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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

Resuming the trends observed in recent years, Hungary's GDP rebounded sharply after the softening of the COVID-19 pandemic. Nevertheless, the country's economy contracted for four consecutive quarters from mid-2022 to mid-2023 due to high inflation, tighter fiscal and monetary policies and sluggish external demand. Despite resuming growth in Q3/2023, the IMF estimated a contraction of 0.3% of GDP for the year as a whole. Projected real GDP growth is expected to increase to 3.1% in 2024 and further rise to 3.3% in 2025. The consumption growth is anticipated to be sustained by the recovery of real income and a reduction in precautionary savings. While construction investment is forecasted to be limited due to fiscal consolidation and elevated interest rates, significant FDI in manufacturing is anticipated to stimulate machinery investment.

The public finances for 2023 have notably fallen short of the budgeted target, primarily due to a decrease in consumption tax revenues, with increased expenditure driven by inflation-related spending and higher interest payments. Therefore, the public budget deficit stood at 4.6% of GDP. Amid the positive trends in the macroeconomic landscape, the anticipation of reduced energy costs, planned decreases in capital expenditure, and the delayed recapitalization of the central bank, the projected deficit is expected to persist at 3.5% of GDP in 2024 and 2.6% in 2025 (IMF). In light of high inflation, the debt-to-GDP ratio decreased to 68.7% by the end of 2023 (from 73.3% one year earlier), still above the pre-pandemic level. However, consolidation is expected to decelerate afterwards due to ongoing high deficits and slower nominal GDP growth, with the debt ratio decelerating at a slower pace (65.7% of GDP in 2024 and 64.1% in 2025 as per the IMF). Inflation remained in double digits in 2023 (17.7%), but should gradually decrease in 2024 and 2025 (6.6% and 4.3%, respectively) due to base effects, lower commodity prices and weak consumer demand, albeit high wage growth is expected to keep service inflation persistently high.

Employment demonstrated resilience last year, with companies hesitant to reduce their workforce amid ongoing labour shortages. Unemployment stood at 3.9% in 2023 and is expected to remain relatively stable in the forecast horizon. The tight labour market is poised to support elevated nominal wage growth, with an additional boost anticipated from a projected double-digit increase in the minimum wage in 2024. Overall, GDP per capita in Hungary was estimated at USD 43,601 in 2023, still below the EU average (USD 56,970 – IMF).

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	180.01	203.83	222.20	238.87	255.59
GDP <i>(Constant Prices, Annual % Change)</i>	4.6	-0.3	3.1	3.3	3.4
GDP per Capita <i>(USD)</i>	18,579	21,076	23,008	24,760	26,511
General Government Balance <i>(in % of GDP)</i>	-4.7	-4.6	-3.5	-2.6	-2.1
General Government Gross Debt <i>(in % of GDP)</i>	73.3	68.7	65.7	64.1	62.1
Inflation Rate <i>(%)</i>	n/a	17.7	6.6	4.3	3.8

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
Unemployment Rate (% of the Labour Force)	3.6	3.9	3.8	3.7	3.5
Current Account (billions USD)	-14.47	-1.91	-3.48	-1.98	-0.82
Current Account (in % of GDP)	-8.0	-0.9	-1.6	-0.8	-0.3

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

The agricultural sector, which used to be the dominant force in the Hungarian economy for many years, now represents 3.2% of the GDP and employs 4% of the working population (World Bank, latest data available). The country has an agricultural area of 5,278k ha, around 56.7% of its territory (FAO). Cereals, fruits, maize, vegetables and wine are the main crops. More specifically, major crops include wheat (1 million ha), corn (1 million ha), and oilseeds (1 million ha) - mostly sunflower and rapeseed (0.9 million ha). According to the first 2023 estimates from the Hungarian Statistical Office, the agricultural output surpassed HUF 4.3 trillion, marking a 6.5% increase from the previous year. This growth was driven by a 25% rise in production volume, while the overall sector's output price decreased by 15%. Crop production volume increased by 44%, while livestock production saw a marginal 0.5% decrease. The substantial growth in specific crops was influenced by a low base in the preceding year.

