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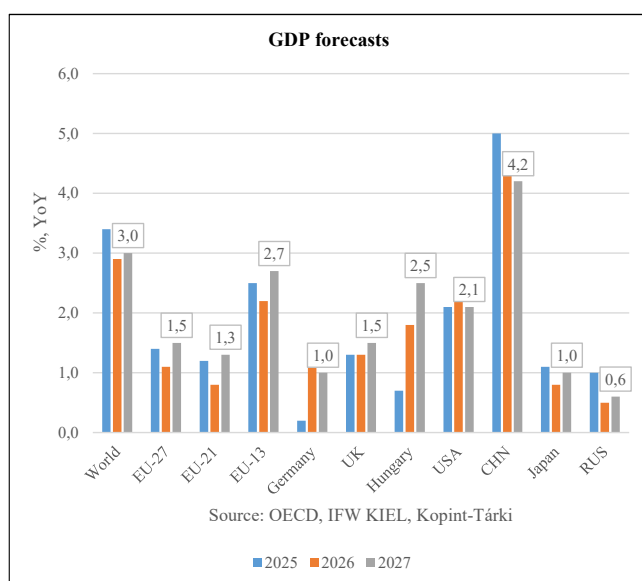
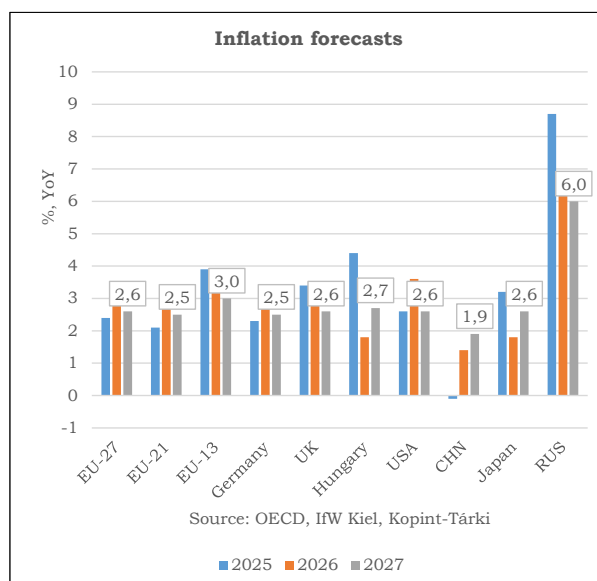
Economic Trends in Eastern Europe

No. 3. 2026

Budapest, October 2026

I. The Global Economy

Although **global growth** moderated in the first half of 2026, it remained strong in many countries despite the adverse effects of the Middle East conflict, and overall the global economy has proved more resilient than previously thought. Substantial oil inventories, supply from oil producers outside the Persian Gulf and targeted government support measures all helped to mitigate the impact of the oil crisis on the global economy. The spread of artificial intelligence stimulated investment, production and trade alike, and proved to be one of the main engines of growth. At the same time, there are a growing number of signs that the sustainability of the AI boom is questionable. Global trends depend primarily on how successfully the Middle East conflict is resolved. Constant changes in trade policy – in both tariffs and export restrictions – increase policy uncertainty and contribute to supply disruptions. Energy prices have recently risen again owing to intensifying production and export disruptions in the Persian Gulf economies. The OECD and IMF forecasts for this year and next point to global growth of 3%. Mounting price pressures, weaker real income growth and higher interest rates are holding back short-term growth momentum in many economies this year, but strong economic activity related to artificial intelligence and the hoped-for easing of energy prices may help to strengthen economic activity in 2027.

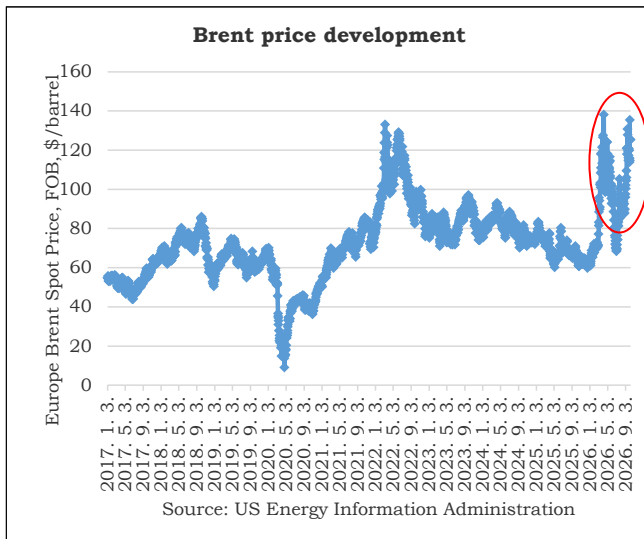
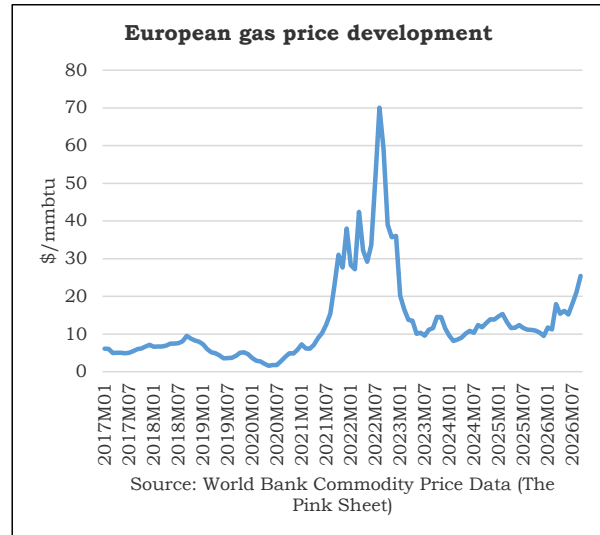


The **global trading system** is currently under extraordinary geopolitical, logistical and protectionist pressure, while the true picture shown by the data is artificially distorted by the artificial intelligence (AI) investment boom. Because of the war, container shipping through the Strait of Hormuz has plunged by almost 94%. Freight rates have risen eightfold, insurance premiums tenfold, and transit times have doubled. Tariffs in the United States have risen to levels not seen for decades, and the abolition of the USD 800 de minimis duty exemption places a heavy bureaucratic burden on small businesses. At the same time, the European Union's planned Industrial Accelerator Act is generating tensions with its allies because of its strict local content requirements. According to the WTO and the IMF, global trade data are strongly flattered by the exceptional 42% growth in AI-related products (semiconductors, servers). This sector already accounts for 19%

of world trade and successfully masks the weak growth of only 7% in traditional goods, as well as the real demand-dampening effect of protective tariffs.

Since July this year, **commodity prices** have been on a rising trend. Prices of both energy and non-energy commodities have risen sharply. Uncertainty about the **Brent crude oil price** remains high. The average for this year is USD 95 per barrel, but in September the oil price climbed as high as USD 130 per barrel; it then eased somewhat, but was again at USD 125 in early October, and is currently hovering around USD 105–110. The short-term outlook is determined by geopolitical tensions and the weakening trend in global demand. The Middle East conflict, the resulting shipping risks and the related uncertainties are keeping the risk premium high. OPEC+ has currently halted the gradual increase in output, as the high price level suits its members, and the stock-release operations of the G7 countries also encouraged them to do so. According to the IMF, the crude oil price is expected to average around USD 96 per barrel this year and may ease to USD 88 next year. In our view, however, the downside risks are significant, and, as the price rise in early October also indicates, this year's average could easily climb above USD 100. Owing to the high uncertainty, significant price volatility is expected in the market. The IEA expects **tensions in the diesel market** to intensify, as global stocks have fallen to critically low levels ahead of the winter heating season.

European countries did not refill their **gas** storage facilities this summer, so European gas storage is currently 72–75% full, much lower than is usual at this time of year. Consequently, significant gas price increases can be expected during the coming winter, as, in addition to low reserves, shipments from Qatar and the United Arab Emirates are also missing from global supply due to the closure of the Strait of Hormuz.



In the last quarter, the global market for **non-energy commodities** was characterized by the mutually reinforcing dynamics of escalating geopolitical tensions and extreme weather shocks. Owing to the prolonged conflict in Iran and the naval blockade of the Strait of Hormuz, *global industrial sulphur supply* has fallen critically. The clashes between Ukraine and Russia have also narrowed maritime shipping options, so as much as 86 million tonnes of *grain exports* could be at risk. This risk pushed wheat futures prices to a three-year high, while the record-low water level of the Danube also restricted the capacity of alternative transport routes. The summer heatwaves in Europe caused

significant production losses, particularly for cereals and potatoes. On the *world food market*, one of the strongest El Niño events in history triggered drastic price increases. On the *market for industrial metals and strategic raw materials*, the price of copper fluctuated close to historic highs, driven by demand generated by the green transition and artificial intelligence. On the *precious metals* market, a surge in Chinese gold imports drove prices up. Looking ahead, persistently high food inflation is almost inevitable, and climate shocks are causing a lasting structural shift in the world market.

As a result of rising energy prices and growing supply uncertainty, inflation has started to pick up worldwide, so a tightening of the **monetary stance** can be expected. On 16 September 2026, the **US Federal Reserve** raised interest rates for the first time in three years, and the market expects further rate increases owing to mounting inflationary pressure and the higher-than-expected September inflation figure. The **ECB** raised its key interest rates by 25 basis points in both June and September this year. According to its communication, energy prices driven up by the Russia–Ukraine war and the Middle East conflict pose a major inflation risk, and the rise in consumer prices in September confirms this assumption. Rising inflation figures are being reported in all the large euro area countries, so the market also expects further rate increases from the ECB.

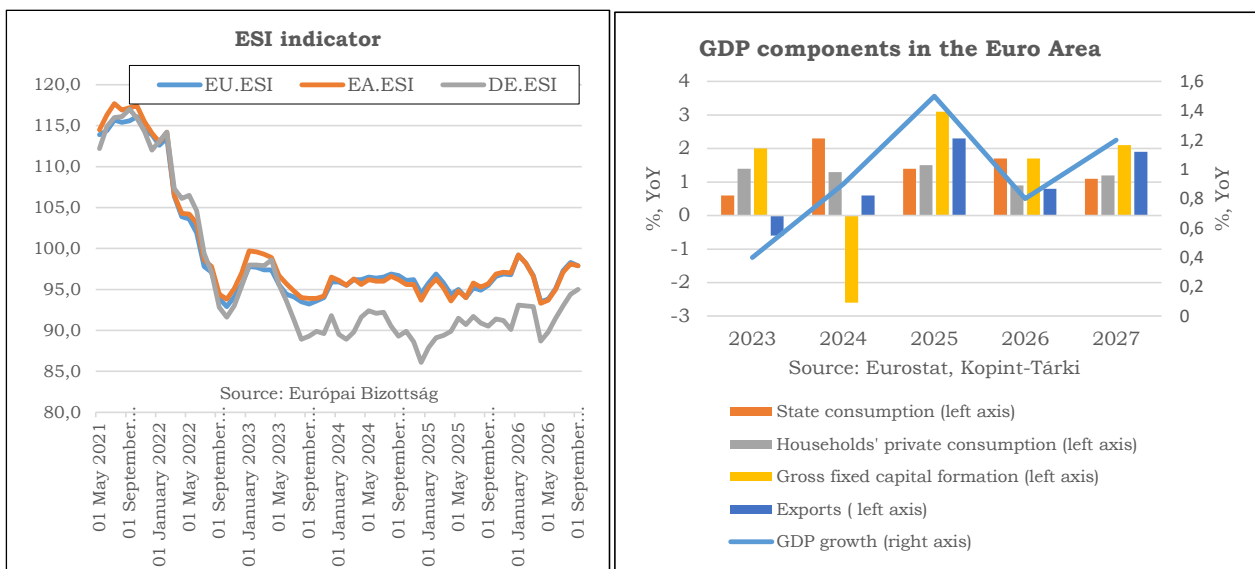
Recently, the **euro** has weakened against the dollar. The more favorable US growth outlook, the expected interest rate path and tensions in the energy market have all contributed to the strengthening of the dollar. In the current situation, it is precisely the escalating risks that increase the attractiveness of the US currency. According to the latest estimates, the euro–dollar exchange rate may average 1.15 this year, but the rate is currently around 1.12 EUR/USD.

As regards the **external environment of the European Union**, the picture is broadly unchanged. The **US economy** has remained robust, and growth slightly above 2% is expected again this year. The inflation rate, however, may be around 3.6% for the year as a whole, and will remain above 2% even next year. Growth is driven by a pick-up in investment, mainly attributable to developments related to artificial intelligence. US exports are benefiting from the closure of the Strait of Hormuz; oil exports in particular have expanded significantly. The **Japanese economy** remains subdued. Investment activity is weak in particular, with corporate investment holding back growth, although activities related to artificial intelligence are having a positive effect here too. In the **United Kingdom**, slow growth of slightly above 1% continues. Investment here, too, is benefiting from AI developments. Monetary and fiscal policy will remain neutral over the forecast period. Rising real incomes are expected to boost private consumption.

China: experts at international organisations unanimously expect GDP growth of 4.5% this year, while for 2027 the OECD expects growth of only 4.2% and UNCTAD 4.5%. The main reason for this growth, which is fast by international standards but slow by Chinese standards, is that the problems in the property market have still not been overcome, and households' propensity to consume remains very restrained. Compared with other countries, however, China has been much less affected by external market and political turbulence. While the value of bilateral trade grew by 30% with countries trading with China under free trade agreements, it grew by 8.4% with EU member states and by only 4.1% with the United States. The explosive global spread of AI has extremely favorable consequences for China. While the United States is trying to cut Beijing off from the most advanced AI chips through strict export controls, China, far from dropping

out of the global cycle, has become one of the largest exporters of the global AI boom by building its own supply chains and mass-producing less advanced (so-called legacy) chips. The country's economy has thus successfully repositioned itself from being the 'assembly plant of Western tech companies' to an independent, closed AI ecosystem that supplies the global market with cheap, mass-produced basic electronic components needed by AI systems and their users, while using its home-grown AI technology in domestic projects and exporting it to geopolitical zones independent of Western sanctions.

The **euro area** will again see **only moderate growth** this year. In the second quarter, GDP grew by 1.2% (annualised). Since May, the ESI indicator has started to rise, signalling a slight improvement in business sentiment in Europe. Manufacturing sentiment indices point in the same direction. Given developments in the external environment and the domestic political tensions in the large countries, no robust recovery can be expected this year either. This year, rising energy prices and stronger inflation will curb private consumption. The Middle East conflict, fears of energy supply disruptions and rising financing costs will hold back corporate investment. The extremely hot summer had an adverse effect on agricultural production everywhere, increased cooling demand and affected transport costs. Growth is supported by the generally expansionary fiscal policy and by rising defence spending. As a result, euro area growth may be around 0.8–1% this year and may edge slightly above 1% next year. As regards the **pick-up in inflation**, consumer prices are expected to rise by 2.8% this year, easing only slightly next year. Consumer prices are being driven up by rising energy prices: after 10.3% in July, the annual increase in the energy price index reached 14.3% in August and 18.9% in September. The consumer price index was 3.2% in August and 3.7% in September, well above the ECB's target. Core inflation was 2.5% in September. The unemployment rate will hover slightly above 6% over the forecast period; the **labour market** effects of the unfavorable macroeconomic developments have not yet become apparent.



