situation to be good, a situation increasingly burdened by the effects of climate change, in addition to domestic and global economic problems. The drought has put food supply chains at serious risk, whilst the European automotive industry is still struggling to find its feet, and international conflicts are causing energy prices to be extremely volatile.

The manufacturing confidence index has remained unchanged at 51 points for three quarters now, which signals a degree of stability but also significant vulnerability, as half of all companies still take a pessimistic view of the near future. There are, however, signs of optimism: order books are showing a slow improvement, and production forecasts are decidedly positive. Companies have begun to build up their stocks in preparation for an expected upturn, although they have not yet managed to sell these goods. Capacity utilisation is stagnating at around 70 per cent, which is below the pre-pandemic level of 80 per cent, whilst the majority of firms do not plan to make any changes to their workforce in the near future.

The main factor currently hampering production is a lack of demand, which around half of the companies cite as a problem, whilst financing difficulties or a shortage of skilled labour are not currently regarded as critical issues. Uncertainty in the economic environment remains high, driven primarily by global geopolitical tensions. The rapid appreciation of the forint against the euro poses a particular challenge for exporters, as it undermines their competitiveness.

The assessment of the Hungarian economy as a whole has also been revised downwards following the post-election euphoria, with the current conditions index falling to 56 points. The assessment of the short-term outlook remains in negative territory, although market participants are hopeful about the availability of European Union funds and the expansion of opportunities in a distortion-free competitive market. In terms of technological adaptation, the survey highlighted that the use of artificial intelligence is still in its infancy: only 26 per cent of the companies surveyed use such solutions in their production processes.

RESULTS

In July 2026, 100 companies and company managers invited to participate in the survey completed the quarterly economic sentiment test of KOPINT-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 2026, not from the shorter time series shown in the figures.)

Indicators

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

Positive saldo = (saldo/2)+50

<u>Example</u>

How your company considers its current situation?	Proportion
Good	25%
Moderate	60%
Bad	15%
Total	100%

Saldo = 25% - 15% = 10 points

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

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

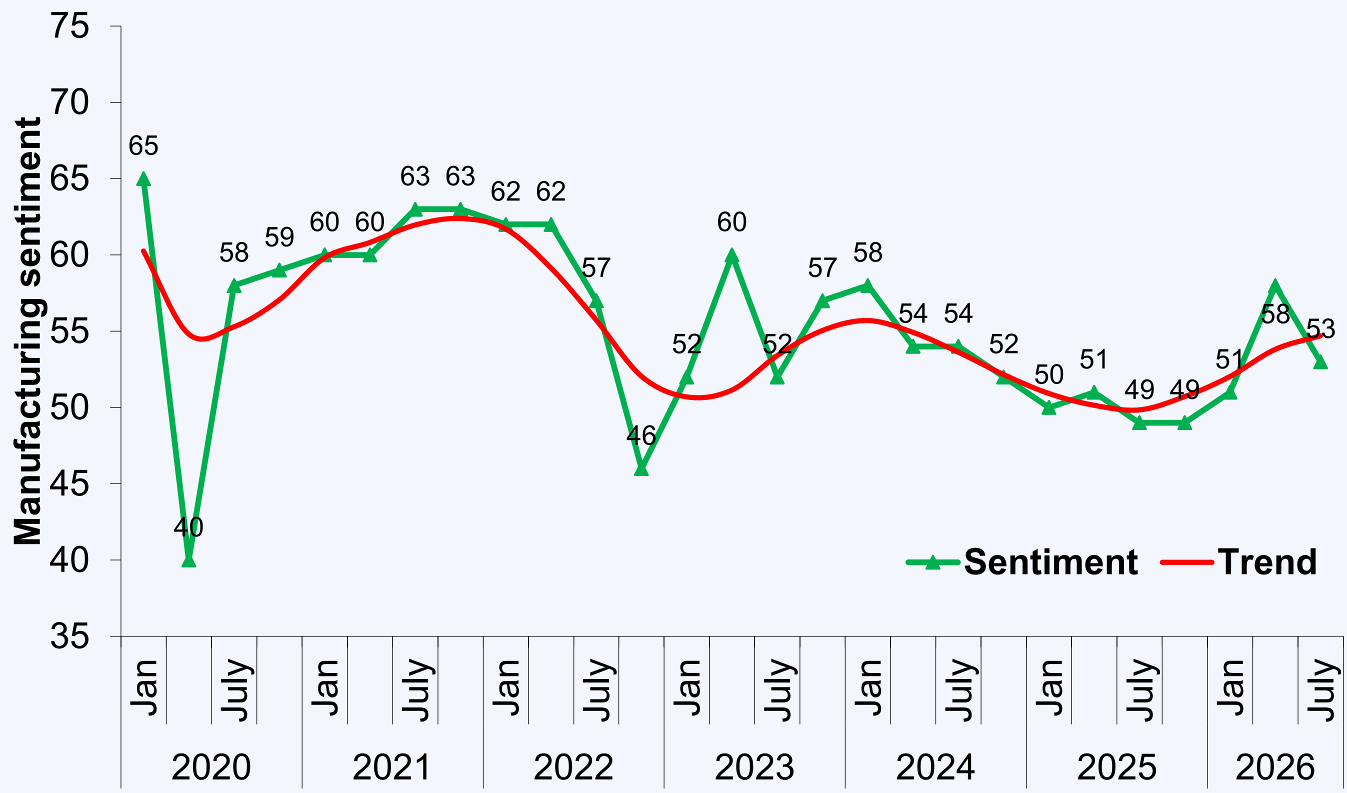
A long way off — companies are coming back down to earth