Industry accounts for 24.6% of the country's GDP and employs 31% of the working population. Hungarian industry is very open to foreign investment, with manufacturing almost consistently ranking top receiver of foreign direct investment. The automotive and electronics sectors are the two main industrial sectors, and the manufacturing sector alone accounts for 17% of the country's GDP. The electronics industry is one of the largest industrial sectors in Hungary, accounting for one-fifth of total manufacturing production. According to the latest figures by the Hungarian Central Statistical Office, industrial output decreased by 4.8% in the first semester of 2023 compared to the same period one year earlier (with -3.4% and -26% recorded by the manufacturing and energy subsectors, respectively).

The services sector contributes 57.2% of GDP and employs almost 64% of the labour force. Trade, tourism and finance account for the largest share of activity and employment within the tertiary sector. In recent years the added value produced by the ICT sector increased by more than one-fifth, to USD 20 billion, with the digital economy currently making up more than 20% of Hungary's overall gross value added. The banking sector consists of 40 institutions: 21 commercial banks, 11 specialised credit institutions (mortgage banks, building societies, development and trade finance banks) and 8 foreign bank branches (European Banking Federation).

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (in % of Total Employment)	4.4	31.4	64.2
Value Added (in % of GDP)	2.7	25.8	56.4
Value Added (Annual % Change)	-30.9	5.0	7.0

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
Hungarian Forint (HUF) - Average Annual Exchange Rate For 1 USD	281.52	274.43	270.21	290.70	308.00

FOREIGN TRADE

Hungary's economy is very open, with trade accounting for about 163% of GDP (World Bank, latest data available). Cars and the spare parts industry account for the highest share of exports and imports. In terms of product groups, machinery and transport equipment had the lion's share of both exports and imports in 2022 (55.2% and 41.3%, respectively), followed by manufactured goods (30.6% and 35.8%, respectively). Food was the third main export group (7.2%); whereas it was fuel and electric energy for imports (15.1% - data Hungarian Central Statistical Office)

According to data from the Hungarian Central Statistical Office, Germany was the main export destination in 2022 (25.1% of the total), followed by Italy (5.6%), Romania (5.3%), Slovakia (5.1%), and Austria (4.5%); whereas imports came chiefly from Germany (21.1%), Austria (7.2%), China (6.7%), Slovakia (6.6%), and Russia (6.1%). Overall, Europe accounted for 88.2% of total exports and 81% of imports.

Hungary's trade balance, which was traditionally in deficit, started posting surpluses in the last decade owing in particular to the good performance of the German economy. In 2022, however, the country's trade balance was estimated to be negative by 4.3% of GDP by the World Bank (for the first time since 2005). In the same year, exports of goods stood at USD 151.5 billion against USD 164.3 billion in imports (+6.8% and +14.9% year-on-year, respectively). As per services, exports reached USD 30.7 billion (+17.6%) vis-à-vis USD 22.2 billion in imports (+10.2%). The latest data published by the Central Statistical Office (KSH) shows that in January-September 2023 the value of service exports amounted to EUR 24.3 billion, and that of imports to EUR 15.9 billion. Concerning goods, exports amounted to EUR 125.6 billion (+4.3% y-o-y), and imports to EUR 117.7 billion (-2.2% y-o-y).

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods (million USD)	120,741	120,590	116,020	142,917	164,294
Exports of Goods (million USD)	124,705	123,796	120,654	141,830	151,540
Imports of Services (million USD)	20,448	22,219	18,086	20,208	22,280
Exports of Services (million USD)	29,994	30,155	22,627	26,142	30,740

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade (in % of GDP)	163.3	160.8	155.5	160.2	184.8
Trade Balance (million USD)	-2,629	-4,099	-1,477	-5,117	-15,570
Trade Balance (Including Service) (million USD)	6,901	3,836	3,095	687	-7,162
Imports of Goods and Services (Annual % Change)	7.0	8.2	-3.9	7.7	11.1
Exports of Goods and Services (Annual % Change)	5.0	5.4	-6.1	8.8	11.8
Imports of Goods and Services (in % of GDP)	79.5	79.2	76.8	79.9	94.5
Exports of Goods and Services (in % of GDP)	83.8	81.5	78.7	80.3	90.4

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	8.2	7.5	5.7	5.4	5.4
Volume of imports of goods and services (Annual % change)	2.3	9.9	5.3	5.1	5.2

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

Hungary is a member of the following international economic organisations: IMF, European Union, OECD, G-9, North Atlantic Treaty Organization (NATO), ICC, Central European Initiative (CEI), WTO, among others. For the full list of economic and other international organisations in which participates Hungary click [here](#). International organisation membership of Hungary is also outlined [here](#).