The improvement in the IFO business climate index over the past three months suggests that, after the stagnation of recent years, **Germany** may have a chance of returning to a growth path, albeit not a robust one. The impact of expansionary fiscal policy is only

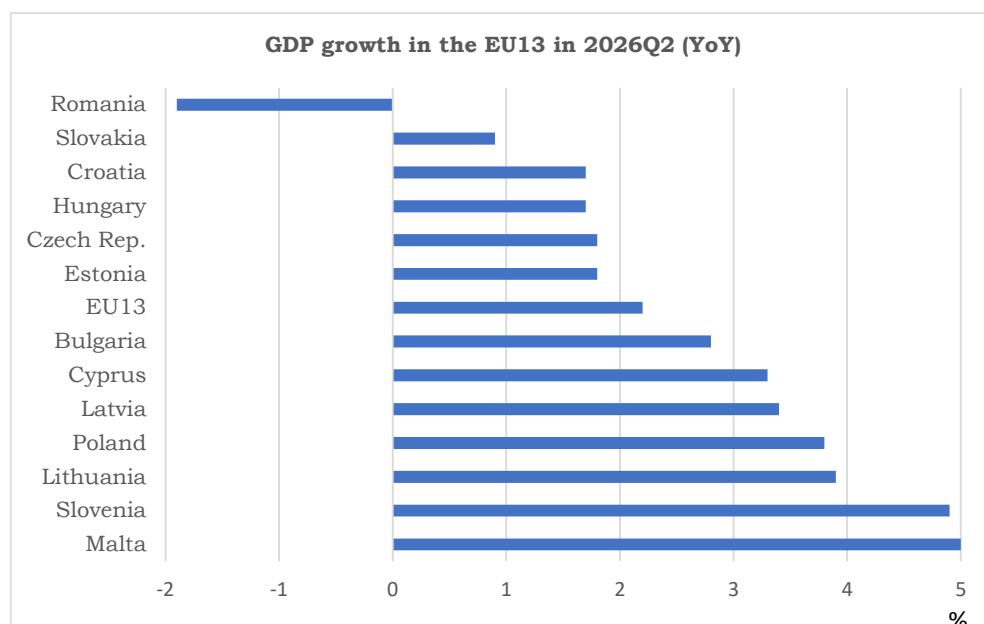
slowly being felt, while rising energy prices are holding back growth. The structural problems and demographic trends that became evident in previous years continue to hold back growth and prevent a dynamic path from emerging. The effects of fiscal stimulus are difficult to estimate, as planning and implementation bottlenecks often occur in larger public investment projects. Growth of slightly above 1% is therefore expected this year, and we estimate GDP growth of around 1% next year as well.

II. The New EU Member States

In the second quarter of 2026, year-on-year economic growth in the Central and Eastern European new EU member states was a steady 2.2%, as in the first quarter. We therefore also expect average growth of 2.2% in the region in 2026, and growth may then accelerate to 2.7% in 2027.

The economies of the region continue to operate in a rather difficult and complex international environment. Owing to the tensions caused by the war in the Middle East and the near-paralysis of maritime freight traffic through the Strait of Hormuz, global logistics routes and freight rates have become drastically more expensive. This is causing severe bottlenecks in the supply of industrial raw materials, such as sulphur and fertilisers, and has led to dramatic increases in producer prices. The situation is further aggravated by the protracted Ukraine–Russia conflict and by the extreme climate shocks that have hit European agriculture (summer heatwaves, droughts and the delayed effects of El Niño). These are keeping food commodity prices under sustained pressure and have made agricultural production almost impossible for practically the whole year, and even into the beginning of next year. In addition, the tightening of US and European protectionist trade policies, rising tariff burdens and the economic slowdown in the core Western European countries are holding back external demand and exports of traditional industrial goods.

Poland remains the engine of regional growth. With year-on-year growth of 3.8%, it made by far the largest contribution to the region's growth, adding 1.4 percentage points on its own to the region's 2.2% performance. Growth is driven mainly by domestic demand, especially household consumption, as falling inflation and buoyant wage growth have significantly increased households' real incomes and purchasing power. However, the September consumer price index points to a pick-up in inflation here too. The intensive drawdown of Recovery and Resilience Facility and cohesion funds has triggered a strong investment wave in infrastructure as well as in the green transition and renewable energy projects, which is also supporting growth.



The group of fastest-growing economies also includes Malta (5.0%), Slovenia (4.9%), Lithuania (3.9%), Latvia (3.4%) and Cyprus (3.3%), as well as Bulgaria (2.8%), which has recently joined the euro area. By contrast, other economies in the region showed more moderate dynamics than expected. Czechia and Estonia both grew by 1.8%, Hungary and Croatia by 1.7%, while Slovakia expanded by only 0.9% in the second quarter, so their contribution to the region's performance was also small.

Romania was the only country to hold back growth in the region: its GDP contracted by 1.9% year on year, reducing regional growth by 0.3 percentage points. Owing to its high budget deficit and rising debt ratio, Romania was forced to introduce drastic austerity measures in line with its European Union obligations. The VAT increase and the freeze on public sector wages and pensions directly reduced households' purchasing power. As a result, Romania has the highest inflation rate in the region, and its central bank policy rate already stands at 6.5%, which has held back not only consumption but also private investment.

The average consumer price index (CPI) of the Eastern European member states was 3.8% in the first nine months of the year. There were, however, significant differences between the individual member states. Romania is struggling with the highest price increases (8.4%), where, in addition to already high core inflation (8.4%), soaring energy prices (16%) and rising food prices (6%) are both weighing on households. The price index is high and accelerating in Lithuania (4.8%, driven by a 17.4% rise in energy prices), Bulgaria (4.4%) and Croatia (4.2%). In September, the data showed a jump in inflation everywhere except Latvia and Slovakia.

Despite the difficult external conditions, the region has so far proved resilient. After the expected average growth of 2.2% in 2026, an acceleration to 2.7% is therefore likely in 2027. A gradual pick-up in domestic demand and rising real wages may offset the slowdown in the core Western European countries, provided that global geopolitical and commodity market tensions do not escalate further and their consequences do not become even more severe.

Table I/1

Economic growth in the member states of the European Union

(Percentage change in GDP over the previous year)

	Weight	2020	2021	2022	2023	2024	2025	2026*	2027*
Germany	23.8	-4.1	3.9	1.8	-0.9	-0.5	0.2	1.1	1.0
France	15.8	-7.4	6.9	2.7	1.4	1.5	0.8	0.4	0.8
Italy	12.0	-8.9	8.9	4.8	0.5	0.8	0.6	0.9	0.8
Netherlands	6.3	-3.9	6.3	5.0	-0.6	1.1	1.6	1.4	1.4
Belgium	3.4	-4.8	6.3	4.0	1.7	1.1	1.0	0.6	0.9
Luxembourg	0.5	-0.5	6.9	-1.1	0.1	0.4	0.6	1.1	1.4
Ireland	3.4	7.2	16.3	7.5	-2.5	3.6	8.0	-7.0	4.0
Greece	1.3	-9.2	8.7	5.5	2.1	2.1	2.1	1.8	1.8
Spain	9.0	-10.9	6.7	6.4	2.5	3.5	2.6	2.5	1.8
Portugal	1.6	-8.2	5.6	7.0	3.1	2.1	1.9	1.9	1.9
Austria	2.7	-6.3	4.9	5.5	-0.7	-0.3	0.7	0.9	1.3
Finland	1.5	-2.5	2.7	0.8	-1.3	0.4	0.8	1.6	1.5
Estonia	0.2	-2.9	8.3	-1.2	-2.7	-0.1	1.3	2.1	2.4
Slovakia	0.7	-2.6	5.7	0.5	2.1	1.9	0.8	0.9	1.5
Slovenia	0.4	-4.1	8.4	2.7	2.4	1.7	1.5	3.1	2.6
Cyprus	0.2	-3.2	11.4	8.3	3.6	3.9	3.8	2.5	2.3
Malta	0.1	-3.5	13.3	2.6	10.6	7.0	4.7	4.7	4.5
Latvia	0.2	-3.5	6.9	1.9	-0.9	0.0	2.4	2.1	2.2
Lithuania	0.4	0.0	6.4	2.5	0.7	3.0	3.0	2.8	2.5
Croatia	0.5	-8.3	12.6	7.3	3.8	3.8	3.4	2.2	2.3
Bulgaria	0.6	-3.1	7.8	4.1	1.7	3.4	3.1	2.7	2.6
Euro area	84.7	-6.0	6.4	3.6	0.4	0.9	1.2	0.8	1.3
Denmark	2.2	-1.8	6.5	0.4	0.6	3.5	3.5	3.9	1.7
Sweden	3.2	-1.9	5.2	1.3	-0.2	2.0	1.4	2.8	2.4
Hungary	1.2	-4.3	7.2	4.1	-0.3	0.7	0.7	1.8	2.5
Czechia	1.8	-5.3	4.0	2.8	0.0	1.3	2.6	2.2	2.4
Poland	4.9	-2.0	6.9	5.3	0.2	3.0	3.8	3.4	3.2
Romania	2.0	-3.6	5.6	4.2	2.3	0.9	0.7	-0.3	2.4
EU-14	86.7	-5.7	6.4	3.5	0.4	0.9	1.3	0.9	1.3
New EU-13	13.3	-3.3	6.7	4.1	0.9	2.1	2.5	2.2	2.7
EU-27	100.0	-5.6	6.4	3.5	0.4	1.1	1.4	1.1	1.5
Memorandum items									
USA		-2.2	5.8	2.5	2.9	2.8	2.1	2.2	2.1
Japan		-4.3	2.6	0.9	1.4	-0.2	1.1	0.8	1.0
United Kingdom		-11.0	8.7	4.8	0.3	1.1	1.3	1.3	1.5
China		2.0	8.4	3.1	5.4	5.0	5.0	4.5	4.2
Russia		-3.0	5.6	-1.2	3.6	4.1	1.0	0.5	0.6
South-East Europe									
Serbia		-0.9	6.7	2.7	3.7	4.0	2.2	2.8	3.8
Türkiye		1.8	9.0	5.4	5.0	3.3	3.6	2.8	4.0

*Kopint-Tárki forecast.

EU-14 = EU member states that joined before 2004 ('old' member states)

New EU-13 = New member states that joined in 2004, 2007 and 2013.

Sources: Eurostat, national statistical offices, OECD, Kopint-Tárki databases

Table I/2

Inflation in the member states of the European Union

(Harmonised indices of consumer prices, percentage change over the previous year)

	Weight	2020	2021	2022	2023	2024	2025*	2026*	2027*
Germany	24.0	0.4	3.2	8.7	6.0	2.5	2.3	2.8	2.5
France	16.0	0.5	2.1	5.9	5.7	2.3	0.9	2.3	2.2
Italy	13.4	-0.2	2.0	8.7	5.9	1.1	1.6	2.7	2.5
Netherlands	5.2	1.1	2.8	11.6	4.1	3.2	3.0	2.7	2.4
Belgium	3.4	0.4	3.2	10.3	2.3	4.3	3.0	3.2	2.2
Luxembourg	0.3	0.0	3.5	8.2	2.9	2.3	2.5	3.1	2.0
Ireland	1.6	-0.5	2.4	8.1	5.2	1.3	2.1	3.2	2.6
Greece	1.7	-1.3	0.6	9.3	4.2	3.0	2.9	3.7	2.8
Spain	9.5	-0.3	3.0	8.3	3.4	2.9	2.7	3.6	3.4
Portugal	1.9	-0.1	0.9	8.1	5.3	2.7	2.2	2.8	2.3
Austria	2.6	1.4	2.8	8.6	7.8	2.9	3.6	3.3	2.6
Finland	1.4	0.4	2.1	7.2	4.3	1.0	1.8	2.5	2.1
Estonia	0.2	-0.6	4.5	19.4	9.1	3.7	4.8	3.3	2.7
Slovakia	0.8	2.0	2.8	12.1	11.0	3.2	4.2	3.8	3.0
Slovenia	0.4	-0.3	2.0	9.3	7.2	2.0	2.5	3.3	2.6
Cyprus	0.2	-1.1	2.3	8.1	3.9	2.3	0.8	3.0	2.3
Malta	0.1	0.8	0.7	6.1	5.6	2.4	2.4	2.7	2.2
Latvia	0.3	0.1	3.2	17.2	9.1	1.3	3.8	3.6	3.0
Lithuania	0.5	1.1	4.6	18.9	8.7	0.9	3.4	4.0	2.5
Croatia	0.5	0.0	2.7	10.7	8.4	4.0	4.4	4.6	2.7
Bulgaria	0.7	1.2	2.8	13.0	8.6	2.6	3.5	5.0	3.5
Euro area	84.8	0.3	2.6	8.4	5.5	2.4	2.1	2.8	2.5
Denmark	1.8	0.3	1.9	8.6	3.4	1.3	1.8	2.1	2.7
Sweden	2.8	0.7	2.7	8.1	5.9	2.0	2.6	1.7	2.1
Hungary	1.1	3.4	5.2	15.3	17.6	3.7	4.4	1.8	2.7
Czechia	1.7	3.3	3.3	14.8	12.0	2.7	2.3	2.2	2.7
Poland	5.4	3.6	5.2	13.2	10.8	3.7	3.3	2.9	2.8
Romania	2.4	2.3	4.1	12.0	9.7	5.8	6.8	8.0	4.0
EU-14	85.7	0.4	2.6	7.8	5.3	2.3	2.1	2.8	2.5
New EU-13	14.3	2.7	4.4	13.9	10.8	3.5	3.9	3.9	3.0
EU-27	100.0	0.7	2.9	9.2	6.4	2.6	2.4	2.9	2.6
Memorandum items^a									
USA		1.4	4.7	6.6	3.8	2.6	2.6	3.6	2.6
Japan		0.0	-0.3	2.5	3.3	2.7	3.2	1.8	2.6
United Kingdom		0.8	2.6	9.1	7.3	3.7	3.4	3.6	2.6
China		2.5	0.8	1.9	0.3	0.2	-0.1	1.4	1.9
Russia ^b		2.6	5.9	13.8	5.9	8.4	8.7	6.5	6.0
South-East Europe									
Serbia		1.7	3.6	11.7	12.0	4.8	4.0	4.1	3.7
Türkiye		12.3	17.8	72.3	53.9	58.5	34.9	28.0	20.0

aNon-harmonised price indices

bDecember/December

*Kopint-Tárki forecast

EU-14 = EU member states that joined before 2004 ('old' member states)

New EU-13 = New member states that joined in 2004, 2007 and 2013.

Sources: Eurostat, national statistical offices, OECD, Kopint-Tárki databases

Table I/3

Unemployment rate in the member states of the European Union
(unemployed as a percentage of the total labour force aged 15–74, Eurostat
harmonised rates)

	Weight	2020	2021	2022	2023	2024	2025*	2026*	2027*
Germany	19.8	3.6	3.6	3.1	3.1	3.4	3.7	3.9	3.7
France	14.3	8.0	7.9	7.3	7.3	7.4	7.6	8.2	8.0
Italy	11.6	9.3	9.5	8.1	7.7	6.5	6.1	5.8	5.7
Netherlands	4.6	4.9	4.2	3.5	3.6	3.7	3.9	4.0	3.8
Belgium	2.5	5.8	6.3	5.6	5.5	5.7	6.2	6.2	6.0
Luxembourg	0.2	6.8	5.3	4.6	5.2	6.4	6.6	6.9	6.5
Ireland	1.3	5.9	6.2	4.5	4.3	4.3	4.7	5.0	4.7
Greece	2.2	17.6	14.7	12.5	11.1	10.1	8.9	8.7	8.0
Spain	11.3	15.5	14.9	13.0	12.2	11.4	10.6	10.2	9.5
Portugal	2.4	7.1	6.7	6.2	6.5	6.5	6.1	5.9	5.4
Austria	2.2	6.0	6.2	4.8	5.1	5.2	5.7	5.7	5.5
Finland	1.3	7.7	7.7	6.8	7.2	8.4	9.7	10.5	10.3
Estonia	0.3	6.9	6.2	5.6	6.4	7.6	7.5	7.1	6.8
Slovakia	1.3	6.7	6.8	6.1	5.8	5.3	5.5	5.7	5.7
Slovenia	0.5	5.0	4.8	4.0	3.7	3.7	3.4	3.8	3.8
Cyprus	0.2	7.6	7.2	6.3	5.8	4.9	4.7	4.2	4.2
Malta	0.2	4.9	3.8	3.5	3.5	3.2	2.9	3.0	3.1
Latvia	0.4	8.1	7.6	6.9	6.5	6.9	6.8	6.8	6.7
Lithuania	0.7	8.5	7.1	6.0	6.9	7.1	7.1	6.7	6.7
Croatia	0.8	7.4	7.5	6.8	6.1	5.0	4.7	4.8	4.8
Bulgaria	1.4	6.1	5.2	4.2	4.3	4.2	3.5	3.7	3.9
Euro area^c	78.0	7.9	7.7	6.7	6.5	6.3	6.4	6.5	6.2
Denmark	1.5	5.6	5.1	4.5	5.1	6.2	6.3	6.4	6.0
Sweden	2.6	8.5	8.9	7.5	7.7	8.4	8.9	8.6	8.0
Hungary	2.2	4.1	4.0	3.6	4.1	4.5	4.4	4.7	4.6
Czechia	2.4	2.6	2.8	2.2	2.6	2.6	2.7	3.1	3.2
Poland	8.1	3.2	3.4	2.9	2.8	2.9	3.1	3.1	3.0
Romania	3.8	6.1	5.6	5.6	5.6	5.4	6.1	5.8	5.6
EU-14	77.6	7.9	7.8	6.7	6.6	6.5	6.5	6.6	6.3
New EU-13	22.4	4.4	4.6	4.1	4.1	4.2	4.3	4.3	4.3
EU-27	100.0	7.2	7.1	6.2	6.1	5.9	6.0	6.1	5.8
Memorandum items^a									
USA		8.1	5.4	3.6	3.6	4.0	4.3	4.2	4.1
Japan		2.8	2.8	2.6	2.6	2.5	2.5	2.5	2.4
United Kingdom		4.5	4.6	3.9	4.0	4.3	4.3	4.8	5.0
China ^b		3.6	4.0	4.2	4.2	5.2	5.2	5.2	5.1
Russia ^d		6.0	5.9	3.9	3.2	2.4	2.2	2.2	2.5
South-East Europe									
Serbia ^e		9.0	10.7	9.5	9.4	8.6	8.9	8.8	8.4
Türkiye		13.2	12.8	12.9	10.1	9.3	8.5	8.5	8.4

^aNon-harmonised unemployment rates

^bUrban unemployment

^cILO, labour force survey

^dOECD statistics, unemployed as a percentage of the labour force aged 15–64

^eStatistical Office of the Republic of Serbia, unemployed as a percentage of the labour force aged 15–64

*Kopint-Tárki forecast

EU-14 = EU member states that joined before 2004 ('old' member states)

New EU-13 = New member states that joined in 2004, 2007 and 2013.

