On Stormy Waters

Economic Outlook for Hungary

DUIHK – German-Hungarian Chamber of Industry and Commerce
January 22. 2026

What we will not cover – External environment

- The new form of globalization
  (rules-based world order, fragmentation, polarization, etc.)

- The (slowly) receding shadow of inflation
  (rates, expectations)

- The transformative power of artificial intelligence
  (investment, disruption, productivity, returns)

- EU challenges *(US-China pincer, defense industry, infrastructure, automotive sector, competitiveness, integration, demographics)*

What we will cover – The Hungarian economy

- External headwinds
- Stop-go economic policy
- Exhausted growth model
- More favourable cyclical factors in the short term

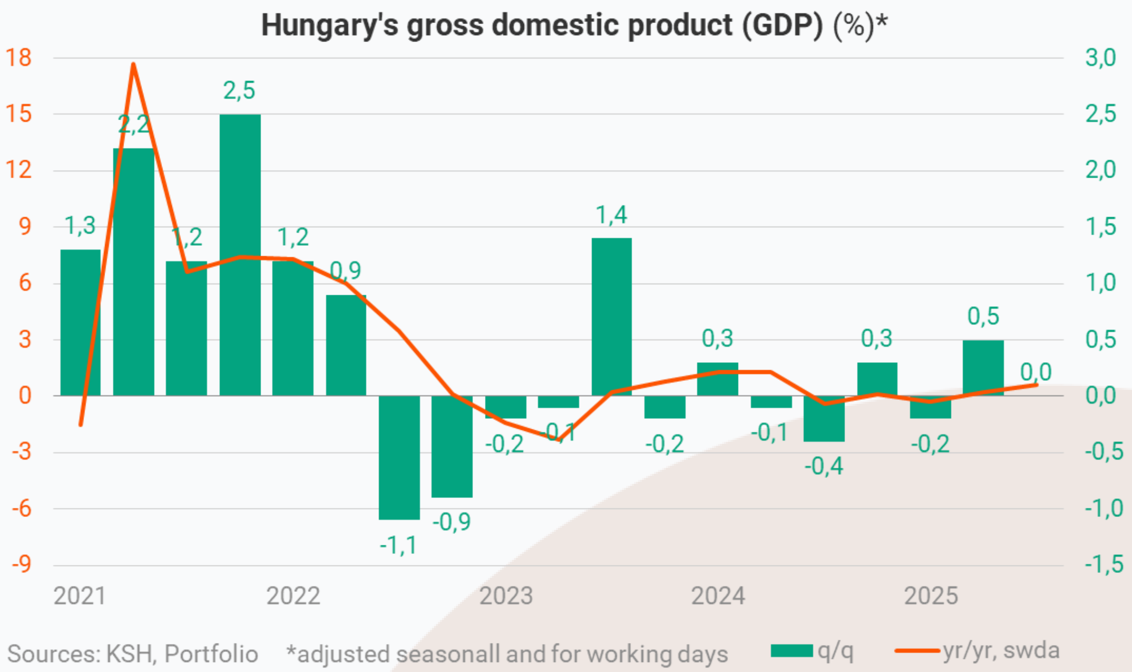
"Growth crisis"

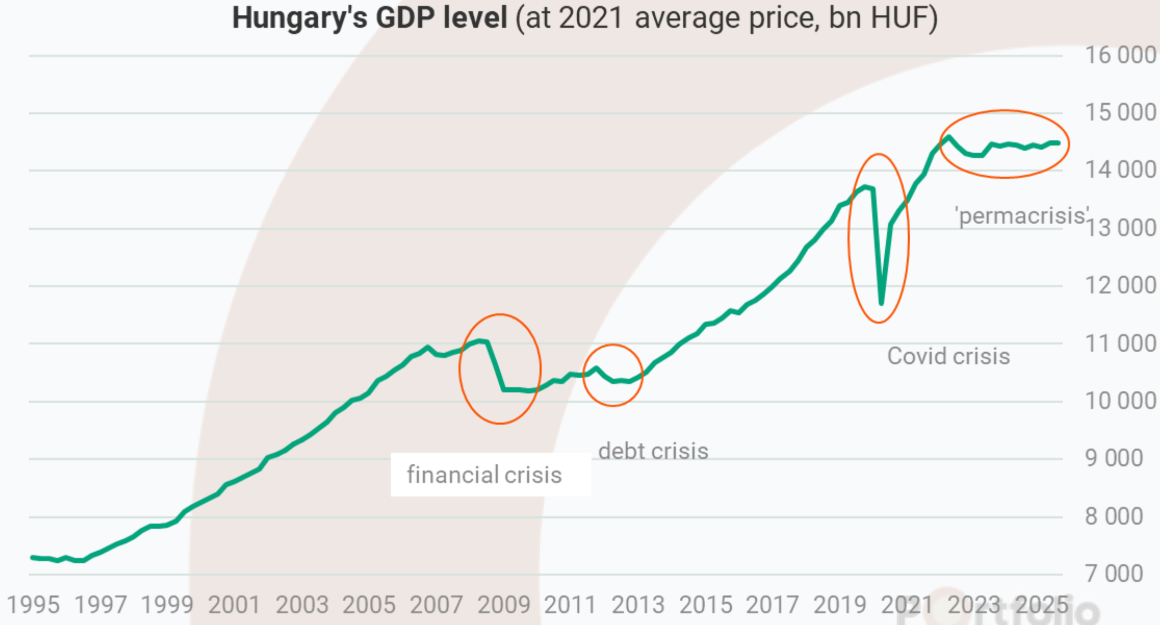
Before 2020

- Supportive external environment
- Competitive export structure
- Low inflation and
- even lower interest rates
- Abundant EU funds
- Labour reserves
- Strong business and household confidence

After 2020

- Weak external cycle
- Auto industry transition, tariff war
- Reflation risks and
- positive real rates
- Drying up of EU funds
- Labour shortages
- Weak business and household confidence

