



REPORT ON THE BALANCE OF PAYMENTS



2026
OCTOBER



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Pursuant to Act CXXXIX of 2013 on the Magyar Nemzeti Bank, the primary objective of Hungary's central bank is to achieve and maintain price stability. Without prejudice to its primary objective, the central bank is also responsible for maintaining the stability of the financial intermediary system. The evolution of the external balance is a key aspect for financial stability, as developments in the balance of payments allow conclusions to be drawn concerning the sustainability of economic growth and the relevant risks. Moreover, analysis of the balance of payments allows for the earlier identification of economic problems, when they are developing, and thus steps can be taken to avoid such problems.

To this end, the Magyar Nemzeti Bank (MNB) regularly performs comprehensive analyses of developments in Hungary's external balance, examining a number of indicators to assess macroeconomic imbalances and identifying elements and trends which are of critical importance for Hungary's vulnerability.

Given the lessons from the financial crisis and the recent past, a country's balance of payments and the trends therein indicating potential dependence on external financing are particularly important in the economic media. Developments in the external balance position are also closely monitored by market participants and analysts. The primary goal of the Report on the Balance of Payments is to inform market participants about developments in the balance of payments by way of this regular analysis and thus provide deeper insight into the workings of the economy.

This Report is based on information pertaining to the period ending 25 September 2026.

Summary

Following a moderate increase in 2025, the economy's external balance indicators declined in 2026 H1 but continue to paint a favourable picture. Despite the decline, the four-quarter current account balance still shows a surplus, with GDP-proportionate net lending at 1.6 percent, which thus continues to significantly exceed the typical level for the region.

The decline in the annual surplus on the current account was primarily due to the lower goods trade balance. This was caused by a drop in Hungary's exports of goods in conjunction with a fall in German industrial production, while the energy balance mitigated the deterioration in the goods balance, thanks to favourable price trends and the forint exchange rate. The surplus on the services balance stabilised at a high level of around 5 percent of GDP. The improvement in the external position was supported by the narrowing deficit on the income balance, due to lower earnings by foreign-owned companies. While net EU transfers increased in 2025 and early 2026, they declined in 2026 Q2, thereby improving Hungary's net lending position to a lesser extent than before.

The financing data also indicate a decline in the net lending position. In addition to the low level of net FDI and the outflow of funds resulting from domestic entities' purchases of foreign equity stakes, there was a significant inflow of debt-type funds. Following a period of stagnation in 2025, the economy's net external debt ratio rose in 2026 H1 as a result of transactional and revaluation effects, a trend which was also supported by optimism about the domestic economy, with foreign purchases of net HUF-denominated government bonds and MNB discount bills surging to a historic high, while the decline in yields also contributed to an increase in the government's net external debt. Key debt indicators related to external vulnerability continued to paint a generally favourable picture: net external debt stood at nearly 16 percent of GDP in June 2026, which remains well below the levels seen at the beginning of the previous decade. Meanwhile, international reserve exceeded EUR 60 billion in mid-2026, which is more than EUR 14 billion above the level of short-term external debt, a figure closely monitored by investors.