The first manufacturing business climate survey conducted following the 2026 parliamentary elections is characterised overall by a slight decline in unbridled optimism, though this has by no means fallen back to pre-election levels. The business climate barometer, which is a subjective indicator, fell from 58 points in the previous quarter to 53 points, representing a marked shift, albeit one within the margin of error.

In the latest survey, 21 per cent of respondents stated that their company is currently in a good position, whilst 23 per cent said it is in a poor state. This is broadly in line with the trend over the past year, whereby only a quarter to a fifth of businesses in the manufacturing sector are 'doing well'. The reasons for this stem equally from problems in the domestic and global economies, as well as, not least, the effects of climate change. The latter has a particularly dramatic impact, as drought could bring the domestic agricultural supply chain for food industry companies to a complete standstill by autumn, forcing them to rely on imports, which carries the risk of dumping. However, the climate situation is not much more favourable in other countries around the world either, so shortages and the resulting rise in raw material prices cannot be ruled out. Added to this is the fact that several Eastern European countries have banned or severely restricted imports of Ukrainian agricultural products in certain categories. The European automotive industry is also struggling, whilst energy prices are extremely volatile due to the US-Iran conflict, meaning that rising fuel costs must also be factored into costs. In line with this, the subjective outlook index fell from 63 points to 57 points, which is still higher than at the start of the year, but the struggles facing agriculture and European industry could lead to a further decline later this year.

The Sun is scorching the market — the food supply chain is in dire straits.