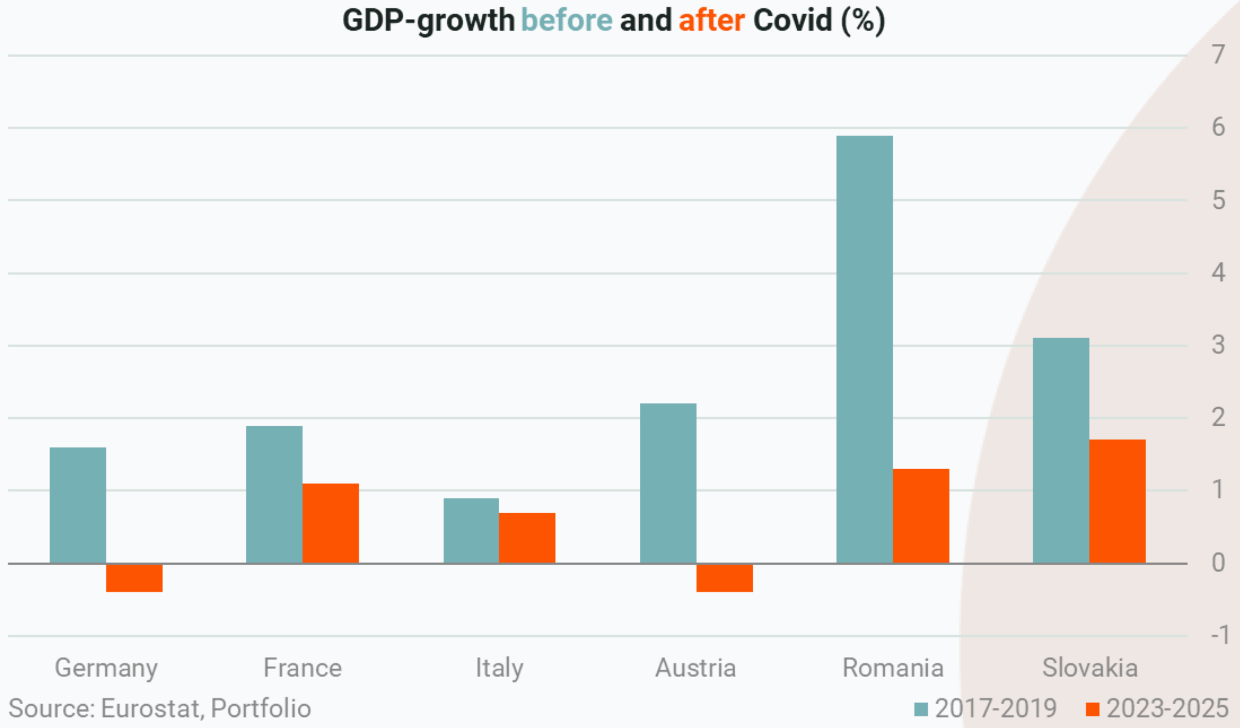




Weak external cycle, struggling export markets

- Stimulative European economic policies (e.g., defense spending)
- Tariff war: uncertainty is fading
- EU trade policy: searching for new paths (Mercosur)
- Large new domestic export capacities coming

- Fragmentation, trade protectionism
- Europe's competitiveness challenges
- Lack of an economic-policy union
- Fiscal challenges in regional economies



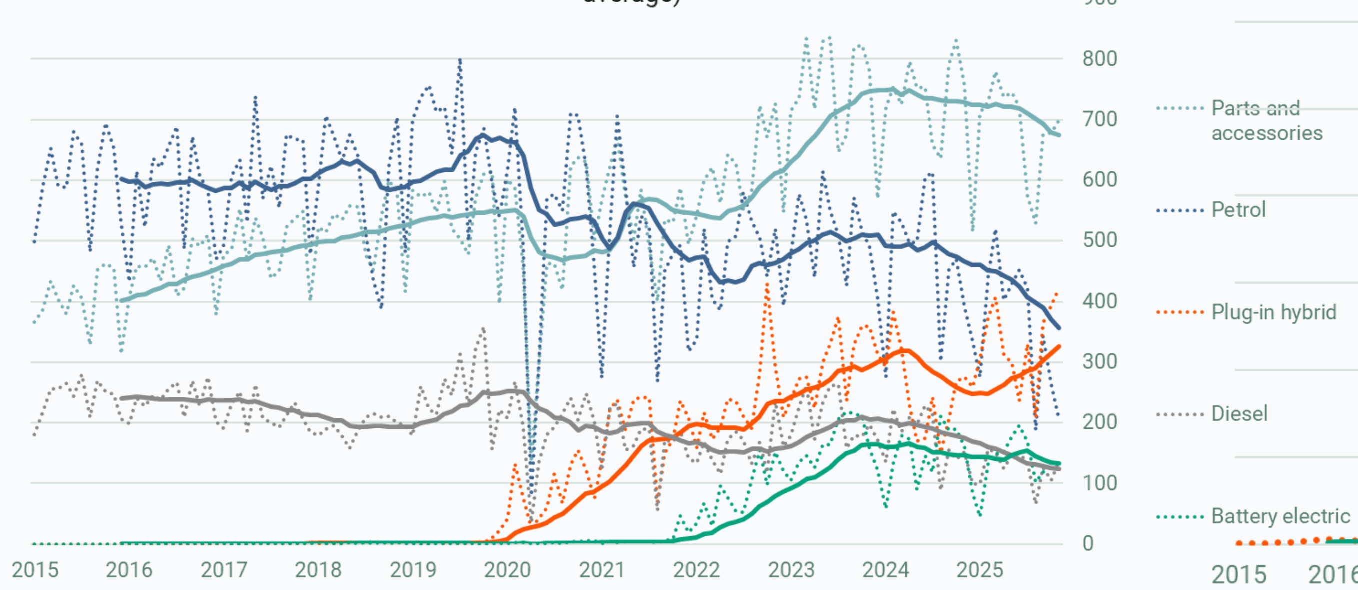
Portfolio

Auto industry transition, tariff war

- Stabilizing European new-car market
- Acceptable auto trade agreement with the US
- Export potential of established and new Eastern investors
- Domestic labour cost advantage