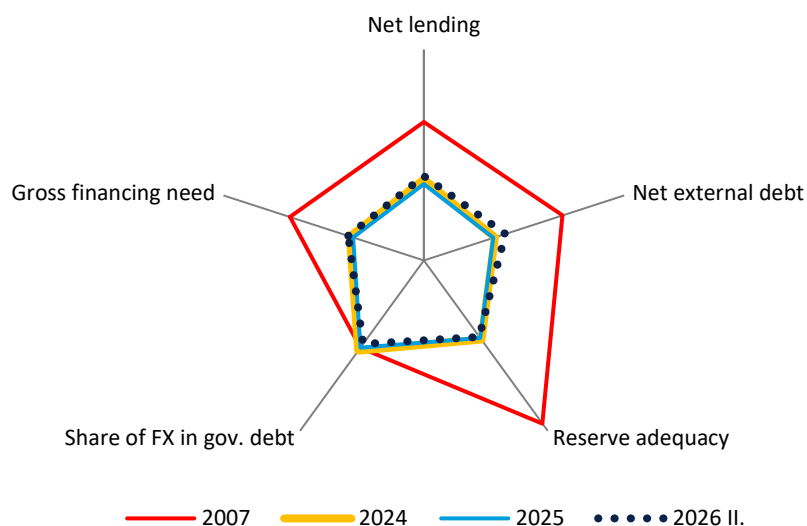
Since mid-2025, the decline in the economy's net lending position has been primarily linked to the rise in the fiscal deficit. In 2025, the general government's financing needs decreased moderately compared to the previous year but then rose significantly this year, mainly due to wages, social benefits and one-time expenditures. Following a decline in 2025, household net financial savings rose significantly in 2026 Q1, alongside income transfers from government. In 2026 H1, the corporate sector's financing position once again showed a net borrowing position, driven by a decline in operating income and an increase in capital formation.

Hungary's external balance indicators were thus close to the favourable level recorded in 2024, according to most external vulnerability indicators (Chart 1). The four-quarter current account surplus has persisted despite the slowdown and remains at low levels, thanks to the correction in recent years of the critically high gross and net external borrowing seen in 2022. Accordingly, similarly to the low external debt ratios and ample reserve adequacy typical of the region, these indicators point to a low level of risk. While other vulnerability indicators paint a much more favourable picture of the economy than that seen in 2007, prior to the financial crisis, the proportion of public debt denominated in foreign currency – at close to 30 percent – is approaching that level.

One of the key topics in this Report compares the trends in Hungary's external balance indicators to those of other countries in the region. Relative to 2024, by early 2026, according to the data for the four quarters, the net lending positions of the countries in the region showed mixed results: as with Hungary, the positions of Czechia and Poland deteriorated, while those of Slovakia and Romania improved. The shift towards a balanced position in individual countries can be explained primarily by developments in their trade balances. The energy balance improved in every country in the region during the period under review; consequently, the discrepancy is largely attributable to the balance of goods, which excludes energy items, and this is mainly due to trends in domestic demand. The deficit on the income balance generally rose moderately amongst regional competitors, with the exception of Slovakia, driven not only by the profit balance but also by increase in interest expenses. Net inflow of funds generally increased, reaching around 4–5 percent of GDP in Slovakia and Romania, while net FDI flows into countries in the region typically remained

below the levels seen in previous years. Compared to 2024, net external liabilities in 2026 fell only in Slovakia, while net external debt tended to rise. Romania's external perception has not deteriorated significantly, despite the relatively high current account deficit; this may be attributed to rapid economic convergence, substantial financing provided by FDI that does not generate debt and EU transfers, as well as external debt ratios that remain low.

Chart 1: Summary of Hungary's external balance situation



Note: The chart shows the deviation of each indicator from long-term averages, distributed according to standard deviation. Values closer to the centre – in practical terms, a contraction of the “net” – indicate lower vulnerability according to that particular indicator. In the case of net borrowing, for example, a lower figure may also indicate a net lending position, which implies a lower level of risk.

In the September data release for the balance of payments, the previous estimates for 2025 corporate income were replaced by actual figures; we thus discuss this topic in a separate chapter. The net outflow of funds arising from dividend income of foreign-owned companies fell moderately short of the previous estimate in 2025 and – continuing the downward trend – dropped to 2.3 percent of GDP. The decline in the profit as a percentage of GDP of foreign companies operating in Hungary to a level not seen since 1997 may have been partly due to the fall in export volumes – against a backdrop of subdued external demand – as well as the windfall tax. The profitability of foreign-owned banks improved significantly in 2025, while the profits of NFCs continued to decline. Dividend payments by foreign-owned companies accounted for around 2.5 percent of GDP, while reinvested earnings fell, with the latter thus also contributing to the slowdown in net FDI inflows. An increasing proportion of profits is concentrated in the financial, information and communications, retail, and manufacture of transport equipment sectors, which accounted for nearly three-quarters of total profits in 2025. However, the return on FDI in Hungary, at around 9 percent, still lags behind the regional average and exceeds only the level seen in Slovakia.