Sources: Eurostat, national statistical offices, OECD, Kopint-Tárki database

Macroeconomic indicators and the Kopint-Tárki forecast
(annual change, per cent)

	Data					Forecast		
	2024	2025	2026			2026		2027
			Q1	Q2	Q3	Jul 2026	Oct 2026	Oct 2026
Real growth of GDP aggregates								
GDP total	0.7	0.7	1.8	1.7		2.0	1.8	2.5
Domestic absorption	-0.2	1.6	6.0	5.3		4.3	4.6	3.2
Private consumption	6.1	3.1	5.0	4.0		4.0	4.2	2.8
Public consumption	-5.9	2.7	5.7	-1.8		1.6	0.8	0.5
Gross fixed capital formation	-9.8	-4.1	-0.2	-6.4		3.7	-2.0	5.5
Gross capital formation, total	-11.5	-2.9	9.2	13.0		5.7	7.5	5.5
Exports	-0.3	0.7	-3.4	1.0		0.3	0.7	2.8
Imports	-1.4	1.9	1.5	5.9		3.2	4.6	3.8
Industrial production	-4.1	-3.2	1.2	3.5	6.7 ^e	2.3	4.5	4.0
Consumer price index	3.7	4.4	1.7	1.9	1.4	2.0	1.8	2.7
Employment, incomes								
Growth in the number of employed ^a	0.0	-0.7	-1.4	-0.6	-0.5 ^f	-0.7	-0.7	0.1
Employment rate ^a	65.1	65.2	65.0	65.2	65.6 ^f	65.3	65.3	66.0
Unemployment rate ^a	4.5	4.4	4.7	4.5	4.8 ^f	4.6	4.7	4.6
Unit labour cost ^b	10.7	10.1	9.8	12.1		13.6	10.0	
Gross nominal earnings ^c	13.2	9.0	14.9	8.3	8.0 ^g	9.4	9.4	6.0
Net real earnings ^c	9.0	4.8	15.0	8.4	8.0 ^g	8.7	9.4	4.0
Saving rate as % of GDP ^d	6.7	4.7	6.1	6.0		5.2	5.8	5.0
Current and capital account as % of GDP	2.1	2.8	1.1 ^g	0.5 ^g		1.5	0.8	1.0
General government								
General government balance, as % of GDP	-5.1	-4.7	-9.0	-3.3		-6.5	-6.8	-5.0
Gross government debt, as % of GDP	73.5	74.4	77.6	75.6		75.5	77.5	76.0
Short-term yield (3 months), end of period	5.10	6.04	6.39	5.31	5.20	5.2	5.2	4.8
Long-term yield (10 years), end of period	6.55	6.79	7.17	5.03	5.78	5.0	5.6	5.2
International conditions								
Volume of international trade	3.7	5.1				2.8	4.6	4.7
Brent oil price (USD/barrel, period average)	80.5	69.1	80.2	103.3	96.3	85.0	98.0	89.0
GDP change in the euro area, %	1.2	1.2	0.6	1.2		0.5	0.8	1.3
GDP change in the new EU member states, %	2.1	2.5	2.2	2.2		2.3	2.2	2.7
HUF/EUR, period average	395	398	384	360	363	360	368	370
USD/EUR, period average	1.08	1.13	1.17	1.16	1.15	1.14	1.15	1.14

a ILO methodology, period average, aged 15-74, public workers are counted as employed.

b Manufacturing, based on gross value added and the monthly average compensation of employees in euro, cumulated from the beginning of the year

c All employers. The net real earnings index includes the effect of tax allowances.

d Net lending of households, financial accounts statistics, percentage of GDP, four-quarter cumulative data

e July–August

f June–August

g Seasonally adjusted data by the MNB

III. The Hungarian Economy

3.1. Introduction

In the second quarter of this year, GDP growth continued at a rate of 1.7%, almost the same as the 1.8% recorded in the first quarter. This fell somewhat short of analysts' expectations but confirms that the economy is now on a modest but apparently stable growth trajectory. As regards the *structure of growth*, we can see both encouraging and worrying aspects.

On the *production side*, the first thing to mention is the significant strengthening of **industrial** dynamics: growth, which was barely more than symbolic in the first quarter, rose above 3% in the second quarter and accelerated further over the subsequent two months. The annual industrial growth rate this year may be considerably more favorable than previously expected. In other words, unlike in recent years, growth now has another pillar on the production side in addition to services. On the other hand, the double-digit fall in **agricultural** output is an adverse development, and it probably worsened further in the third quarter as a result of repeated heatwaves combined with drought. According to analyses, this year's drought damage exceeds even that of 2022.

Moreover, the welcome upturn in industry is not without problems: the new growth is essentially fueled by export sales soaring on the back of the entry and ramp-up of new capacities at a few large firms. Domestic sales sank to new lows in the second quarter, and growth is essentially driven by the strong expansion in the automotive and electronics industries. Meanwhile, the majority of industrial subsectors are alternating between symbolic growth, stagnation and decline. In other words, the industrial upturn seen so far does not mean that conditions – including external demand conditions – have become more favorable for *industry as a whole*, even if car sales are rising in the EU and the expansion of international trade in goods linked to the AI boom is still continuing.

On the *expenditure side*, the good news is that exports, which had contracted over the previous two quarters, turned to modest growth in the second quarter. This may be related to the above-mentioned pick-up in industrial export sales. Meanwhile, however, imports also gained considerable momentum, and as a result the growth contribution of **net exports** remained strongly negative, so the continuation of economic growth still depended on **final domestic use**. As for the latter, the significant expansion in **private consumption** continued – which is not surprising given the rapid rise in real earnings – although consumption dynamics moderated compared with the first quarter, due to the fading effect of the massive one-off bonus for military personnel, paid in January.

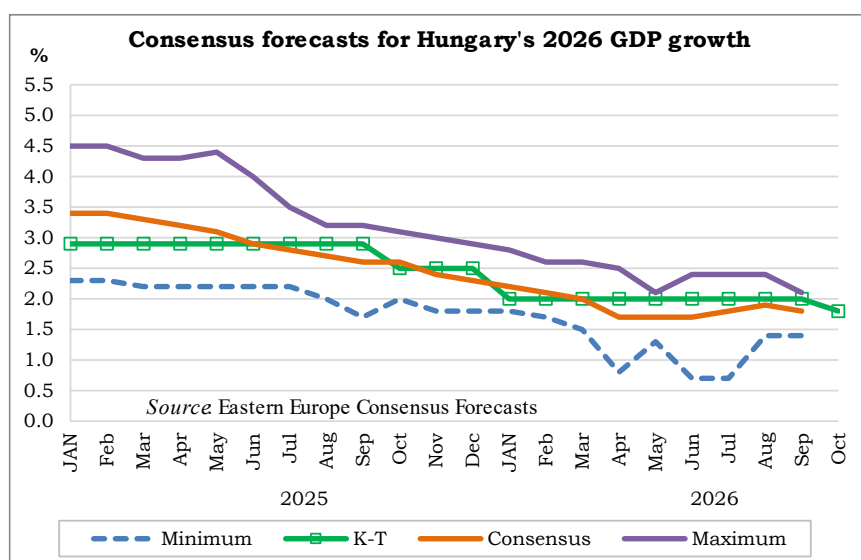
Perhaps the most serious disappointment in the second quarter was the continued, and even accelerating, decline in **gross fixed capital formation**. According to investment statistics, the volume of investment in the corporate sector, and particularly in manufacturing, literally plummeted. Rising energy costs appear to have had a greater influence on manufacturing companies' willingness to invest than the sudden improvement in companies' subjective assessment of their situation after the elections. With the second-quarter data, we can essentially give up the hope that investment would can positively contribute to the growth of domestic demand, and of GDP, in 2026.

Remarkably, the growth impact of the fall in fixed capital formation was offset by an even more outstanding positive growth contribution from *changes in inventories*. The

slowdown in the growth of final domestic use is thus ultimately attributable not to the unfavorable turn in investments, but to the moderation in consumption growth.

It cannot be ruled out that the large inflow of inventories is related to the uncomfortably rapid inflow of imports in the second quarter, or, from another angle to BMW and to Mercedes, which was then preparing to launch its new production capacities in July. It is therefore possible that the incoming inventories will later contribute to an acceleration in the currently very subdued export growth.

For the **rest of the year**, we expect the one-sided industrial upturn to continue – this may also be helped by the start of mass production of battery cells at the CATL plant in Debrecen in October. On the other hand, the true extent of agricultural decline will also become known only later in the year. On the expenditure side, the net export position may improve somewhat in the second half of the year, and the decline in investment may also come to an end by the end of the year. On the other hand, the extreme accumulation of inventories will also moderate. Overall, therefore, we do not expect any meaningful acceleration of growth in the second half of the year as a whole. Revising our earlier forecast, which was more optimistic regarding investments, **we now expect the GDP to grow by 1.8% in 2026**. This forecast is in line with the analyst consensus.

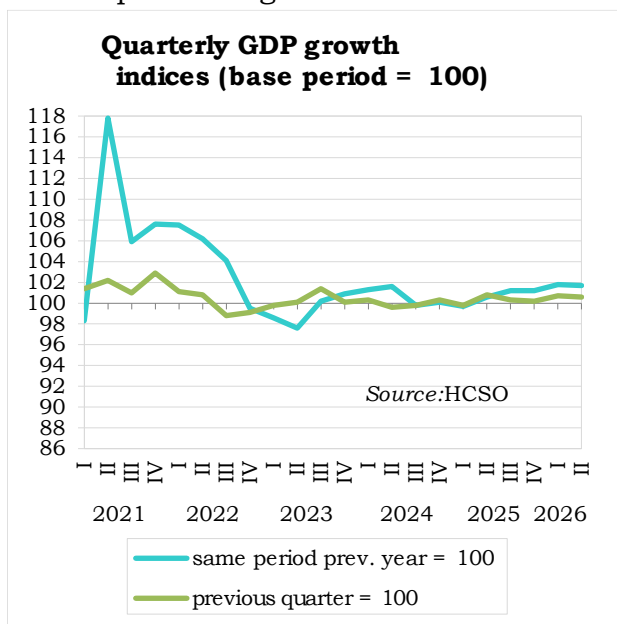
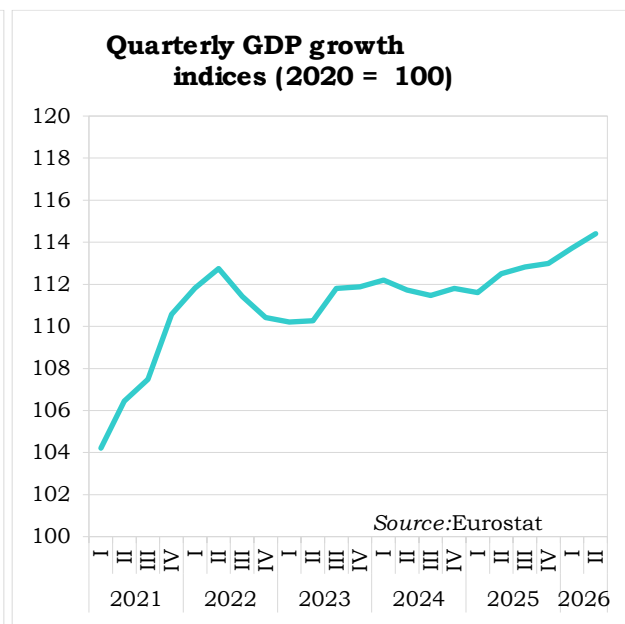


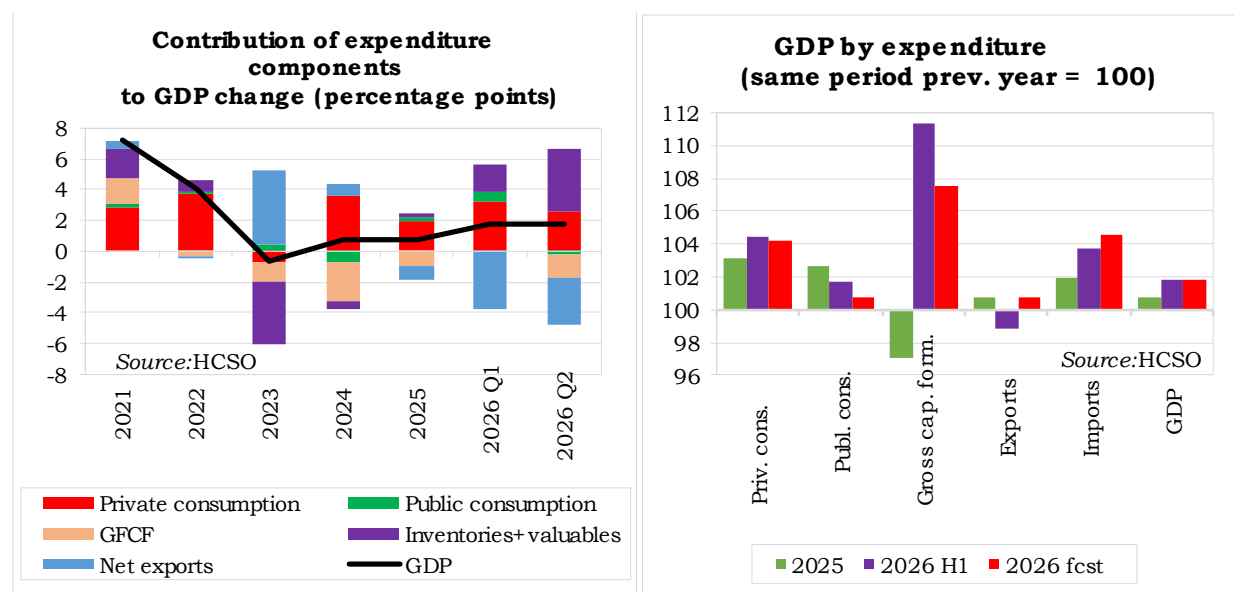
As for **2027**, it seems certain that investments will finally start to grow next year on the back of EU-funded projects – this is one of the factors behind our expectation of some acceleration in GDP growth next year. In addition, the external trade position may improve thanks to slightly faster export growth and more subdued import growth than this year. The moderation in imports will be helped, for example, by slower consumption growth than this year – as real earnings growth are expected to slow down in 2027 – and by the changes in inventories. Industrial growth is expected to continue, but there are uncertainties: according to the forecast of the International Energy Agency, the diesel price shock that has existed and deepened for some time will turn into a **global diesel shortage** by the middle of next year. If this happens, it could override the scenarios for industrial (and general economic) growth, although EU countries will presumably be able to obtain diesel, albeit at very unfavorable prices.

2. GDP and its components

In the second quarter of 2026, GDP grew by 1.7% year-on-year – meaning that, according to the revised data, the growth rate slowed marginally compared with the first quarter. With this growth rate, Hungary is near the median among the EU member states. Compared with the previous quarter, GDP growth also slowed marginally, to 0.6%, in the second quarter. Overall, cumulative growth in **the first half of this year** was 1.8%, a noticeable improvement on last year. As the right-hand chart shows, quarterly GDP volume has now been on a slow but steady rise for about a year.