MANUFACTURING SENTIMENT 2026 Q2



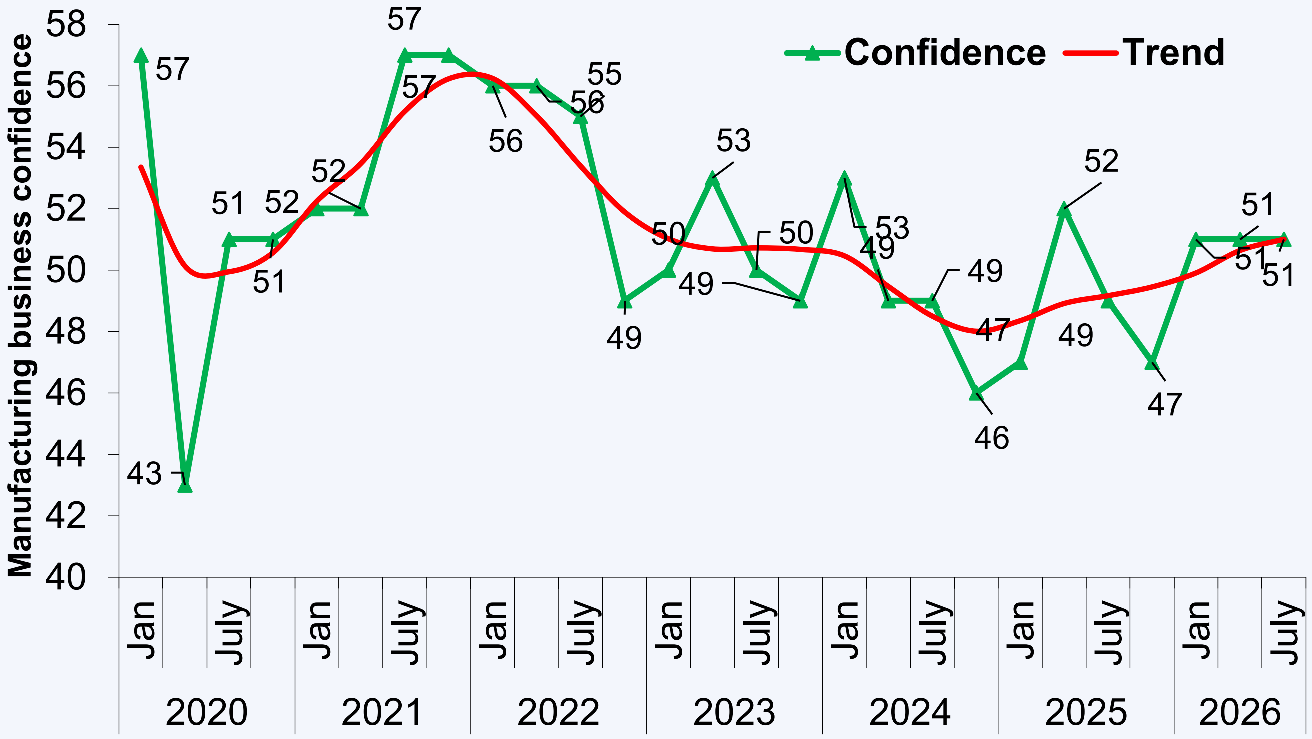
MANUFACTURING CONFIDENCE INDEX

Unrelenting uncertainty — the outlook for the manufacturing sector is neither improving nor deteriorating.