Free Trade Agreements

The up-to-date list of Free Trade Agreements signed by Hungary can be consulted [here](#).

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
Germany	25.2%
Italy	5.7%
Romania	5.3%
Slovakia	5.1%
Austria	4.5%
See More Countries	54.2%

Main Suppliers <i>(% of Imports)</i>	2022
Germany	21.1%
Austria	7.3%
China	6.7%
Slovakia	6.7%
Poland	5.6%
See More Countries	52.7%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE



Current Political Leaders

President: Katalin Novak (since 10 May 2022) - Fidesz

Prime Minister: Viktor Orban (since 29 May 2010) - Fidesz

Next Election Dates

Presidential: 2027

National Assembly: April 2026

Current Political Context

The right-wing Fidesz party and its leader Viktor Orban have been dominating the political scene in Hungary for the last 13 years. The election took place in April 2022 and saw a landslide victory for the Fidesz-KDNP party, which obtained 135 seats out of 199. The coalition United for Hungary secured a total of 57 seats, while 6 seats went to the nationalist party Our Homeland.

Katalin Novak – the former Minister for Family - from Fidesz was elected as the first female President in March 2022. Despite the challenging economic (rise in energy and food prices) and political (Russia-Ukraine war) situation, support for the Fidesz-KDNP party went back to levels seen before the elections campaign.

Relations with the European Commission remain tense in light of the “conditionality mechanism” which subjects disbursement to the rule of law in the respective country, causing disputes with the EU over the release of funds to Hungary. Furthermore, in December 2023 Prime Minister Viktor Orban vetoed a USD 54.5 billion European Union aid package for Ukraine.

Main Political Parties

Hungary is a multi-party democracy largely divided between the conservative right and opposition. The three main parties/coalitions at the latest election were:

- **Fidesz-Hungarian Civic Alliance** (Fidesz): centre-right, nationalist, socially conservative, most popular party across all legislative districts. It currently holds a majority in the National Assembly with 135 seats and has maintained control of the presidency since 2010. Furthermore, it has supported the election of every president since 2000
- **United for Hungary**: a big tent coalition formed by the following parties: Hungarian Socialist Party, Democratic Coalition, Movement for a Better Hungary (Jobbik), LMP – Hungary's Green Party, Dialogue for Hungary and the Momentum Movement
- **Our Homeland Movement** (MHM): far-right, nationalist.

Other parties include:

- **Christian Democratic People's Party** (KDNP): right-wing, propagates national conservatism; acts as a sister organisation of Fidesz
- **Jobbik**: initially far-right and anti-EU, the party has switched to more mainstream right political line
- **Politics Can Be Different** (LMP): centre, green-liberal, champions protection of the environment, supports sustainable development and aims to work against corruption
- **National Self-Government of Germans in Hungary** (MNOÖ): German-Hungarian interests
- **Momentum Movement**: centrist, liberal.

Executive Power

The **President** is the Chief of State and the **Prime Minister** is the Head of Government. The President is elected by the National Assembly for a five-year term (eligible for a second term). The Prime Minister is elected by the National Assembly on the recommendation of the President.

The Cabinet is a Council of Ministers elected by the National Assembly on the recommendation of the President; other ministers are proposed by the Prime Minister and appointed and relieved of their duties via the presidential elections.

Legislative Power

The Hungarian Parliament is unicameral. The [National Assembly](#) is composed of 199 members elected every four years and can either initiate new legislation or approve those introduced by the Government. Out of the total, 106 members are directly elected in single-member constituencies by simple majority vote and 93 members are directly elected in a single nationwide constituency by party-list proportional representation vote.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

The summary of the EU's economic response to the COVID-19 pandemic is available on the website of the [European Council](#).

For the general overview of the key economic policy responses to the COVID-19 outbreak (fiscal, monetary and macroeconomic) in Hungary, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).