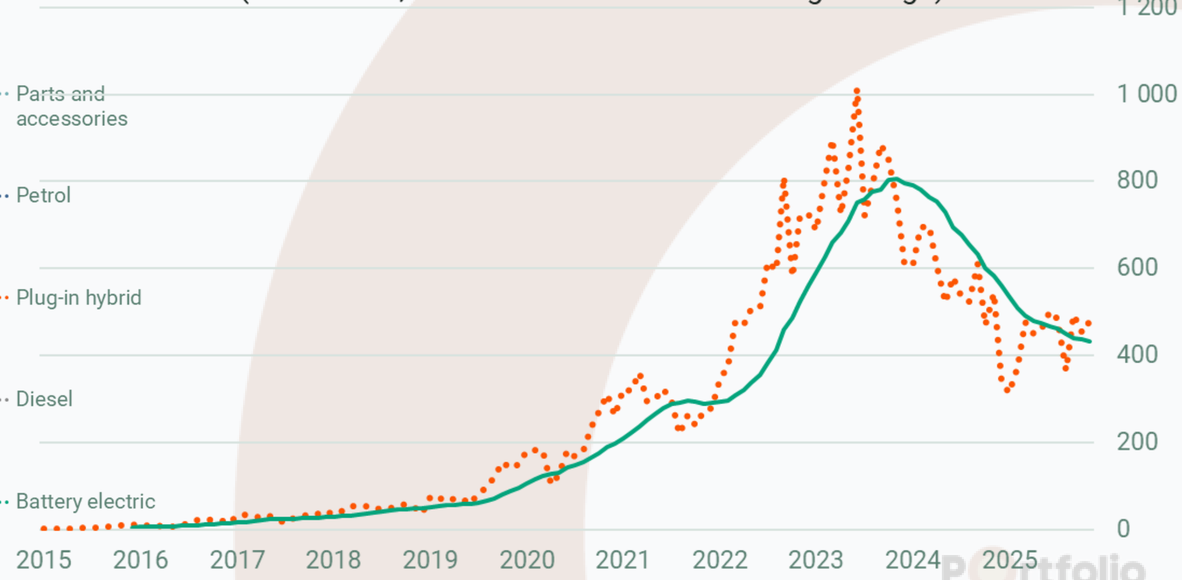
- Competitiveness of the European auto industry
- Hungary's (automotive) export structure
- Slower-than-expected EV transition
- Risks related to immature technology

Hungary's vehicle and vehicle parts export (million EUR, unadjusted data, 12-month moving average)



Sources: KSH, Portfolio

Export of lithium ion batteries
(million EUR, raw data and 12-month moving average)



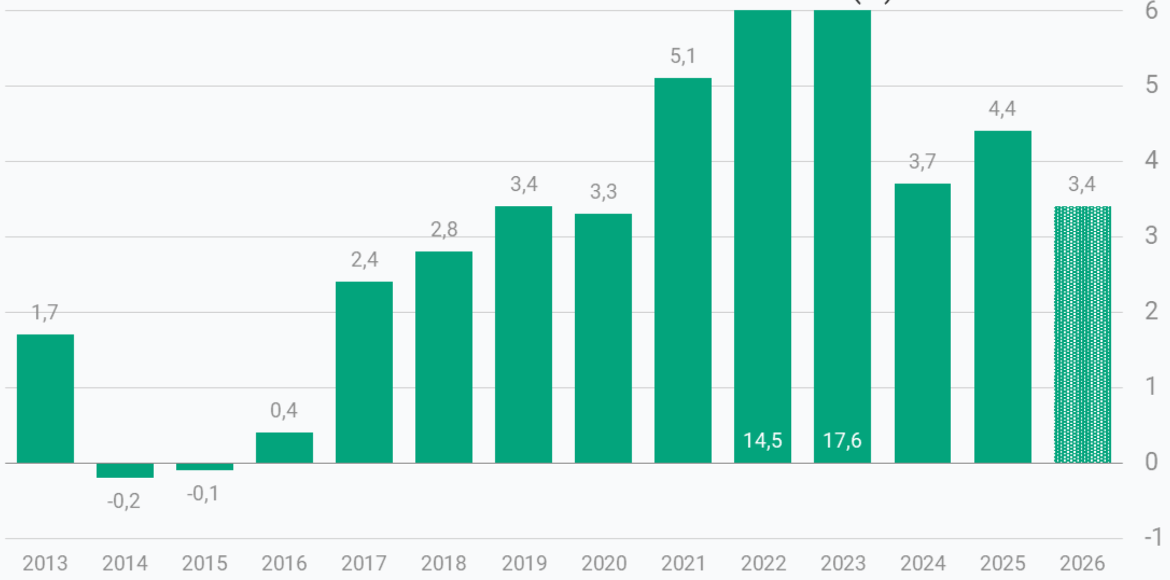
Sources: KSH, Portfolio

Reflation risks, positive real rates

- The receding shadow of the inflation shock
- Easing monetary policy in advanced economies
- Forint appreciation