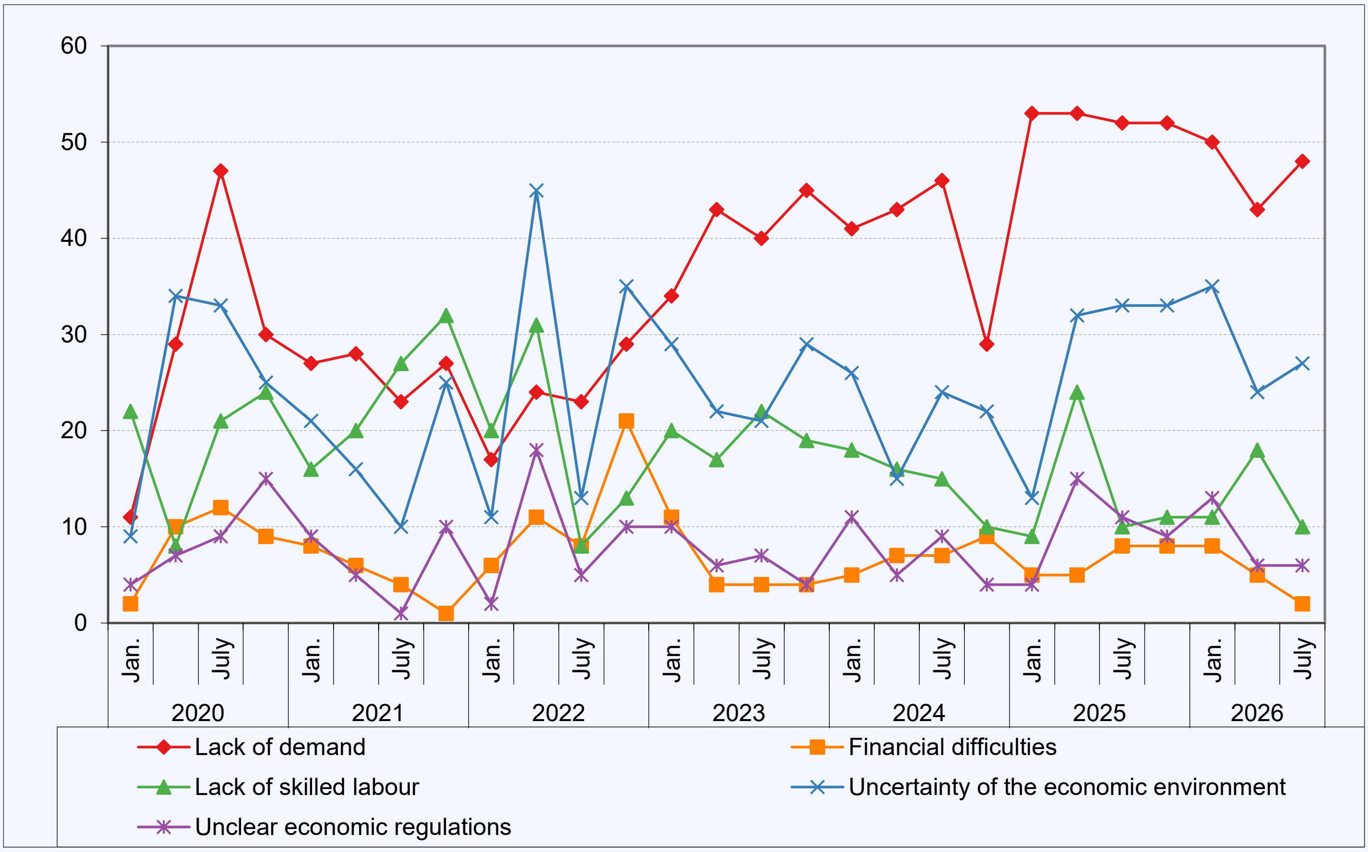
The confidence index, which is based on objective indicators (finished goods stock, order book, production forecast), has not been affected by recent political events, as it has remained at 51 points since the third quarter. This level itself indicates significant vulnerability, as it suggests that half of companies view the near future relatively favourably, whilst the other half have a rather pessimistic outlook. At the same time, the nine-month period of stagnation also signifies a degree of stability. We do not rule out the possibility that the domestic manufacturing sector will close the year at around 51 points; at the same time, there are faint but encouraging signs. The order book is showing a clear, albeit slow, upward trend, and the production forecast is decidedly positive (although this relates more to short-term contracts). However, finished goods stock levels are clearly high, meaning that companies are anticipating some sort of upturn and, in preparation for this, have begun to build up their stocks; however, they have not yet managed to sell these off. It should be noted, however, that this is a distinctly positive development compared with recent years, as previously companies were not even producing for stock because they were unable to maintain it. For the time being, we are still a long way from full capacity utilisation across the sector as a whole, as the average remains at around 70 per cent. This level has remained essentially unchanged since 2024, having fallen from 80% to its current level since the pandemic. Companies reported a slight increase primarily in order books for the domestic market, whilst exports have remained stagnant. Foreign market relations therefore appear to remain stable despite the economic difficulties, but any expansion in order books this year is likely to be minimal at best. In light of this, the companies surveyed generally do not intend to change their workforce levels, either positively or negatively.

Neither in nor out — the majority of those surveyed do not plan to make any changes to their workforce numbers.