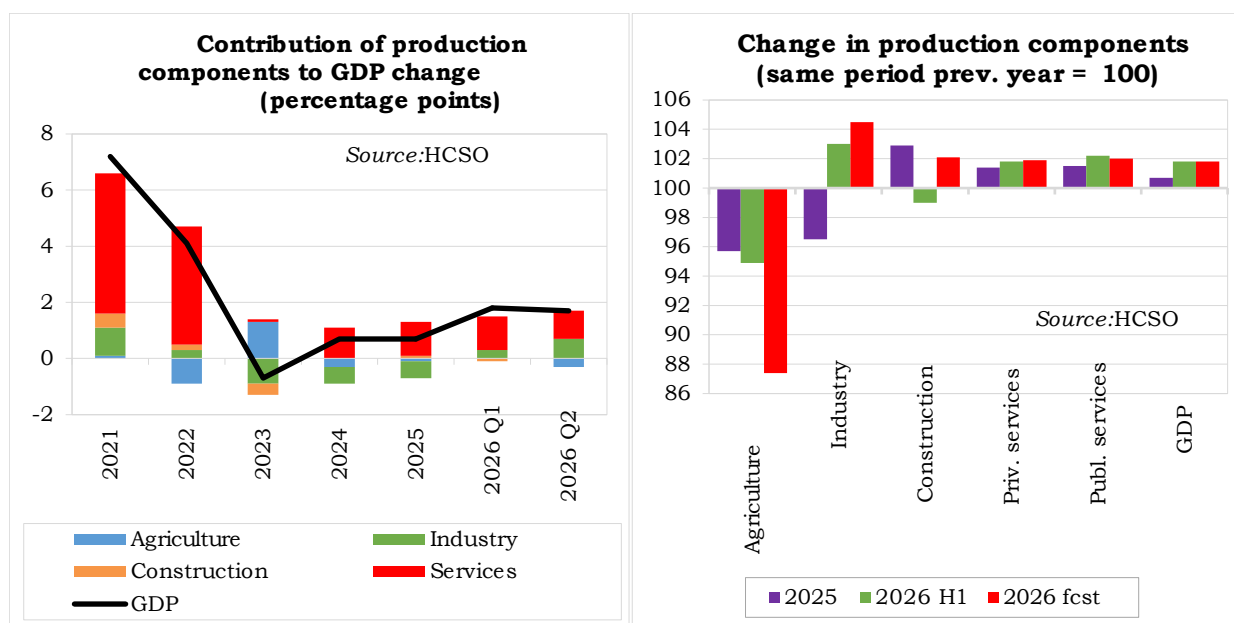
On the **expenditure side**, the somewhat slowing expansion of **final domestic use** was the driver of economic growth – even though *fixed capital formation* declined at an accelerating rate. The expansion of domestic demand was sustained by the still strong growth in *private consumption* and the exceptionally large growth contribution of the *changes in inventories*. The moderation in the pace of consumption growth is not surprising, given that the drastic but narrowly targeted effect of the one-off pre-election bonus for the armed and law-enforcement personnel is fading. Meanwhile, the negative growth contribution of the **net export of goods and services** remained strong: although goods exports switched from decline to slight growth, the year-long growth in goods imports also accelerated. According to external trade statistics, the growth in exports is driven by a surge in the exports of machinery and transport equipment, which may reflect, among other things, the start of production at the BMW plant. Beyond this, however, it would probably be premature to conclude that external market conditions have improved in general.





On the **production side**, one important development is that industry, which had been contracting for three years, expanded significantly in the second quarter, so – alongside the stable expansion in services – growth now has two pillars. However, according to industrial statistics, growth is essentially confined to the automotive and electronics industries, while the other industrial subsectors are still struggling. The other significant new feature is the drastic decline in agriculture, which has been shrinking since 2024, as a result of a drought of historic proportions. Construction, which carries a smaller weight, stagnated again in the second quarter.

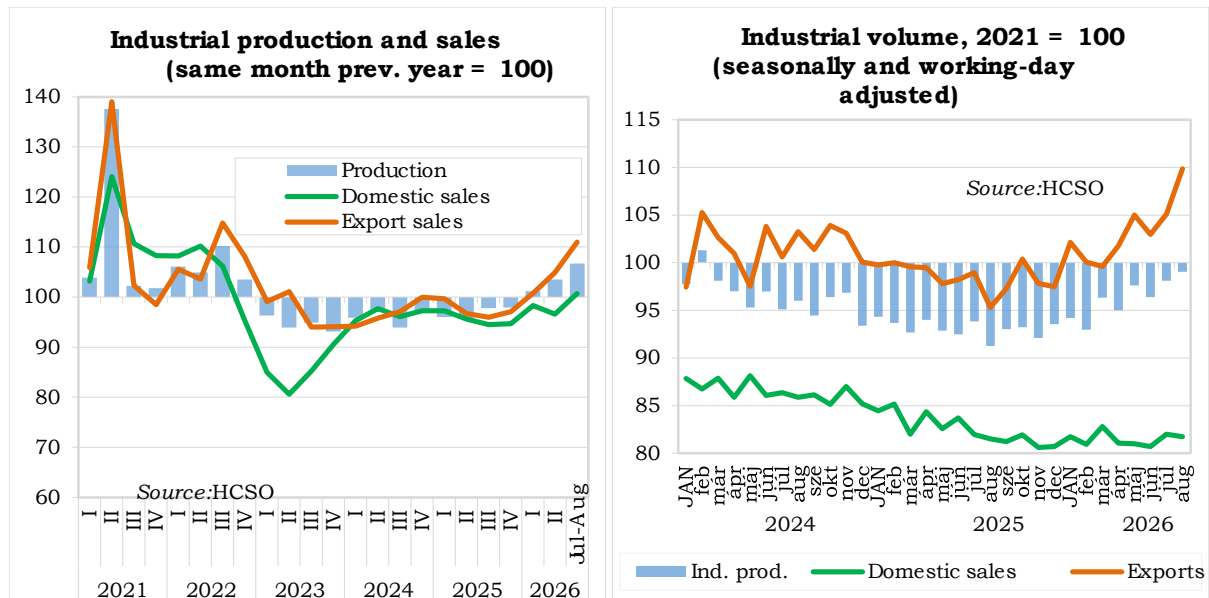
During the rest of the year, the upturn in the automotive industry may continue. On the other hand, a big question is whether the renewed closure of the Strait of Hormuz and the sharpening rise in fuel prices will become a more serious drag than at present. After the steep decline in the second quarter, the previously expected recovery in *investments* has become unlikely, at least for the year as a whole. External demand conditions are still not particularly encouraging. Kopint-Tárki therefore now expects the **GDP to grow by 1.8%** in 2026, instead of the 2% predicted earlier. In 2027, growth may accelerate to around 2.5% in a favorable scenario.



3.3. The production side of GDP

3.3.1. Industry

During last year, the year-on-year decline in industry continued, but this year the HCSO reports *accelerating growth*, for the first time since 2023. In July–August, the rate was already close to 7%. However, this growth is far from extending to the whole industrial sector. *Domestic sales* continued to shrink steadily on an annual basis in the first half of the year – and turned to minimal growth in July–August only because of the statistical base effect – while *export sales* shot up.



By subsector, too, the scope of growth is very limited: output is on a rise in the automotive industry, driven by BMW (and, from the middle of the year, by Mercedes, which is bringing new capacities on stream), in the electronics industry, driven by Foxconn, which mainly manufactures AI servers, as well as in the smaller machinery industry and (on a month-on-month basis) in the pharmaceutical industry. However, the output of the *electrical equipment industry* – which includes battery manufacturing – has been declining again since April – although the start of battery cell production at CATL in October may bring a turnaround. Overall, output is falling in about half of the manufacturing subsectors, while in a few, weak and uncertain growth (resulting quasi-randomly from trendless fluctuations) was observed in January–August.

The outlook for the rest of year remains highly uncertain. The ramp-up of automotive capacities is currently coupled with rising European demand for cars, but overall the outlook for the European economy has improved only marginally at best. Moreover, the global commodity market shock caused by the war in the Middle East appears to be worsening, aggravated in October by another fall in traffic through the Strait of Hormuz. If current trends continue, the one-sided industrial expansion may result in a fairly dynamic annual growth rate **surpassing 4%**, but geopolitical escalation could upset the present direction of developments.

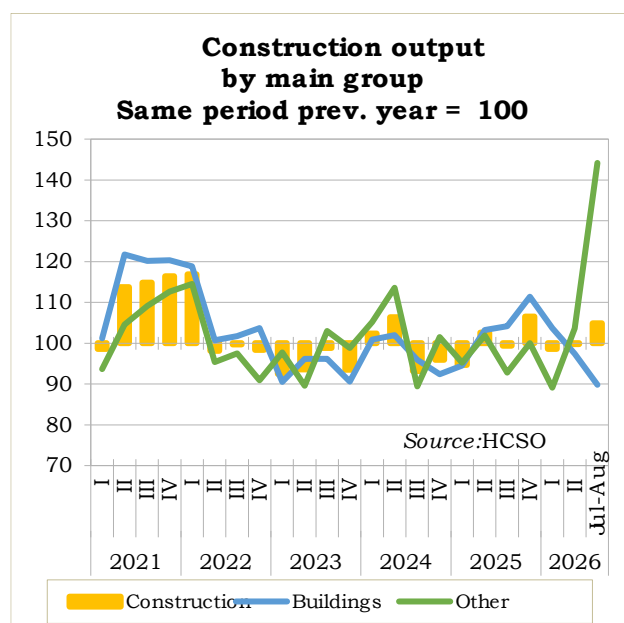
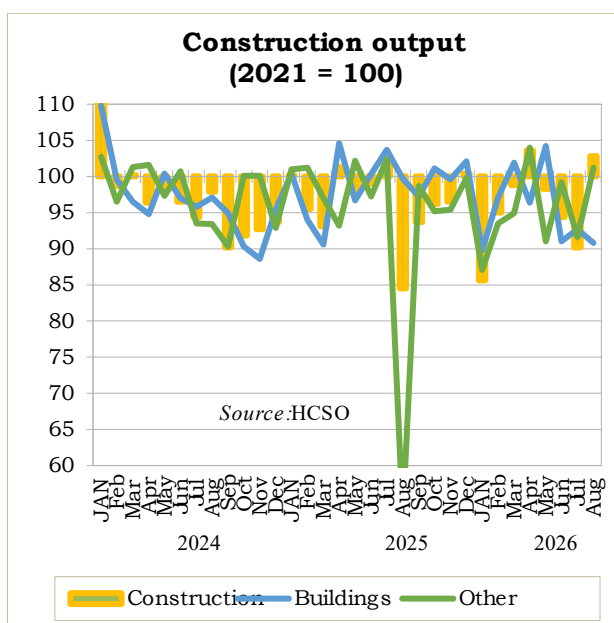
3.3.2. Construction

Construction output has been characterized by directionless fluctuations this year: on average over the first eight months, output grew by 0.1%, i.e. it stagnated. The construction of buildings contracted – despite a stronger first-quarter performance – while civil engineering expanded by 5%. However, this year's growth in civil engineering is far from stable, and the 5% rate for the first eight months is essentially due to an exceptional 102% year-on-year jump in August. This jump, in turn, is basically due to one-off factors – above all the low base, but another such one-off factor was, for example, the construction of the emergency riverbed sill at Paks.

Meanwhile, the previously steep growth in the *stock of orders* slowed significantly this year at first and then turned into an 11% decline in August. This trend reversal essentially reflects the change in the growth trajectory of the outstanding orders in *civil engineering*: from growing by 95% in June last year, it turned into declining at a rate of 17% by August this year. Thus, the main group of construction that has performed better recently faces the gloomier outlook. By contrast, the stock of orders in the other main group – that posted negative growth over the past eight months – just turned to growth in August. This is not the first time that the trends in orders and the trends in current output have diverged.

According to the *iBuild* database, *activity start* was fairly strong in the first quarter of this year, but distinctly weak in the second quarter. As a result, the volume of activity starts was low in the first half of the year as a whole compared with the same period of previous years. The cautious start of activity in the second quarter may have been partly due to the change of government and to the suspension of certain projects previously classified as priority projects by the new government. The sector continues to face demand problems.

In light of all this, we can hardly expect a spectacular recovery in construction during the remainder of this year. Nevertheless, some growth is likely to occur. Growth will be helped by a somewhat lower base than so far, and it is still not entirely ruled out that the first signs of the investment wave to be launched with the help of the newly recovered



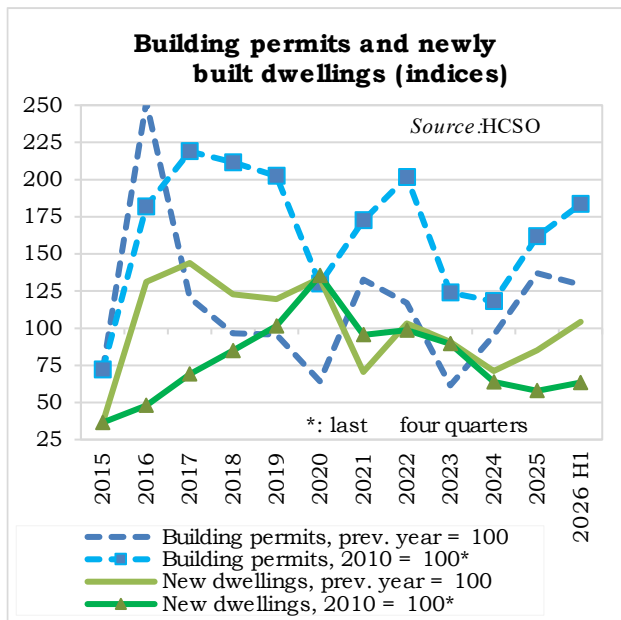
EU funds will already have an effect at the end of this year. We therefore expect construction output to expand at a modest rate of **around 2%** in 2026.

3.3.3. Housing construction

After the decline observed in 2024–2025, the number of *newly built dwellings* rose by only 4% in the first quarter of 2026, but by as much as 43% in the second quarter. According to the data, the number of dwellings built by private individuals increased by 21%, while the number of dwellings completed by enterprises rose by approximately 52% in the second quarter, following a slight increase in the first quarter. In line with this, the number of completed family houses rose more modestly than the combined number of dwellings in apartment buildings and residential parks.

Meanwhile, the number of *building permits/declarations* continued to rise this year, although in the second quarter the increase was only about 2%. The increase was driven mostly by the rise in the number of permits issued for dwellings to be built in *multi-dwelling buildings*, but the number of permits issued for single-dwelling buildings also increased by 25% in the first half of the year as a whole.

According to the iBuild database, activity start was particularly strong in the first quarter regarding *apartment building construction*, but that was followed by a very weak second quarter – still, for the first half of the year as a whole the volume of newly started construction was respectable. During the rest of the year, the suspension of the priority Otthon Start (Home Start) investment projects that have not yet received building permits, as well as the introduction of a scheme with more limited scope (under the name Wekerle Plusz) may have some cooling effect.