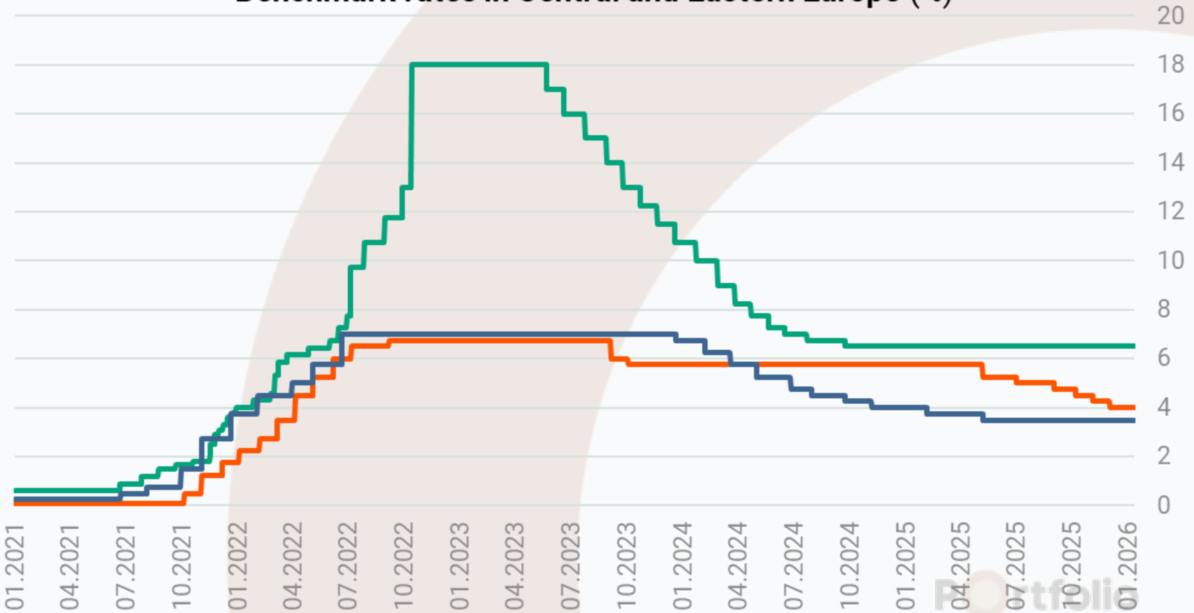
- New inflation regime, elevated expectations
- Weakening of the globalisation system (tariffs, allocation)
- Election-driven (over)heating of domestic demand

Hungary's annual average inflation, including European Commission estimates for 2024 and 2025 (%)



Sources: KSH, Portfolio

Benchmark rates in Central and Eastern Europe (%)