MANUFACTURING CONFIDENCE INDEX 2026 Q2



FACTORS HAMPERING PRODUCTION 2026 Q2



FACTORS HAMPERING PRODUCTION

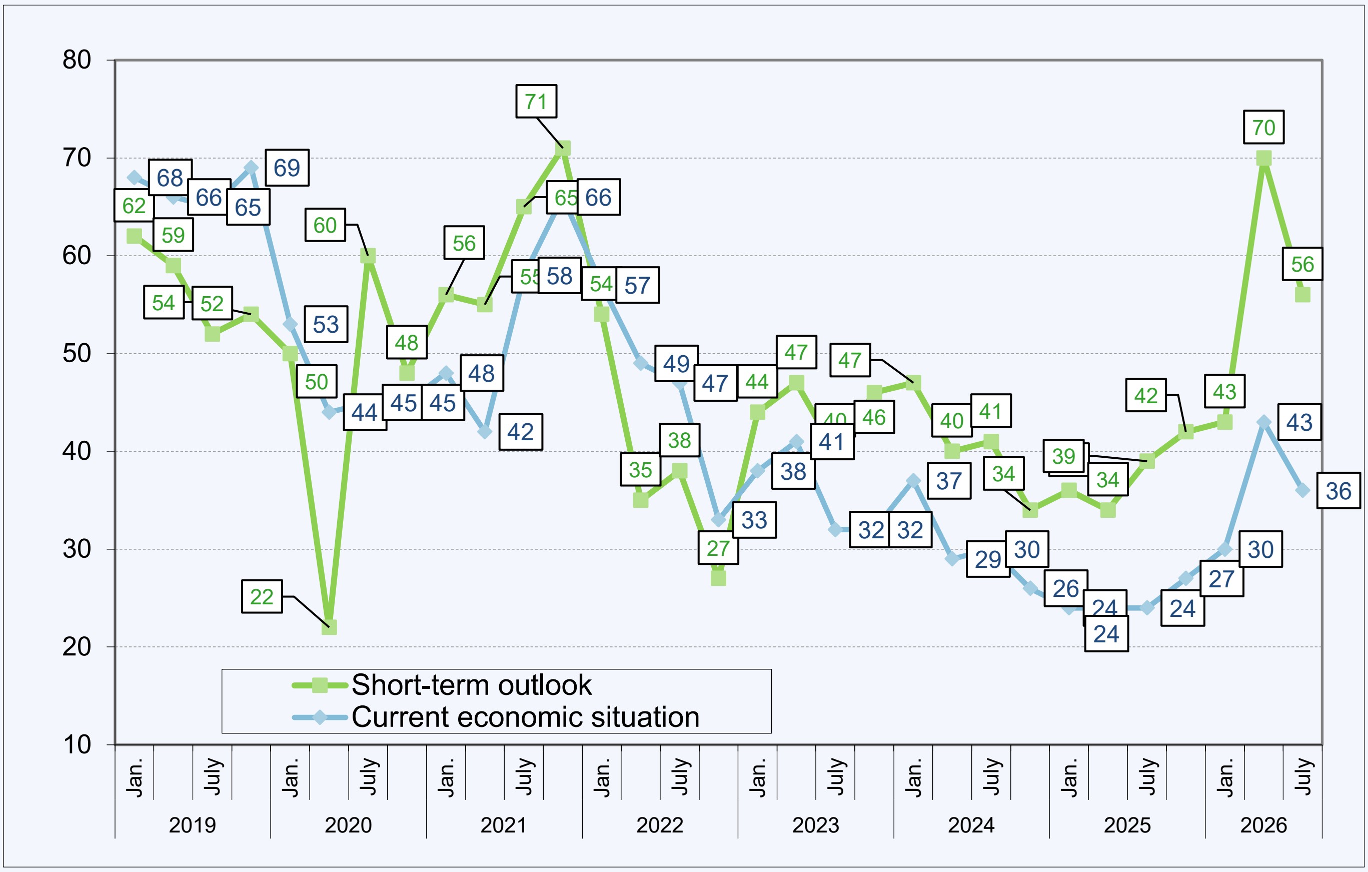
The pattern of factors hindering production is beginning to resemble its previous form. Lack of demand is the most serious obstacle, with roughly half of companies citing this as a problem. This was typical in the mid-2010s; it then remained extremely low until the outbreak of the pandemic, after which it began to rise again. It suggests that capacity is available, but the order book falls short of the level the company could fulfil. There are essentially no other hindering factors; it is as if the sector's growth really did depend solely on consumers.

Problems from the past — we have the capacity, we have the workforce, we have the funding, but we don't have any orders yet.

One thing is certain: companies are not facing financing difficulties, nor is there a shortage of skilled labour, and competitive imports do not pose a problem either. Only the uncertainty of the economic environment stands out from the rest, but even this indicator peaked ahead of the 2026 national parliamentary elections. This uncertainty has certainly not dissipated with the formation of the new government, and global events also pose significant risks to the ecosystem. Indeed, it is perhaps foreign events (the US-Iran conflict, the Russia-Ukraine war) that are currently keeping this indicator high, as the factor of 'unclear economic regulations' is mentioned only marginally, accounting for a mere 6 per cent. Several respondents also highlighted the difficult situation (primarily on the export side) caused by the strong forint/euro exchange rate. It should be noted that the problem lies not with the level itself, but with the speed of exchange rate fluctuations; furthermore, there are question marks surrounding the sustainability of this level.