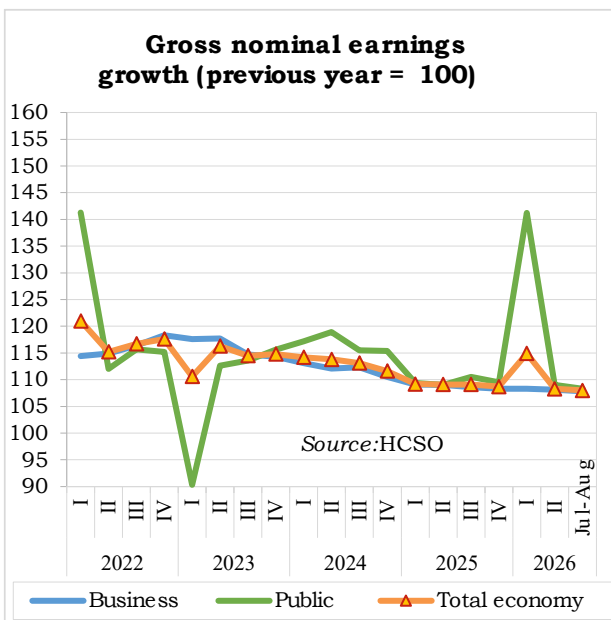
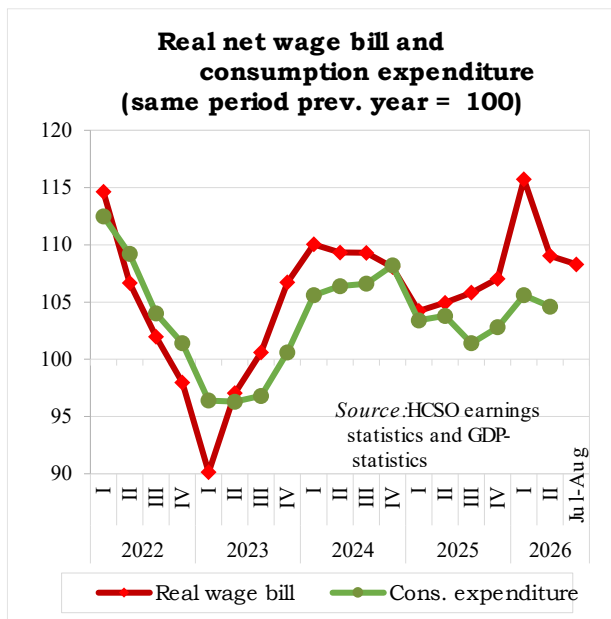


3.4. The final use of GDP

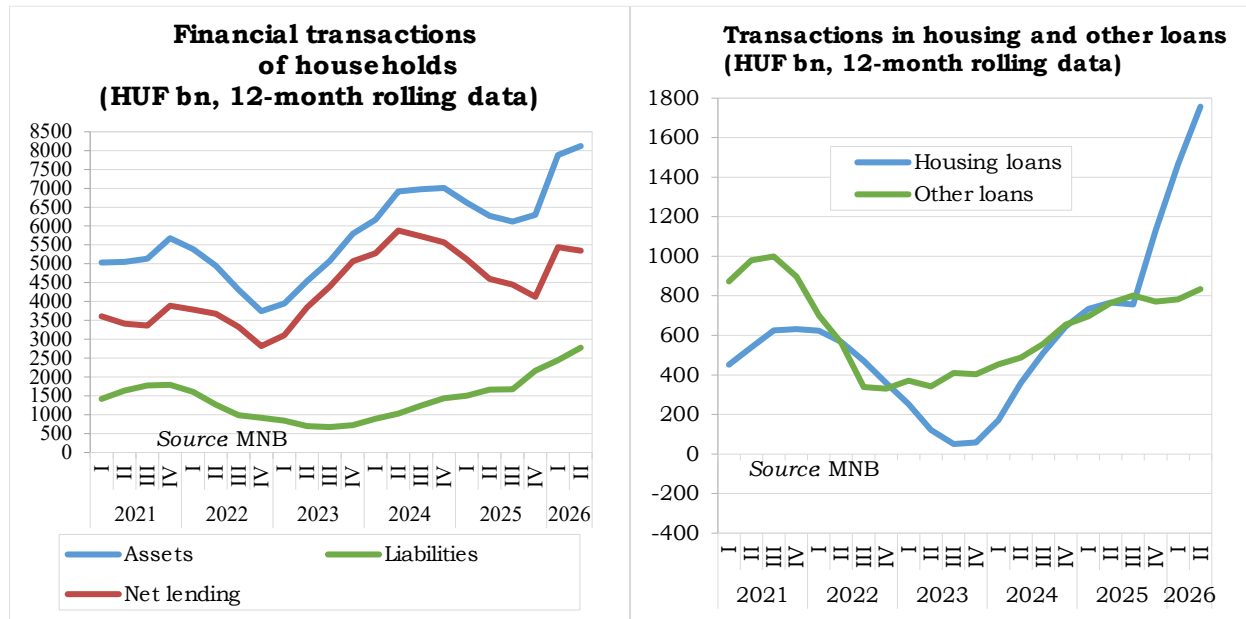
3.4.1. Household income, consumption and savings

In the first eight months of 2026, **nominal gross average wages** rose by 10.6% and median wages by 9.7%, while the inflation rate was of only 1.7% during the same period. Average net real wages rose at a very steep pace, by 10.8%. In addition, the *tax allowances introduced* last year and at the beginning of this year elevated the growth rate of *net* nominal wages. It is important to note that the cumulative gross wage growth is boosted by a one-off event, the January payment of the ‘weapon money’ bonus – without it, the growth rate might have remained below 9%, as would the net real wage growth rate. But even this real wage growth would *comfortably exceed the rate measured last year*. Since the number of employees – at least *according to wage statistics data* – continues to rise slightly this year (in contrast to the number of employees estimated by the *labor force survey*), the **real net wage disbursements** were 11.4% higher in January–August this year than in the same period of 2025.

The acceleration of real wage growth was strongly reflected in the growth of **households' consumption expenditure**: the growth rate of expenditure rose from 2.9% last year to 5.1% in the first half of this year. The slowdown of 1 percentage point in the second quarter from the first is largely explained by the fading of the consumption-boosting effect of the ‘weapon money’ bonus.



According to MNB statistics, households' **net lending** jumped in the first quarter – a reflection of an even larger jump in gross savings on the one hand and a continued



expansion of net borrowing on the other. In the second quarter, however, although gross savings continued to rise somewhat (year-on-year), this more modest increase was neutralized by the continued steady growth of net borrowing. In light of the cash outflow shock caused by the 'weapon money' bonus, the jump in savings in the first quarter – and the subsequent slowdown in the second quarter – is understandable. Households' *four-quarter rolling average saving rate* (as a % of GDP) jumped from 4.7% at the end of 2025 to 6.1% in the first quarter and then eased to 6% in the second quarter. Within net borrowing, the balance of *housing loans* rose drastically, while the balance of other loans remained roughly stagnant. In other words, the boosting effect of the Otthon Start program on housing loans may have continued to crowd out consumer loans.

Sector account data suggest that the disposable cash income of households may have grown at a rate of more than 10% in the first quarter of this year and by almost 7% in the second quarter, so the increase of around 5% in consumption expenditures can be considered conservative. In light of this, the jump in financial savings in the first quarter is not surprising. In the second quarter, sector account data suggest that **household investments** may have started to grow.

During the **rest of this year, continued dynamic wage growth** will be the principal influence on incomes. In the *business sector*, wage growth is more moderate than in the public sector, even when calculated without the 'weapon money' bonus, but even in the business sector real earnings grew at a rate of around 8%. A slight slowdown may occur in this respect in the last third of the year, which will not change the overall picture. Household consumption expenditure may grow by almost 5% and total **private consumption by about 4.2% in 2026**, while housing investment may also expand.

3.4.2. Investment

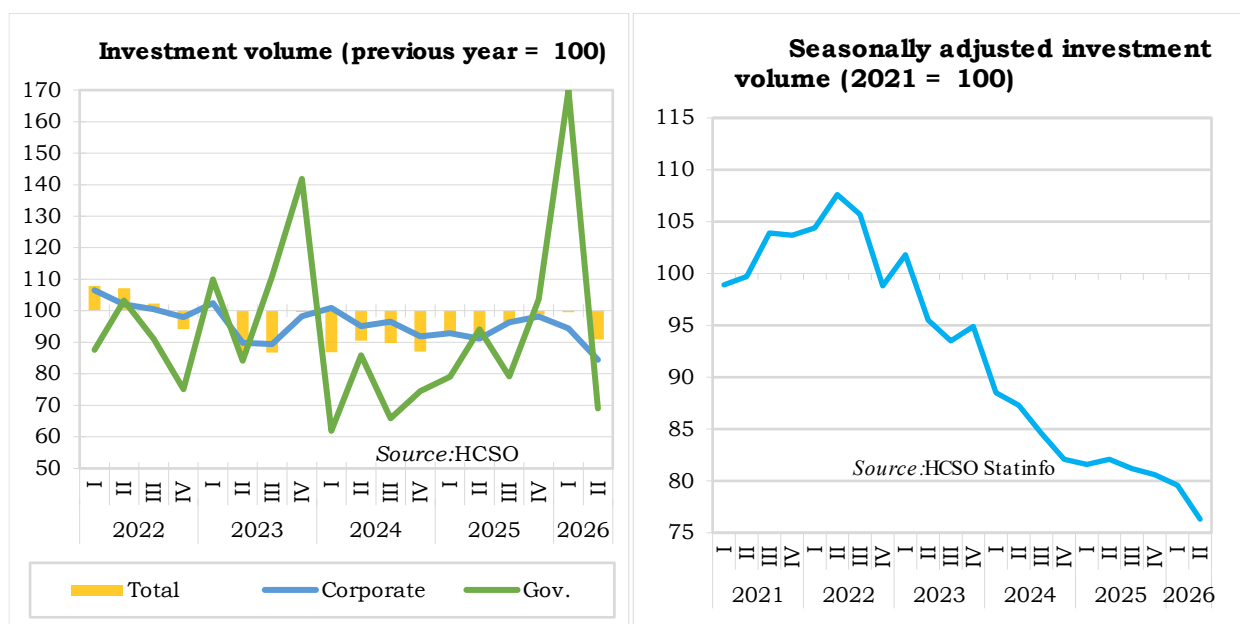
Investments continued to decline in the second quarter of 2026, at a drastic rate of 9.1%, as opposed to the only symbolic decrease recorded in the first quarter. This is a serious disappointment: as the fixed-based time series shows, the volume of investment reached a new low in the second quarter after a significant quarter-on-quarter fall.

In the *medium-sized and large enterprise segment*, the year-on-year decline in the second quarter was close to 15%. Meanwhile, *budgetary* investments, after a jump by some 70% in the first quarter, dropped by almost 30% in the second quarter. The data suggest that the earlier decline in investment by the small business and household sector turned into growth in the second quarter.

The accelerating contraction of business sector investment is mainly attributable, on the one hand, to the acceleration of the decline in *manufacturing* investment to almost 20% and, on the other hand, to the 39% plunge in the investments in the transport and storage sector, which were rising at a steep pace in the first quarter. Although manufacturing companies' subjective assessment of their situation improved suddenly after the change of government, this was not at all reflected in their willingness to invest in the second quarter – rising energy prices may have had a greater impact than sentiment. Overall, investment fell in about two thirds of the branches of the national economy.

As regards the **rest of this year**, the chances of a spectacular pick-up are rather slim. There is no broad-based improvement in external demand conditions, and the additional cost shock resulting from the renewed closure of the Strait of Hormuz may make the situation even worse. Thus, contrary to our earlier, relatively optimistic expectation, we now predict **an annual average decline of around 2% in investments**. Next year, however, investments may start to grow, unless new drastic external shocks create an even more adverse situation than the present one.

3.4.3. External trade

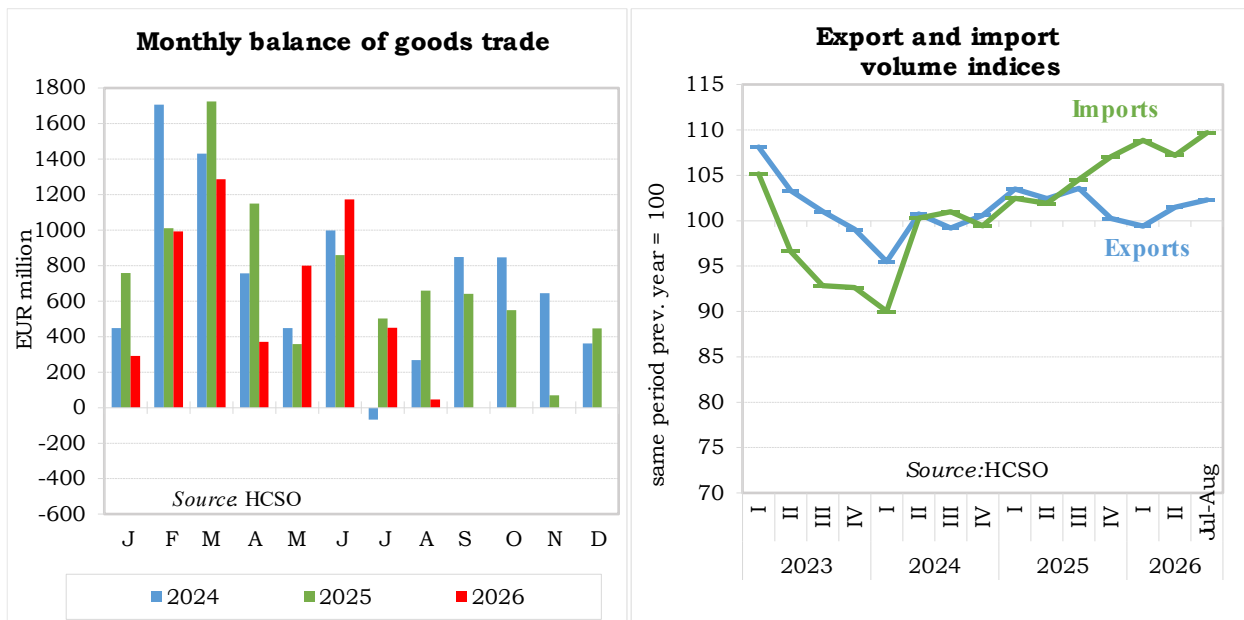


Throughout this year, the monthly euro value of net exports has consistently fallen short of the values a year earlier, and the year-on-year decline is trending upwards. Overall,

the external trade surplus for January–August – EUR 5.4 billion – was 23% lower than the EUR 7 billion a year earlier. The decline in values measured in euro continued to be mitigated by a significant *improvement in the terms of trade*, but the effect of the latter weakened considerably, above all owing to the surge in energy import prices from April onwards. The development of goods trade *volumes* shows an even less favorable picture, although some positive aspects can also be discerned.

The favorable development is that, after the *volume of goods exports* stagnated in the fourth quarter of last year and then declined in the first quarter of this year, it grew by more than 1% in the second quarter and by more than 2% on average in July–August. The turnaround to growth is clearly explained by the pick-up in exports of machinery and transport equipment, while exports of the second largest product group, manufactured goods, continue to decline. Meanwhile, however, the *import volume* is growing rapidly, at a faster rate than in any quarter of last year – also largely due to the tempestuous growth in imports of machinery and vehicles. This year, the negative gap between export and import dynamics has widened to an almost unprecedented extent.

The outlook for the remainder of this year remains gloomy. Export growth appears to have a narrow base, driven largely by new automotive capacities and the ramp-up of server production, while there is little sign of a general improvement in the external environment, and the economic effects of the continuing war in Iran are still unfolding. Since import growth also appears to be largely related to new export capacities, it may eventually lead to faster export growth. For the time being, however, a further narrowing of the external trade surplus is expected – after EUR 8.7 billion last year, the surplus may fall to around EUR 6 billion this year.

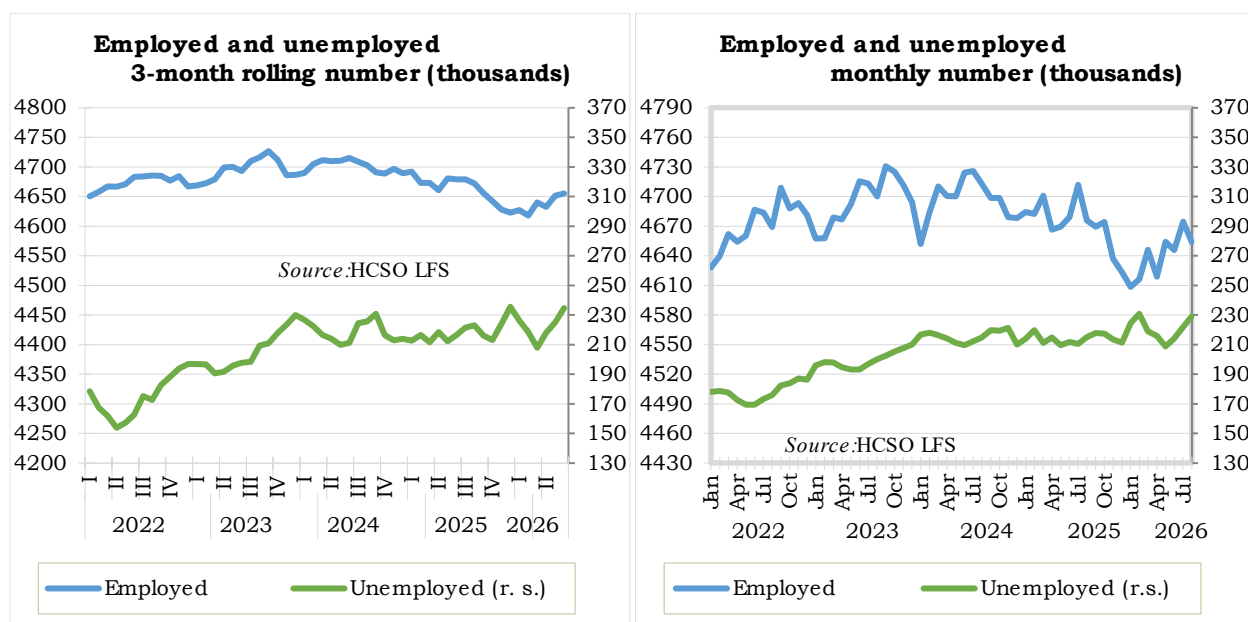


3.5. Employment and unemployment

According to the *labour force survey* (HCSO-LFS), the decline in employment that has lasted for almost a year and a half is continuing unabated for the time being. The pace of decline has, however, moderated: after 1.4% in the first quarter, employment was 0.6% lower in the second quarter and 0.5% lower in June–August than a year earlier. The number of people working in the *primary labour market* developed less favorably than total employment: the data show a decline of 1.1% in the second quarter and 0.8% in June–August. The rapid growth in the number of *public works participants* appears to have come to an end this summer – for the time being – while the number of people working abroad continues to rise. According to LFS data, the decline extends to industry, construction and trade. In the *business sector*, the job vacancy rate rose somewhat from 1.7% last year, reaching 1.9% in the second quarter.