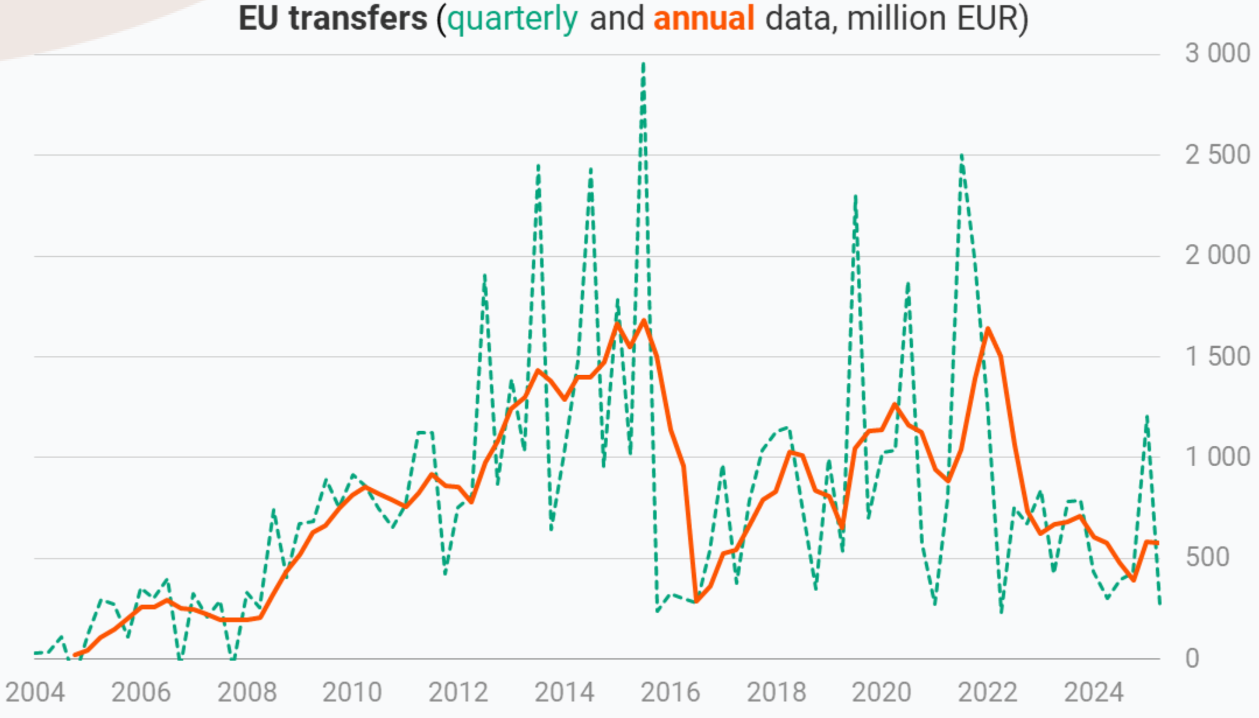


Source: Portfolio research

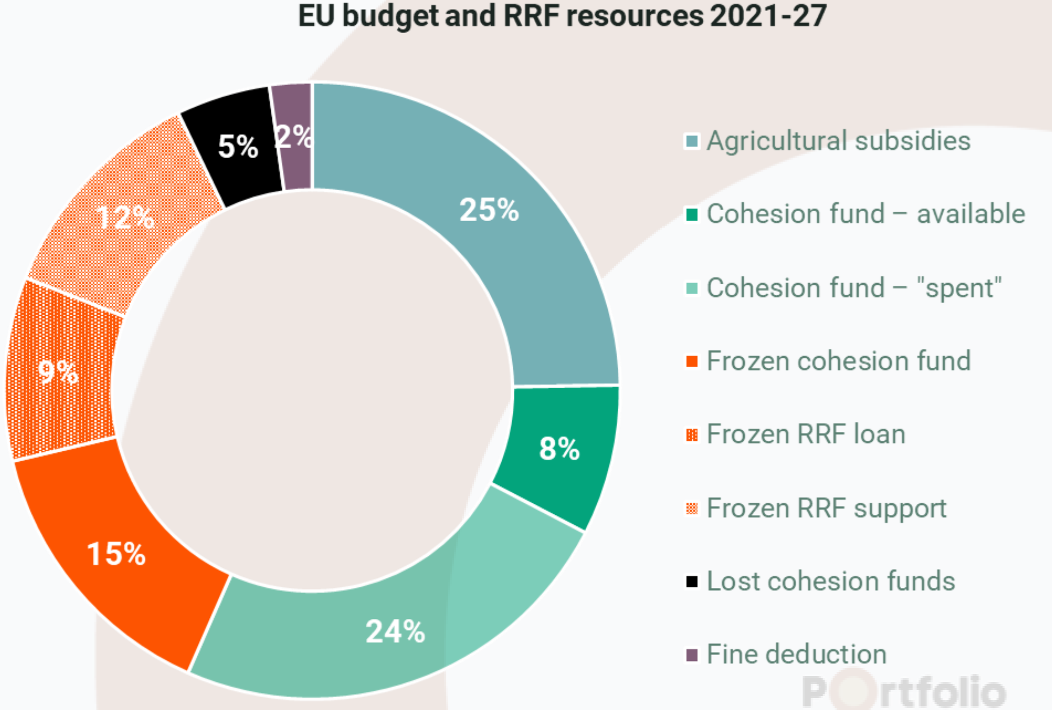
Drying up of EU funds

- EU relations can be improved

- Persistent funding loss (limited – for now)
- Likely loss of the Recovery (RRF) loan



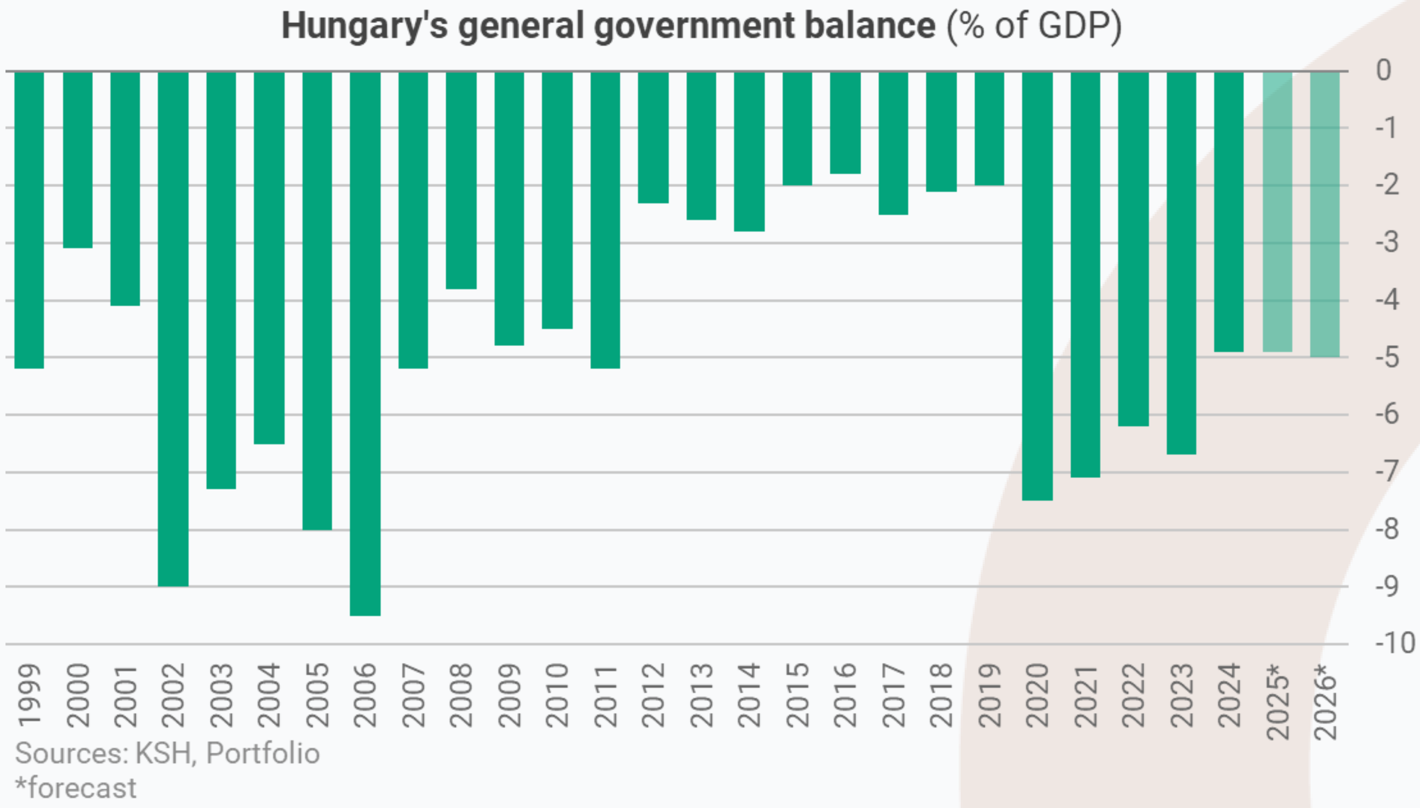
Sources: MNB, Portfolio



Source: Portfolio

Forced fiscal consolidation

- Further budget loosening in the short term
- We are not an outlier in the CEE region
- Fiscal alcoholism
- Need for adjustment in the medium term