Too much of a good thing can be a bad thing — the rapid appreciation of the forint now has more drawbacks than benefits, and the big question is whether this level is sustainable?

The outlook of the Hungarian economy in the next 6 months



OUTLOOK FOR THE HUNGARIAN ECONOMY

A pleasant surprise — the blind optimism is over, but companies' enthusiasm remains.

Just as with the manufacturing sector business climate barometer, a slight correction was also evident in the assessment of the current state of the Hungarian economy. The index, which had risen to 70 points following the parliamentary elections, fell to 56 points; however, this still indicates an upward trend and a level of confidence. The fact that the indicator has fallen by 14 points does not, of course, mean that there has been a serious decline in confidence; it merely signifies a cooling off – or perhaps the end – of the period of 'unbridled optimism'. The 56-point level must, in any case, be viewed favourably in light of the 43 points recorded prior to the elections. It should be noted, however, that over the past three months the country's economic situation has improved significantly, if at all, only in terms of financial risk; the positive effects of this, however, are felt primarily by the central government budget, whilst companies can only benefit indirectly from the fall in interest rates.

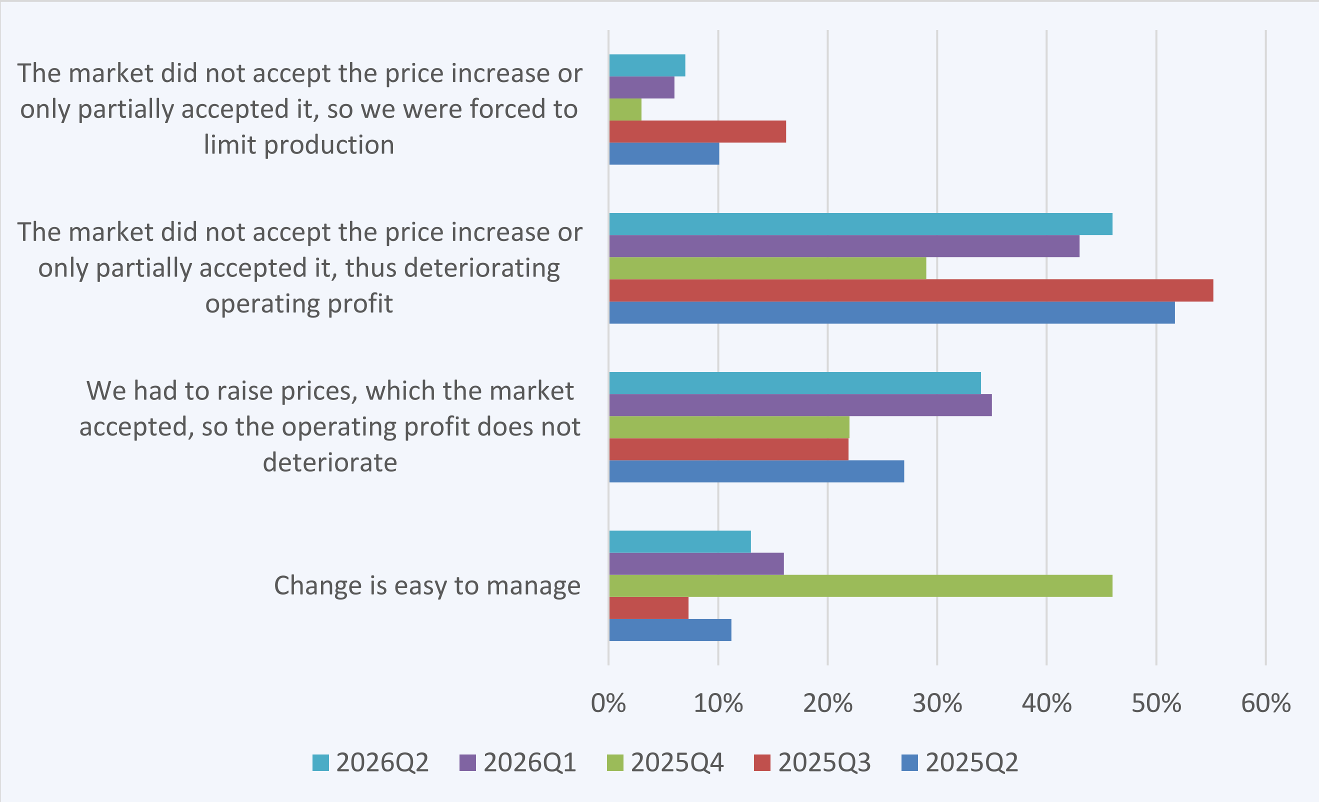
Trust must be earned — EU funding will be available, but a distortion-free competitive market is also required.