The three-month rolling *unemployment rate* remained stable until the end of last year – standing at 4.4% in the last quarter – but jumped to 4.7% in the first quarter, and after 4.5% in the second quarter rose again to 4.8% in June–August, with a trend increase in the *absolute number* of unemployed. The number of registered jobseekers, however, decreased up to and including August, but turned to a slight increase in September.

Modest economic growth has not yet led to an increase in employment, so the employment level in the recovering industry is falling sharply. **For this year as a whole, we expect employment to decline**, while the unemployment rate may be 4.7%. The economic recovery that may, in a good scenario, occur next year – linked to the release of EU funds that have not yet been permanently lost – may bring the start of a cautious increase in employment.



3.6. Fiscal, monetary and financial developments

3.6.1. Fiscal developments

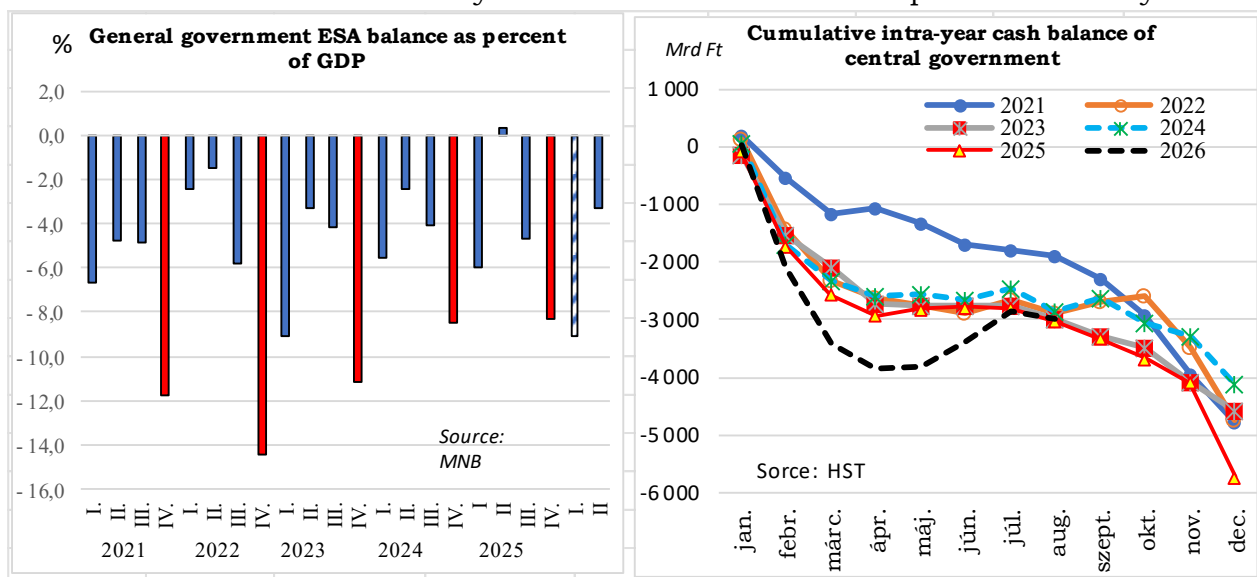
Budgetary developments in 2026

In the first half of 2026, the general government *accrual-based* (ESA) deficit (HUF 2,809 billion) amounted to **6.2%** of GDP. The ESA deficit was 9% of GDP in the first quarter and 3.3% in the second quarter. By contrast, the cash-flow deficit in the first half of the year amounted to HUF 3,382 billion, of which the first-quarter deficit was HUF 3,419 billion, while the second quarter recorded a surplus of 41 thousand billion forints. The cash-flow deficit for the first half of the year was HUF 3,377 billion. The ESA bridge was particularly large in the first half of 2026: accrual-based expenditure was HUF 2,175 billion and revenue HUF 1,599 billion lower than on a cash basis.

In September 2026, the government amended the original budget act, which had already become obsolete in the months following its adoption, in the summer of 2025. The government changed the macroeconomic assumptions, aligning them with reality, and raised the deficit from 4,218 thousand billion forints to 7,110 thousand billion forints, i.e. to 7.5% of GDP.

On a cash-flow basis, preliminary data for the first nine months are also available, showing a deficit of HUF 5,262 billion. However, this includes the HUF 2,187 billion pre-financing of the RRF EU-funded programmes in August, which will only partly appear in the ESA deficit, as the larger part of it will be reimbursed by the EU later. Without it, the deficit for the first nine months was HUF 3,075 billion, only 43% of the deficit planned for the year as a whole

Budget revenues in the first nine months were in line with the amended budget, so the planned tax revenues came in pro rata (at around 72–73%), especially considering that payments typically increase in the last months of the year. The budget amendment affected tax revenue items relatively little. Among the expenditure items, the largest overrun was on the line for budgetary institutions and sectoral chapter-managed appropriations (public investment and other, unidentified items). Here, expenditure in the first four months had already reached 52% of the amount planned for the year as



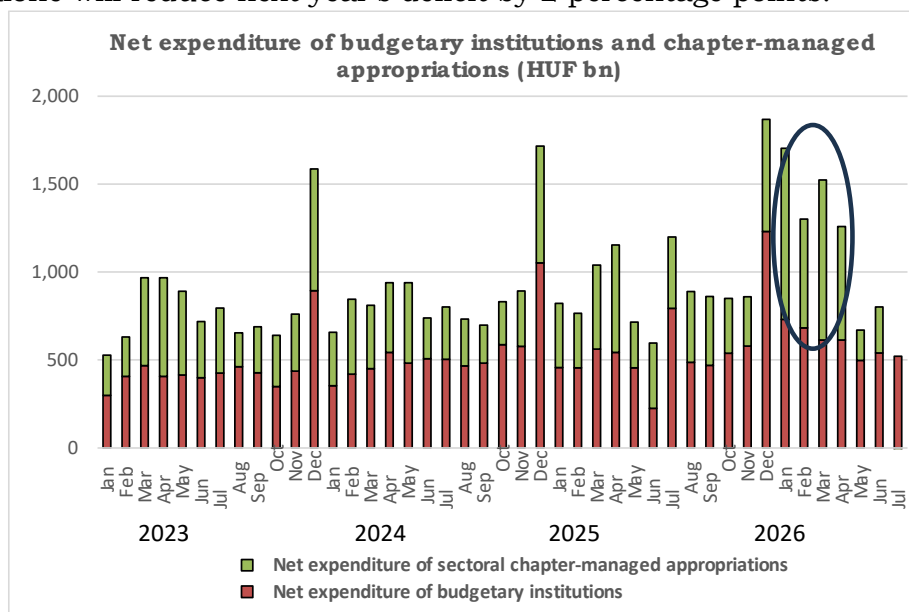
a whole (13,550 thousand billion forints). Since then, expenditure has fallen significantly.

The 7.5% ESA deficit forecast by the government would require a deficit of 8.8% of GDP in the second half of the year after the 6.2% deficit in the first half, for which the available information provides little evidence. An important question mark is how much of the HUF 1,926 billion reserve budgeted on the expenditure side of the amended budget will be used, especially the HUF 500 billion emergency reserve.

In our report, we forecast **a budget deficit of 6.8% of GDP**. In the absence of the above information, this merely indicates that there is a chance that the budget deficit will ultimately be more favorable than currently forecast by the government.

On the closing date of our report, the draft 2027 budget act was published, which plans a deficit of 4.9%, which appears achievable. The draft provides for significant changes on both the revenue and expenditure sides, pointing towards a more rational, more economical and fairer budgetary redistribution: necessary wage increases, increases in pensions and family allowances, higher health expenditure and a reduction in the tax on the minimum wage. These will be financed, in addition to tax increases, largely by cuts in public expenditure.

The chart below provides an important insight into the latter: it shows that in the first four months of 2026, before the elections, the ‘net expenditure of budgetary institutions and chapter-managed appropriations’ exceeded the level of previous years (which had already been characterized by overspending and waste) by HUF 1,800–2,000 billion. This represented additional spending of 2% of GDP. If this spending is not repeated in 2027, this alone will reduce next year's deficit by 2 percentage points.

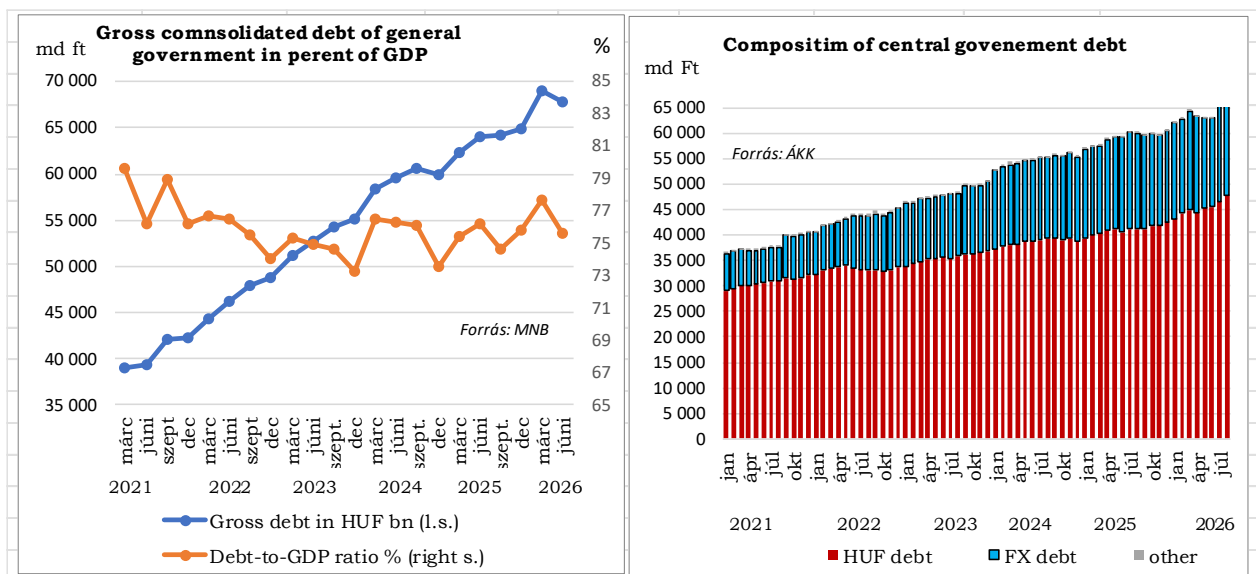


Government debt

According to MNB data, gross government debt amounted to HUF 67,815 billion at the end of June 2026, an increase of HUF 2.9 thousand billion compared with the end of 2025. This corresponds to 75.6% of GDP.

The government forecasts a government debt ratio of 77.5% of GDP for the end of the year. This may be affected by both the timing of the arrival of European Union funds and their accountability. The Ministry of Finance expects the several thousand billion forints of EU funds to arrive only in the last days of 2026; the Hungarian budget will have to pre-finance them, which temporarily increases debt. Because of the short time available, the funds will therefore not be able to reduce debt by the end of the year. The actual year-end figure may thus be sensitive to when the EU funds arrive and how the Government Debt Management Agency (ÁKK) manages debt at the end of the year (for example, by drawing down its deposits).

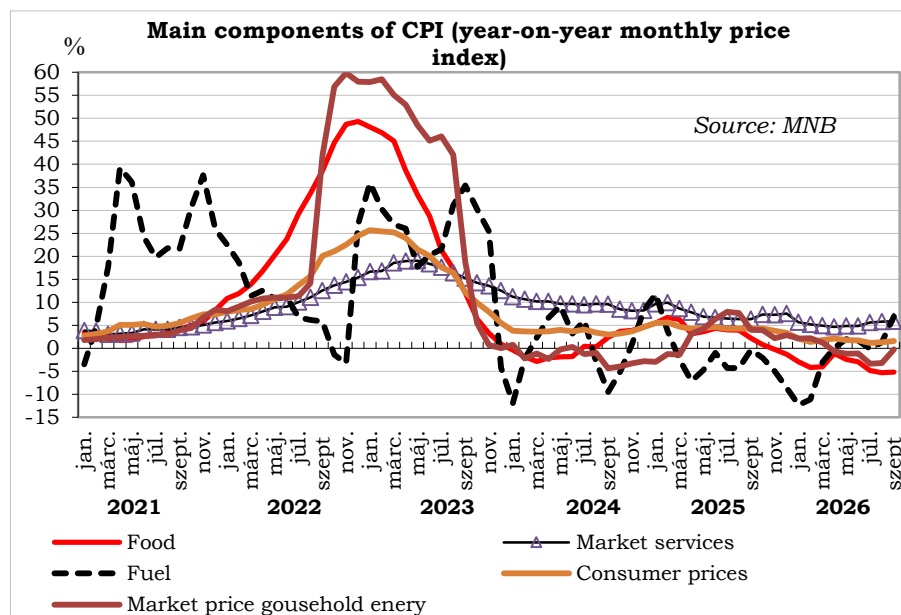
This year's accounts are therefore surrounded by a number of technical uncertainties. In the absence of information, we accept the government's **forecast of 77.5%** for the government debt-to-GDP ratio at the end of 2026.



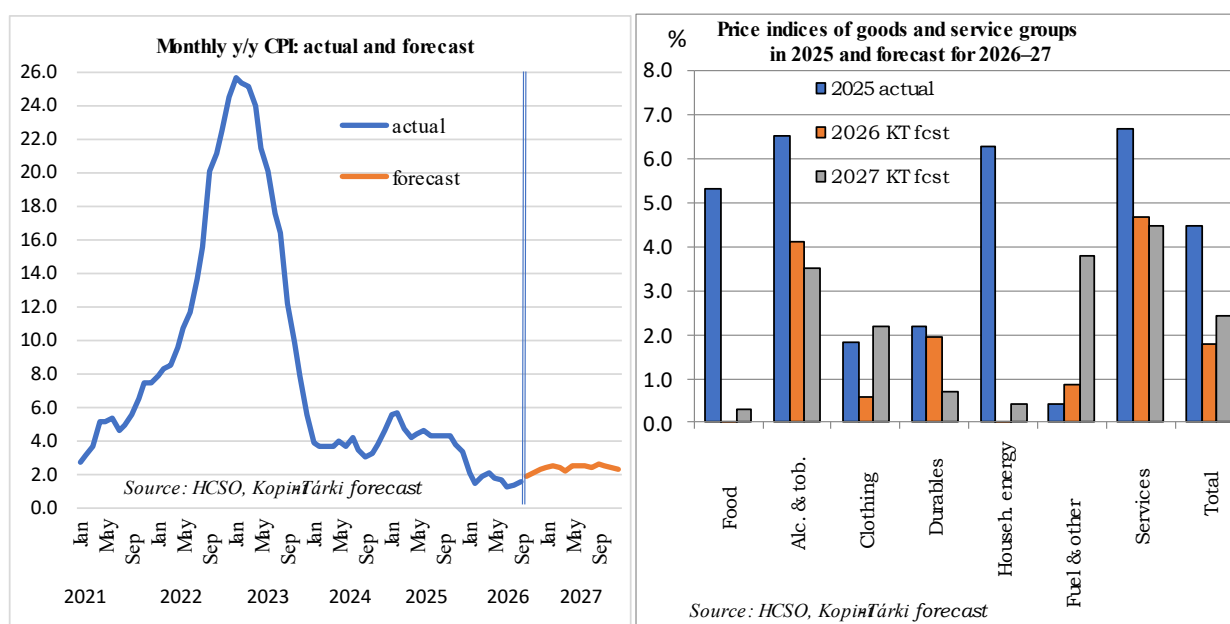
3.6.2. Inflation

The first nine months of 2026 were characterized by an average consumer price index of 1.7%, well below expectations. Food prices were unchanged on average over the first three quarters: they still rose by 0.6% year on year in the first half of the year, and fell by 1.3% in the third quarter. On a month-on-month basis, food prices fell almost continuously during the year.