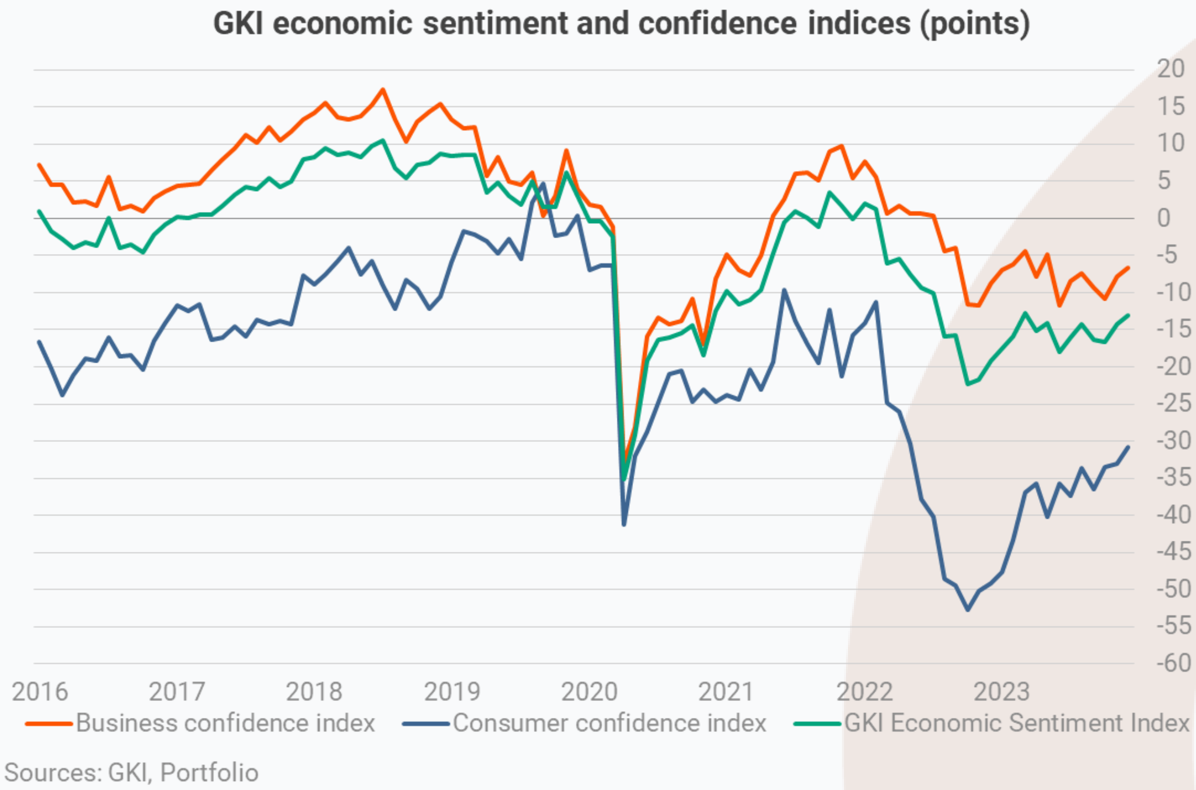


Portfolio

Weak business and household confidence

- Cautious economic recovery
- Easing of the inflation shock
- Improving household sentiment

- General unpredictability abroad…
- …and at home
- Muted export prospects



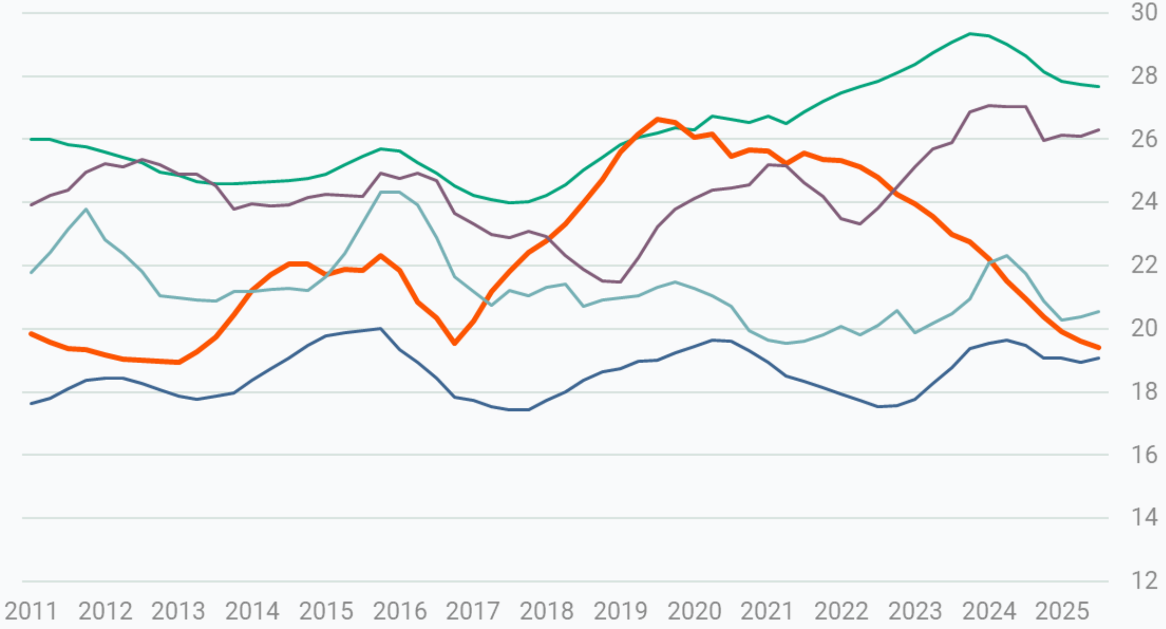
Portfolio

Investment in free fall

- Significant growth impact of large investments
- We have already seen the bottom of the investment trend