The outlook index has also fallen slightly, from 43 points to 36 points, although prior to the elections the indicator stood at just 30 points. This level continues to suggest that companies view the short-term outlook for the economy as clearly negative. Although the inflow of EU funds has become almost certain, the timeframe remains uncertain, and it is not known for certain whether funding opportunities will open up this year for which manufacturing companies can apply directly and, more importantly, in a distortion-free competitive market? If these come to fruition, the economic confidence index will also move into positive territory. It should be noted here, however, that the strengthening of the forint against the euro no longer necessarily serves the interests of companies, particularly on the export side.

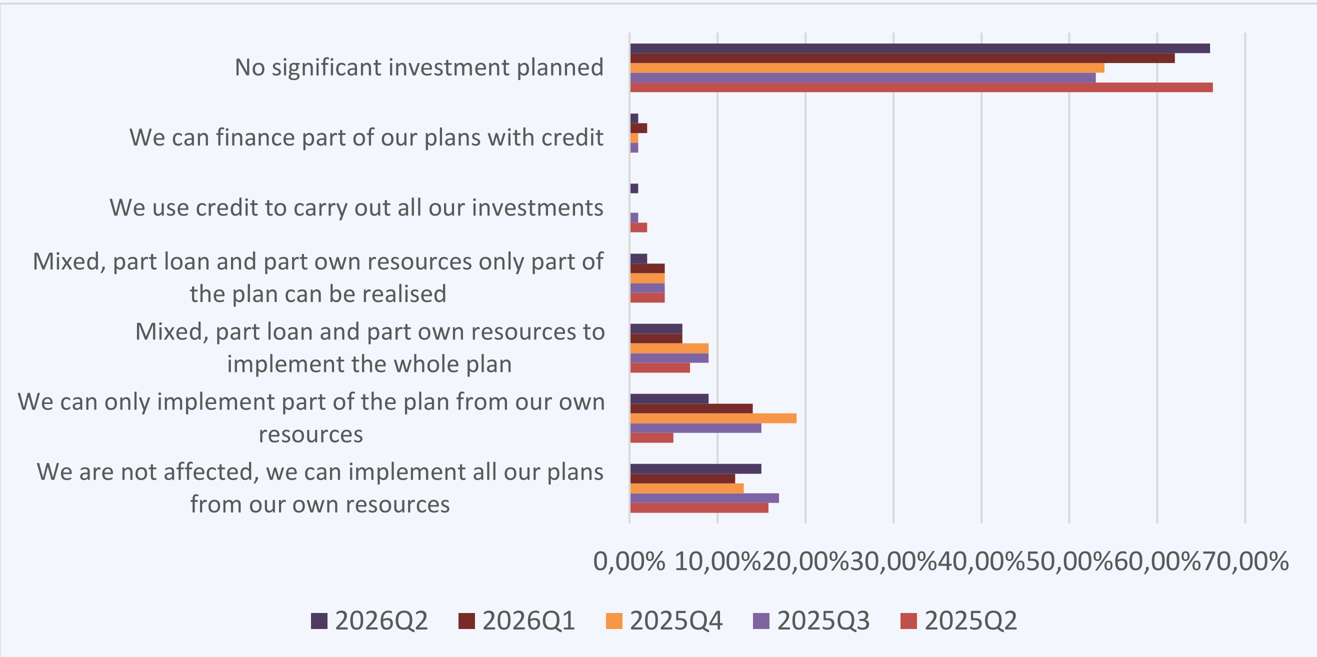
ACTUALITIES

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.