On average over the nine months, fuel prices rose the most (by 6.9%), followed by market services (5.9%), both indices with significant monthly fluctuations. Market-priced household energy fell by 1.3%.



It is positive that core inflation exceeded actual inflation by a decreasing margin. In the first nine months, average core inflation was 2.1% (compared with the measured 1.7%),



and the difference between the two indices narrowed from 0.6 percentage points in January to 0.3 percentage points.

The strong forint exchange rate contributed significantly to the radical fall in the price index. Since the elections, the euro exchange rate has remained below HUF 370, and no weakening is expected in the near future owing to the high policy rate; in August–September it remained fairly stable between HUF 360 and 370. Although the stagnation of the exchange rate does not give a new impetus to price reductions, it certainly keeps inflation in check.

A slightly rising monthly price index is expected for the rest of the year, largely owing to the low base of the previous year. The increase in the excise duty on tobacco products by 9–26%, depending on the product, from 1 November will raise the annual price index by 0.2%.

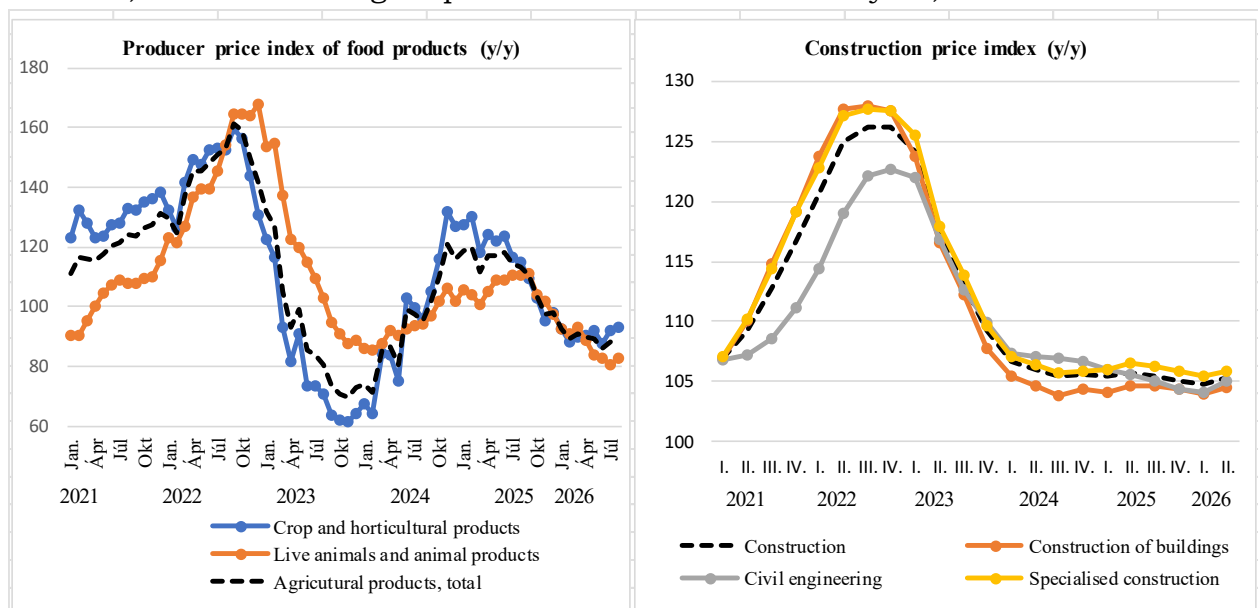
Overall, we forecast **a consumer price index of 1.8%** for 2026.

The forecast of the price index for **2027** is made uncertain, on the one hand, by the timing and impact of the phasing-out of the retail margin cap (ÁRS). Although the phase-out would not cause a significant price shock, depending on its timing it would raise the price index by 0.2–0.4%. Since the beginning of 2025, agricultural producer prices, which are characterized by fluctuations with a period of 14–16 months, have been in a declining phase, but some recovery already started in the summer months of 2026, mainly in crop products. If this trend continues and the phase-out of the margin cap is postponed for a long time, the likelihood of a larger price-raising effect will increase.

Further uncertainty is caused by world oil prices. The outcome of the US–Iran war and its impact on the oil market are unpredictable. The price of Brent per barrel has been above 100 USD for quite some time, which may feed into the prices of all products.

Further uncertainty in services prices is caused by the size of next year's wage increases, which will be strongly influenced by the increase in the minimum wage and the guaranteed minimum wage.

All in all, we forecast a higher price index in 2027 than this year, **of around 2.6–2.7%**.



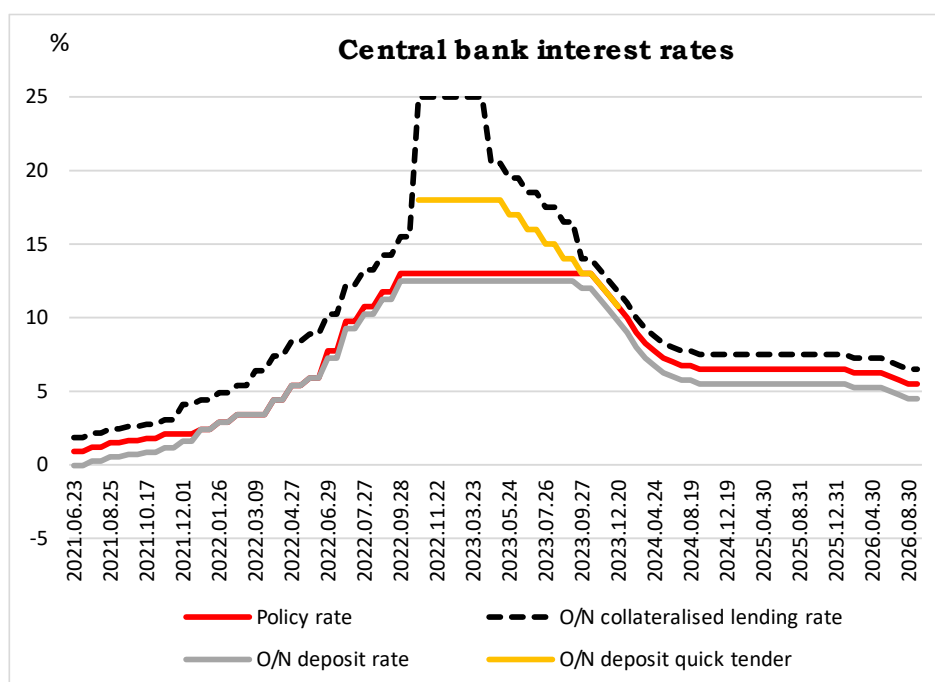
6.3. Central bank interest rates

In September 2026, the Monetary Council of the MNB did not continue the already faltering cycle of policy rate cuts and kept the policy rate at 5.5%, citing uncertainty about future inflation, high energy prices, geostrategic risks and the uncertain global economic and financial market environment, which justify a cautious monetary policy approach.

At the same time, backward-looking inflation has developed particularly favorably. Hungarian year-on-year inflation of 1.6% in September 2026 was well below the central bank's current inflation target of $3\% \pm 1\%$.

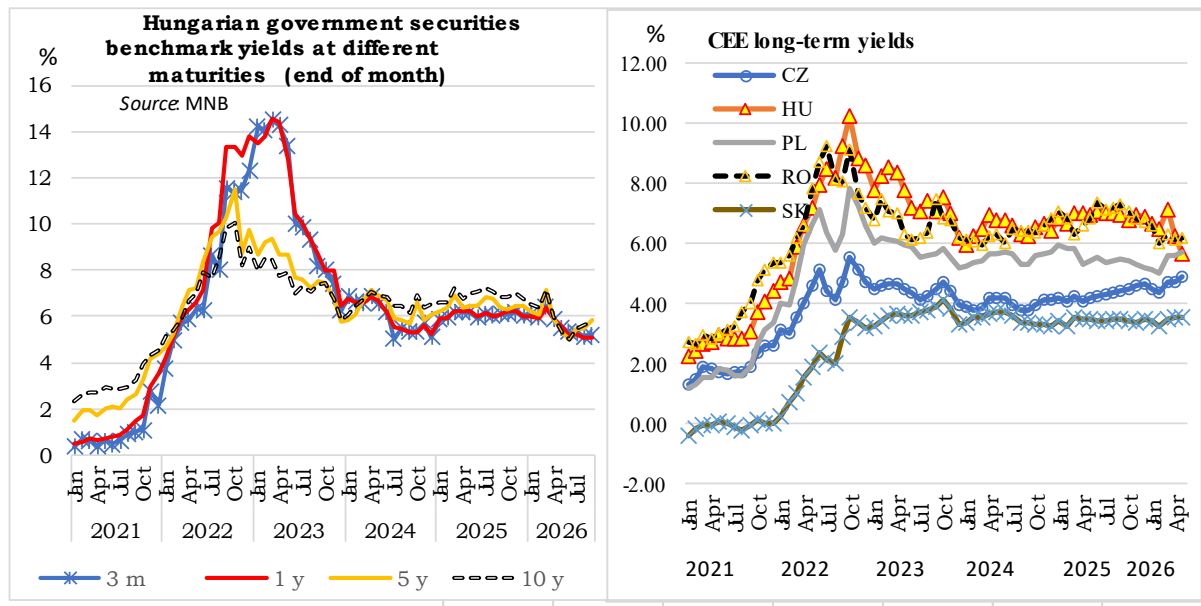
In addition, the 12-month average price increase, the so-called 'reference price index', which is the yardstick for joining the euro area, was 2.5% in September, which meets the Maastricht inflation criterion. The average of the three lowest inflation rates was 1.5% [1.4% (Sweden), 1.5% (Denmark) and 1.6% (Czechia)]. Adding the 1.5 percentage point margin gives 3%, well above the 2.5% figure. In August–September 2026, Hungary's 12-month inflation was the eighth lowest in the Union.

We do not make a policy rate forecast, since, as we have seen, the conditions for a rate cut are in place, but it cannot be predicted what decision the Monetary Council will take.

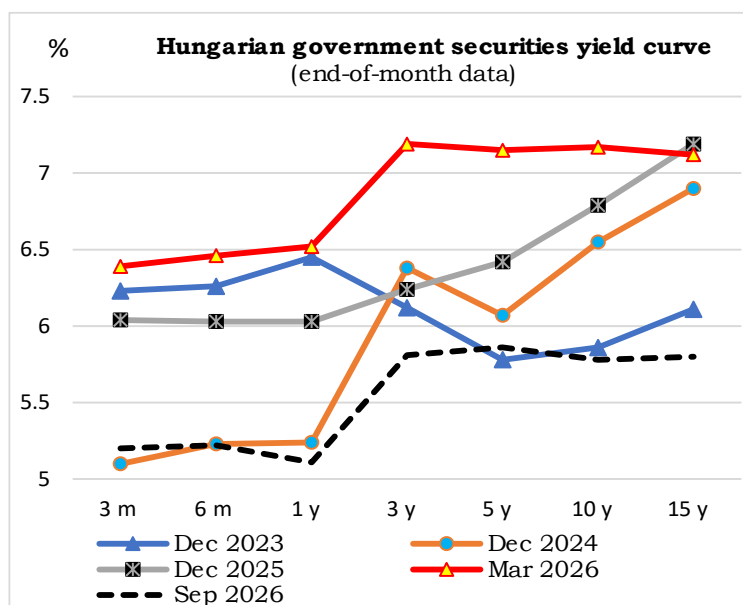


3.6.4. Government securities market yields

After 12 April 2026, government securities yields fell spectacularly. The 10-year benchmark yield fell from 7.17% in March to 5.65% in May and then to 5% in June, even dipping below 5% for a few days, which points to a spectacular strengthening of money market investors' confidence. By May, the paradoxical situation had arisen in which the yield on 10-year government bonds was significantly below the central bank policy rate. In a Central and Eastern European comparison, it is noteworthy that from June the yield on Hungarian 10-year government bonds became lower than Polish yields, which have a considerably better credit rating (5.69% and 6.23% respectively in September).



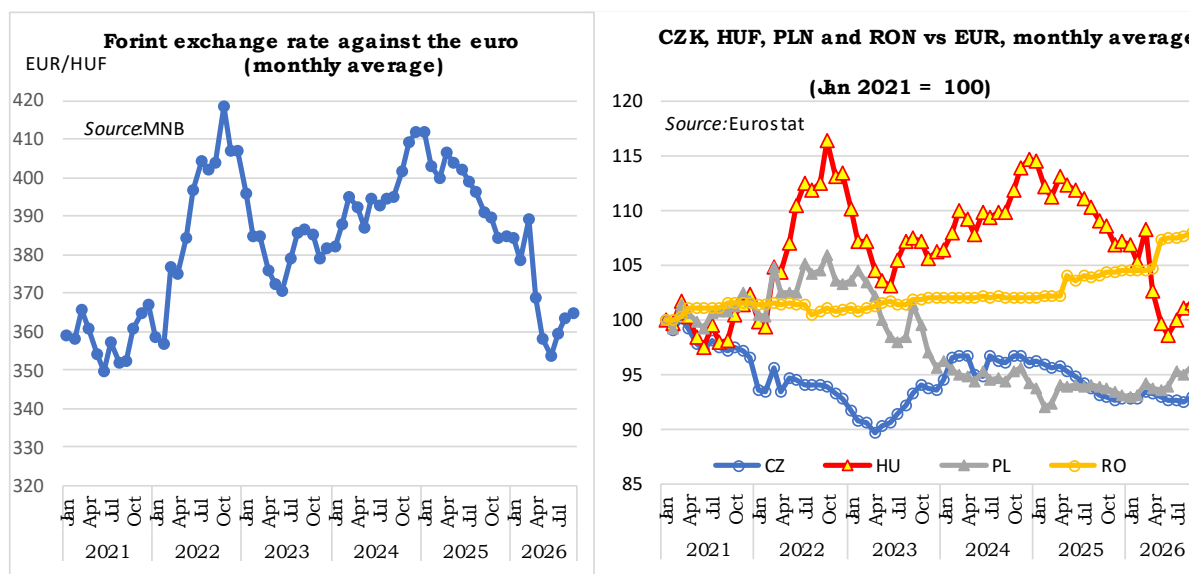
The decline in yields since April has been general across all maturities. Between March and September 2026, both short- and long-term yields fell almost uniformly, by 1.2–1.4 percentage points.



3.6.5. Exchange rate

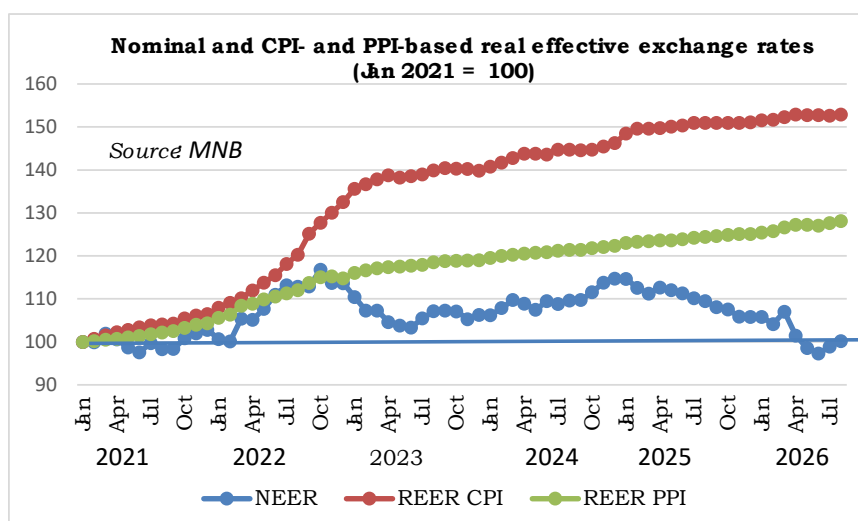
The forint's exchange rate against the euro strengthened sharply after the April election, from HUF 389 in March to HUF 368 in April, and then fell below HUF 360 between May and July. Since the end of July it has again been above HUF 360 and appears relatively stable.