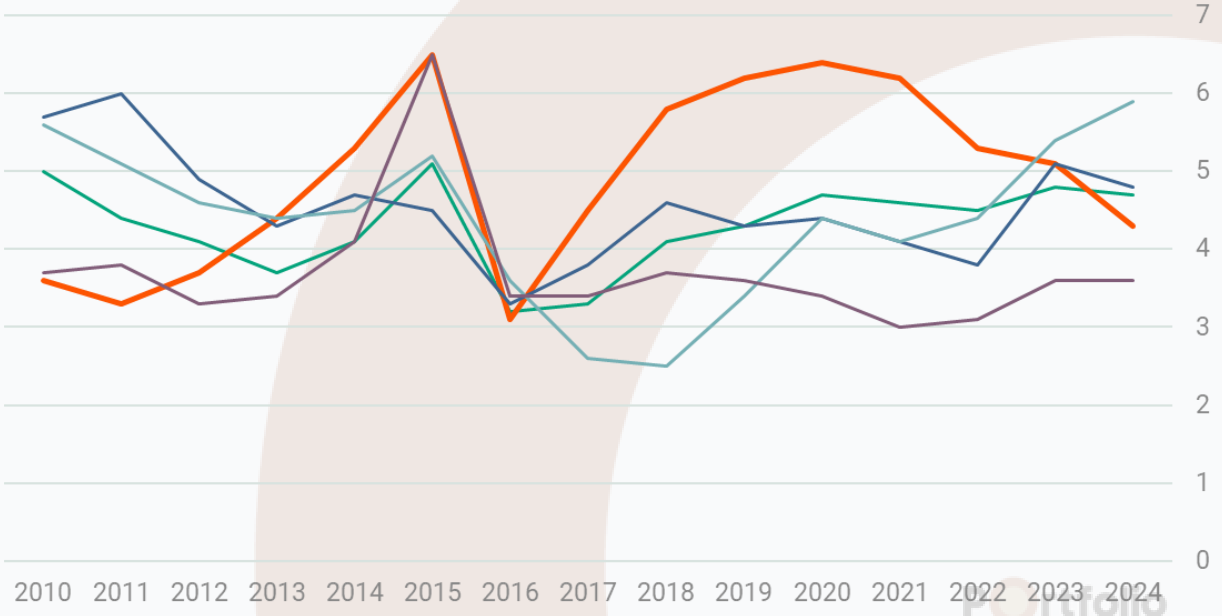
- Fiscal dieting (state)
- Missing EU funds
- Sharp price increases
- High funding costs

Investment rates in the region (at fixed prices of 2015, %)



Sources: Eurostat, Portfolio

Government gross fixed capital formation rate (GDP %)