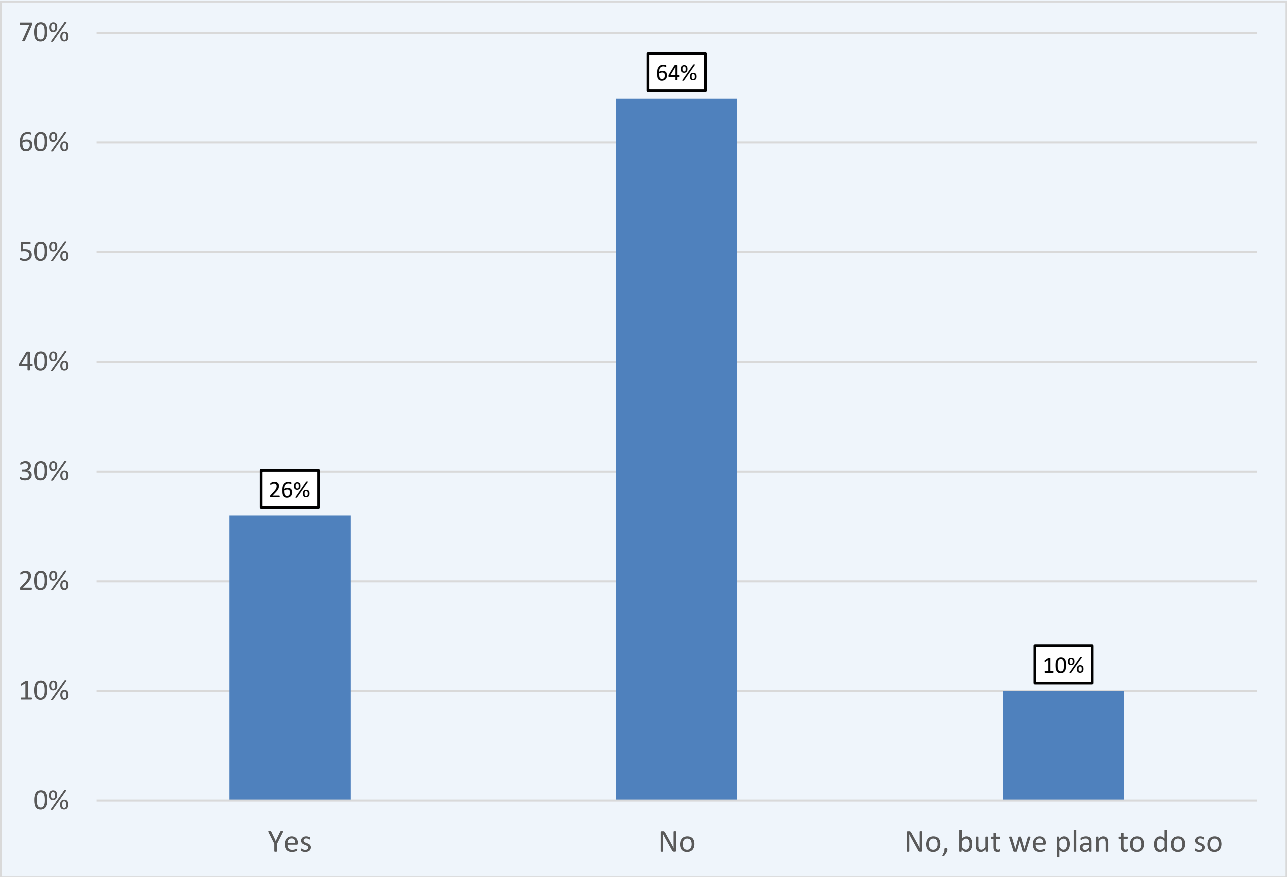
HOW DOES THE RISE OF INPUT PRICES AFFECT THE COMPANY'S PROFITABILITY?



HOW DOES THE CURRENT BUSINESS ENVIRONMENT AFFECT YOUR INVESTMENTS?



ARE ARTIFICIAL INTELLIGENCE-BASED SOLUTIONS USED DURING PRODUCTION?



KOPINT-TÁRKI

INSTITUTE FOR ECONOMIC RESEARCH

Kopint-Tárki Konjunktúrakutató Intézet Zrt.

1024 Budapest, Margit krt. 47-49.

E-mail: info@kopint-tarki.hu
web: www.kopint-tarki.hu