Compared with the exchange rates of the other currencies in the region, the forint's appreciation is unique and can be explained exclusively by domestic factors, i.e. the strengthening of foreign investors' confidence after the elections.



The forint's nominal exchange rate strengthened by about 5% against the euro in the first nine months of 2026, and in the summer of 2026 it stood at exactly the same level as in the spring of 2021.

Meanwhile, the consumer price (CPI) based real effective exchange rate (REER CPI) has risen by 53% since the beginning of 2021, and the real effective exchange rate based on the GDP producer price index (GDP deflator) (REER_PPI) by 28%. The nominal and real effective exchange rates first diverged at the end of 2022, and then diverged sharply in 2026.

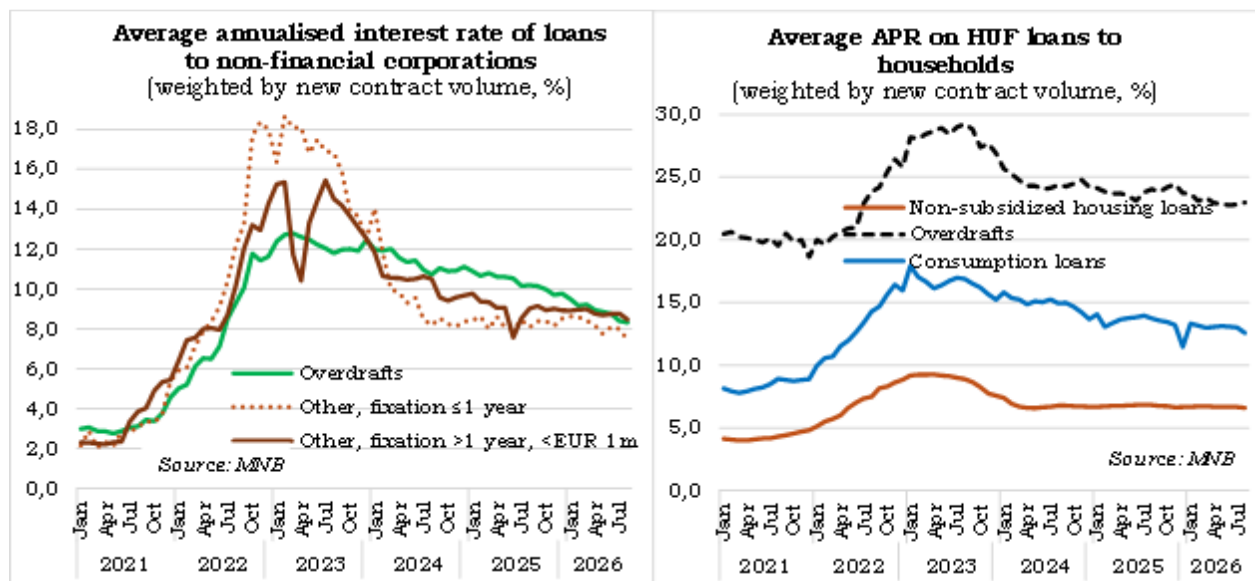


3.6.6. Corporate and household interest rates

Corporate and household lending rates mostly eased in the first eight months of 2026, but new contracts showed significant differences between loan types. While the stock of corporate loans expanded, new contracts declined in the second quarter, whereas in household lending subsidised housing loans and personal loans sustained high activity.

In August, the annualised average interest rate on forint corporate loans with an interest rate fixation of up to one year was 7.44% in the category below EUR 1 million and 7.18% for larger transactions, in both cases more than 0.6 percentage points lower than a year earlier. Transaction-based annual growth in the loan stock of non-financial corporations accelerated to 11.5% in the second quarter, while the amount of new non-overdraft loan contracts, HUF 1,056 billion, was 27.6% lower than in the second quarter of 2025. The value of new investment loans to SMEs *decreased* by 23.7% and that of working capital loans by 15.2% year on year, after growth of 77.2% and 55.8% respectively in the first quarter. The high base may have played a significant role in the decline in new loan contracts: in the second quarter of 2025, individual large transactions and the Sándor Demján Programme increased the volume of contracts, whereas relatively few large loan contracts were concluded in the second quarter of 2026. According to the MNB's Lending Survey, demand for short-term loans, mainly for inventory and receivables financing, picked up, while demand for long-term loans declined. The wait-and-see attitude in investment lending may be partly explained by expectations regarding new, preferential financing options. The earlier expansion of SME lending was also supported by the preferential interest rates of the Széchenyi Card Programme; the repricing of the schemes in July 2026 and the fact that part of the loan demand has already been met may dampen further demand.

Transaction-based annual growth in the household loan stock was 19.6% in the second quarter of 2026, mainly owing to the exceptional expansion of housing lending and personal loan issuance. The contractual amount of new personal loans was HUF 995 billion in January–August, 36% higher than in the same period of 2025. In August, new contracts worth HUF 137 billion were concluded, and the average APR fell by 1.76 percentage points year on year to 13.82%. According to interviews with bank executives,



the higher-than-expected expansion of personal lending was also supported by a stronger intention to refinance loans in connection with falling interest rates. In addition to refinancing, the purposes of large personal loans include housing, car purchases and the purchase of durable consumer goods. In contrast to the dynamic expansion of personal loans, the contractual amount of new consumer goods loans fell by almost 1.7% year on year in the first eight months, which may be due in part to the more flexible use and fast online application of general-purpose personal loans.

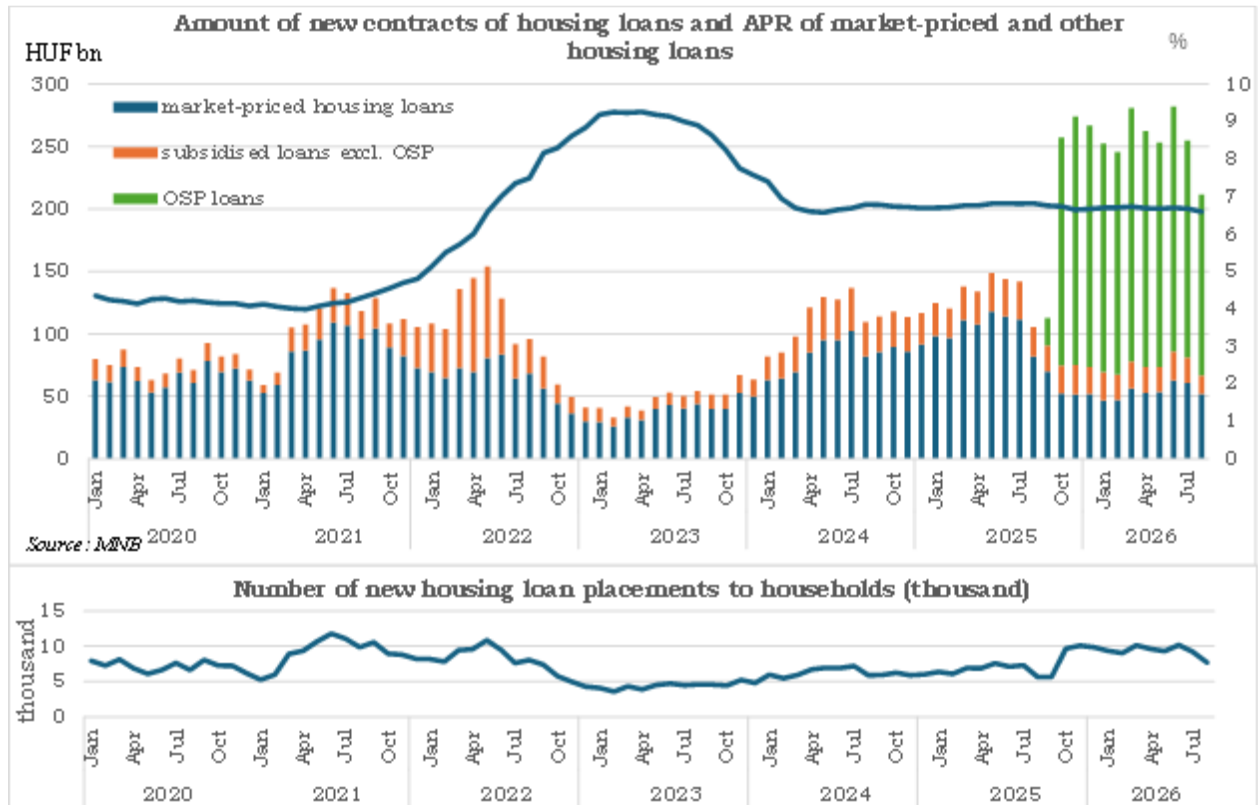
Housing loans

Housing lending has picked up extraordinarily since autumn 2025. Between September 2025 and August 2026, banks concluded new housing loan contracts worth almost HUF 2,954 billion, of which HUF 2,043 billion was in the first eight months of 2026, 93% more than in the same period of the previous year. The expansion of issuance is explained not only by the increase in the number of contracts, but also by a significant rise in the average loan amount. The amount per contract rose from HUF 18.7 million in August 2025 to HUF 27.4 million in one year, while the monthly number of contracts increased from 5.7 thousand to 7.7 thousand. The share of loan-financed home purchases already exceeded 60% in the first quarter of 2026, compared with around 36% before the introduction of the Otthon Start Programme (OSP). After the initial ramp-up, the monthly contractual volume eased in the summer of 2026, falling from HUF 282 billion in June to HUF 212 billion in August, but was still twice as high as a year earlier.

The expansion of housing lending was driven by subsidised schemes, whose new contractual amount reached HUF 1,612 billion in the first eight months of 2026, accounting for almost 79% of all housing loans. Within this, the OSP became dominant: from the launch of the programme in September 2025 to August 2026, contracts worth around HUF 2,045 billion were concluded, representing 69% of total housing loan issuance in the period. Under the OSP, borrowers pay an interest rate of no more than 3%, while the state covers a significant part of the bank's contractual interest rate with an interest subsidy, the level of which is linked to government securities yields. The ramp-up of the programme thus also entails a significant budgetary obligation in the longer term. After the rapid ramp-up, the monthly value of OSP contracts eased from HUF 203 billion in March 2026 to HUF 145 billion in August. However, subsidised schemes remained dominant, with their share exceeding 75% in August as well.

Around 90% of OSP loans financed purchases of used dwellings, and the average loan amount was around HUF 35 million. The pick-up in demand was thus mainly felt in the market for the existing housing stock, while its direct impact on the supply of new dwellings remained limited. According to the MNB's mortgage statistics by age group, the national share of contracts associated with borrowers aged 40 or younger rose from 51.9% in August 2025, before the launch of the OSP, to around 67% in October–November. The share gradually declined in the first half of 2026 and was 62% in June. The age-group statistics do not relate exclusively to OSP loans, so changes in the shares cannot be regarded as a direct effect of the programme. The OSP offers more favorable financing conditions to eligible first-time buyers, including younger households, but the rapid rise in house prices in 2025 may have partly offset the advantages of the preferential interest rate, as it increased the loan amount and down payment required to buy a home. Access to the programme also continues to depend on adequate income and creditworthiness.

In parallel with the spread of subsidised schemes, the new contractual amount of market-based and other housing loans fell to HUF 431 billion in the first eight months of 2026 from HUF 839 billion in the same period of the previous year, a decline of almost 49%. This may be partly because the OSP offered considerably more favorable conditions to eligible borrowers. At the same time, the average cost of market-based housing loans has essentially stagnated since 2024, and eased only from 6.70% to 6.59% between January and August 2026.



Economic indicators for 2018–2025, forecast for 2026 and 2027
(percentage change)

	2018	2019	2020	2021	2022	2023	2024	2025	2026*	2027*
ANNUAL REAL GROWTH OF GDP AGGREGATES										
GDP total	5.6	5.1	-4.3	7.2	4.1	-0.3	0.7	0.7	1.8	2.5
Domestic absorption	7.3	7.3	-2.2	6.8	4.3	-5.2	-0.2	1.6	4.6	3.2
Private consumption	4.1	4.6	-0.7	4.7	6.3	-1.2	6.1	3.1	4.2	2.8
Public consumption	4.3	9.5	3.7	2.5	0.6	3.9	-5.9	2.7	0.8	0.5
Gross capital formation	17.1	12.3	-7.7	13.0	1.7	-15.2	-11.5	-2.9	7.5	5.5
of which: gross fixed capital formation	16.4	12.9	-7.3	6.3	-1.2	-4.7	-9.8	-4.1	-2.0	5.5
Exports ^a	5.0	5.5	-6.1	8.2	10.7	1.8	-0.3	0.7	0.7	2.8
Imports ^a	7.0	8.2	-3.6	7.7	10.8	-3.4	-1.4	1.9	4.6	3.8
PRODUCTION INDICES										
Agricultural output (gross)	2.6	-0.1	-2.4	-1.1	-16.5	25.6	-4.3	-0.4	-16.0	8.0
Industrial production	3.5	5.6	-6.0	9.5	6.1	-5.5	-4.1	-3.2	4.5	4.0
Retail sales volume	6.7	6.3	-0.1	3.7	5.0	-7.7	2.9	2.9	4.0	2.9
EMPLOYMENT, INCOMES										
Number of employed	1.3	0.8	-0.9	0.7	1.3	0.6	0.0	-0.7	-0.7	0.1
Unemployment rate (population aged 15–74)	3.6	3.3	4.1	4.0	3.6	4.1	4.5	4.4	4.7	4.6
Gross nominal earnings ^b	11.3	11.9	9.0	8.7	17.6	14.0	13.2	9.0	9.4	6.0
Net real earnings ^b	8.3	8.4	5.7	3.1	3.2	-3.1	9.0	4.8	9.4	4.0
PRICES, EXCHANGE RATES, INTEREST RATES										
Consumer price index	2.8	3.4	3.3	5.1	14.5	17.6	3.7	4.4	1.8	2.7
HUF/EUR exchange rate (annual average)	319	325	351	359	391	382	395	398	368	370
USD/EUR exchange rate (annual average)	1.18	1.12	1.14	1.18	1.05	1.08	1.08	1.13	1.15	1.14
Short-term interest rates (3 months), end of period	0.00	-0.01	0.28	2.16	12.32	6.23	5.10	6.04	5.2	4.8
Long-term interest rates (10 years), end of period	3.01	2.01	2.08	4.51	8.98	5.86	6.55	6.79	5.6	5.2
BALANCE OF PAYMENTS										
Current and capital account as % of GDP	2.5	1.2	0.9	-2.0	-7.4	1.0	2.1	2.8	0.8	1.0
GENERAL GOVERNMENT										
General government balance, as % of GDP	-2.0	-2.0	-7.5	-7.1	-6.2	-7.0	-5.1	-4.7	-6.8	-5.0
Gross government debt, as % of GDP ^c	68.8	65.0	78.7	76.2	74.1	73.2	73.5	74.4	77.5	76.0

aExports and imports of goods and services according to GDP statistics

bFrom 2019, the data cover all employers; earlier data in the time series cover enterprises with at least five employees, all budgetary institutions and non-profit organisations significant in terms of employment.

cGeneral government including Eximbank

*Kopint-Tárki forecast

Source: HCSO, MNB

Contents

I. The Global Economy.....	1
II. The New EU Member States.....	10
Macroeconomic indicators and the Kopint-Tárki forecast.....	15
III. The Hungarian Economy.....	16
3.1. Introduction	16
3.2. GDP and its components	18
3.3. The production side of GDP.....	20
3.3.1. Industry	20
3.3.2. Construction	21
3.3.3. Housing construction	22
3.4. The expenditure side of GDP	23
3.4.1. Household income, consumption and savings	23
3.4.2. Investment	25
3.4.3. External trade	25
3.5. Employment and unemployment.....	27
3.6. Fiscal, monetary and financial developments	28
3.6.1. Fiscal developments	28
3.6.2. Inflation.....	31
3.6.3. Central bank interest rates.....	33
3.6.4. Government securities market yields.....	34
3.6.5. Exchange rate	35
3.6.6. Corporate and household interest rates.....	36
Economic indicators for 2018–2025, forecast for 2026 and 2027.....	39