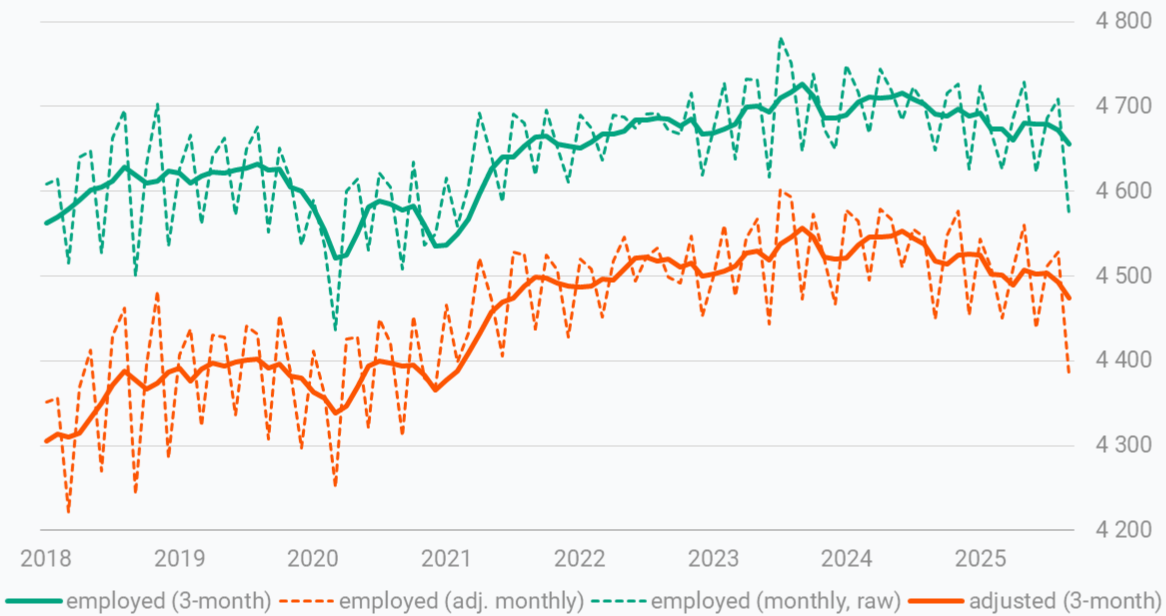


Source: Eurostat, Portfolio

Labour shortages

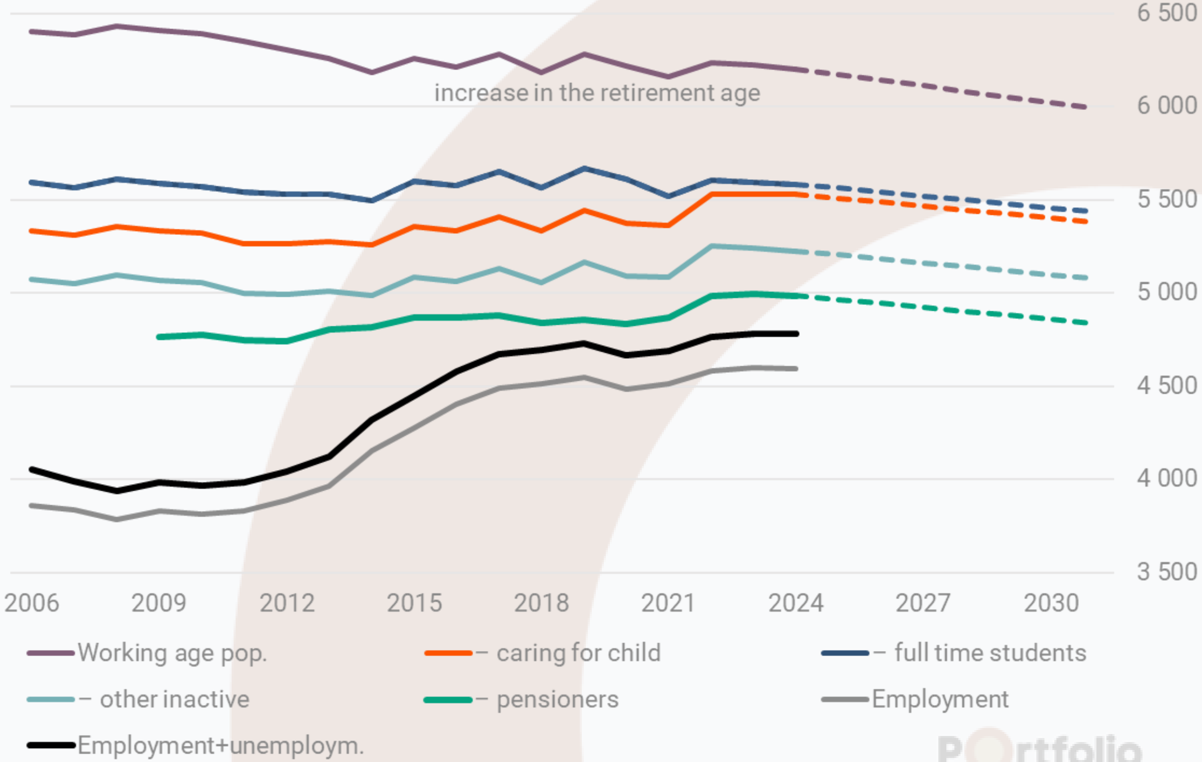
- Slightly easing labour market
- Strong domestic consumer demand
- Weak export demand
- Shrinking working-age population

Number of employed (excluding those in public works and working abroad) in Hungary (thousand people)



Sources: KSH, Portfolio calculation

Hungary's working-age population and employment (thousand people)



Source: KSH, Portfolio-calculation

Portfolio

What does this mean for the overall economic environment?

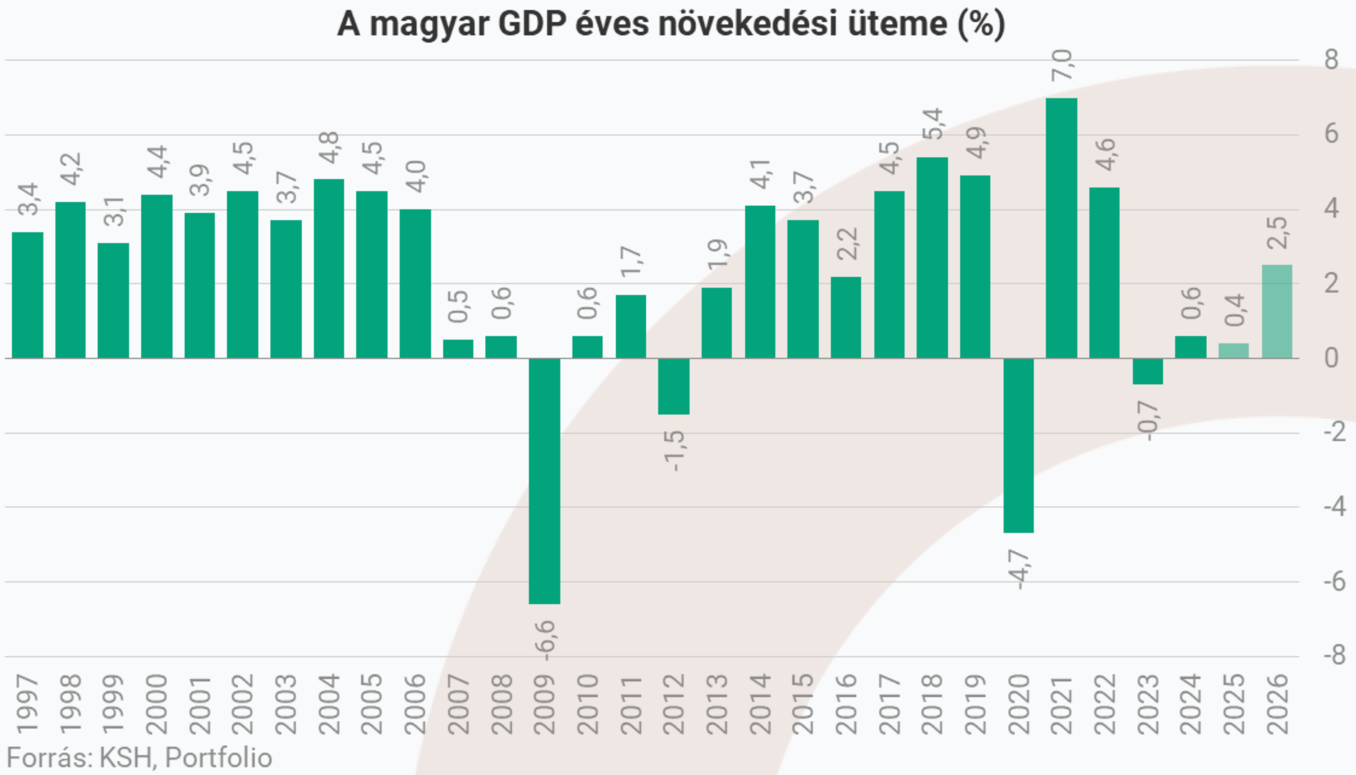
Cyclical drags are easing, but some structural challenges will remain.

- general geopolitical and economic uncertainty
- trade-policy conflicts
- domestic policy missteps, a return of stop-and-go lurching
- pre-election information deficit
- EU funds
- the future of grants, programs, etc.

…for the economic cycle?

In a high-growth environment, there are many more winners. There is no visible mega-trend.

- there will be a pickup, possibly even spectacular in the short term
- the conditions for sustained 4-5% growth are not in place
- across individual segments (e.g., consumption, exports, investment), business sentiment will diverge sharply



Thank you for your attention!