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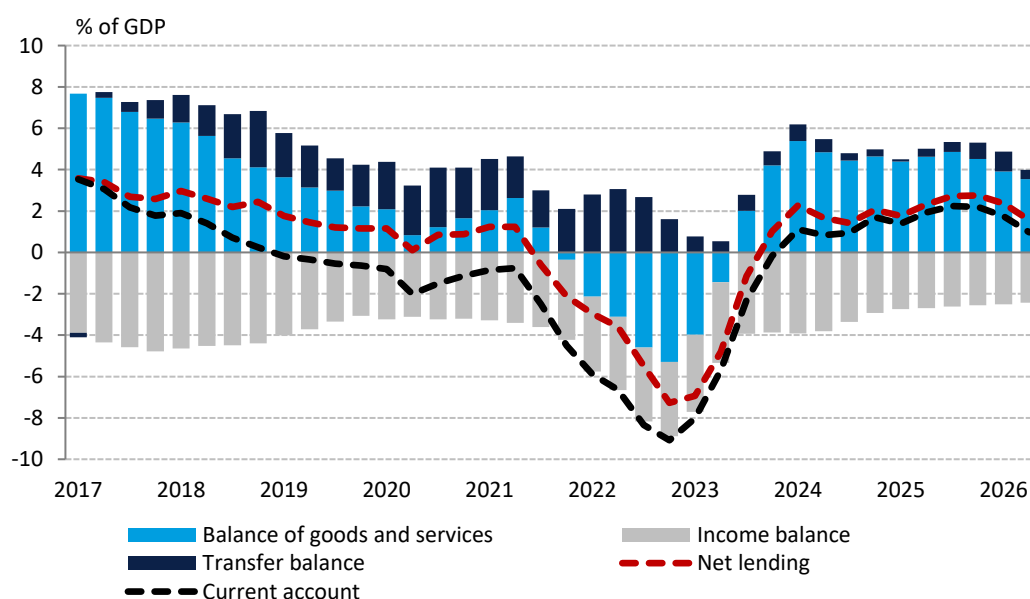
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1. Real economy approach

Following a moderate increase in 2025, the economy's external balance indicators declined in 2026 H1. The decline in the annual surplus on the current account was primarily due to a lower goods trade balance, although the surplus on the transfer balance also fell moderately, while the deficit on the income balance narrowed. The larger deficit on the goods balance was primarily linked to a decline in the surplus on the balance of other goods, which was caused by weaker German industrial production, and consequently a fall in Hungary's exports of goods, while the energy balance mitigated the deterioration in the goods balance over the past year and a half, thanks to favourable price developments. The surplus on the services balance stabilised at a high level of around 5 percent of GDP. The improvement in the external position was supported by the smaller deficit on the income balance, due to lower earnings by foreign-owned companies. While net EU transfers increased in 2025 and early 2026, they decreased in the second quarter, thereby improving Hungary's net lending to a lesser extent than before.

According to the real economy approach, the levels of the economy's external balance indicators have fallen compared to recent years, with the current account surplus dropping to 1 percent of GDP in 2026 Q2 and net lending decreasing to 1.6 percent of GDP (Chart 2). Based on the four-quarter data, the deterioration in the current account began in 2025 H2, which can be attributed mainly to the larger deficit on the goods balance. The income balance deficit improved moderately during the period to reach 2.4 percent of GDP by mid-2026, while the transfer balance only moderately improved the net lending position compared to previous periods, standing at 0.5 percent of GDP at the end of the quarter.

Chart 2: Changes in net lending and its components (four-quarter values)



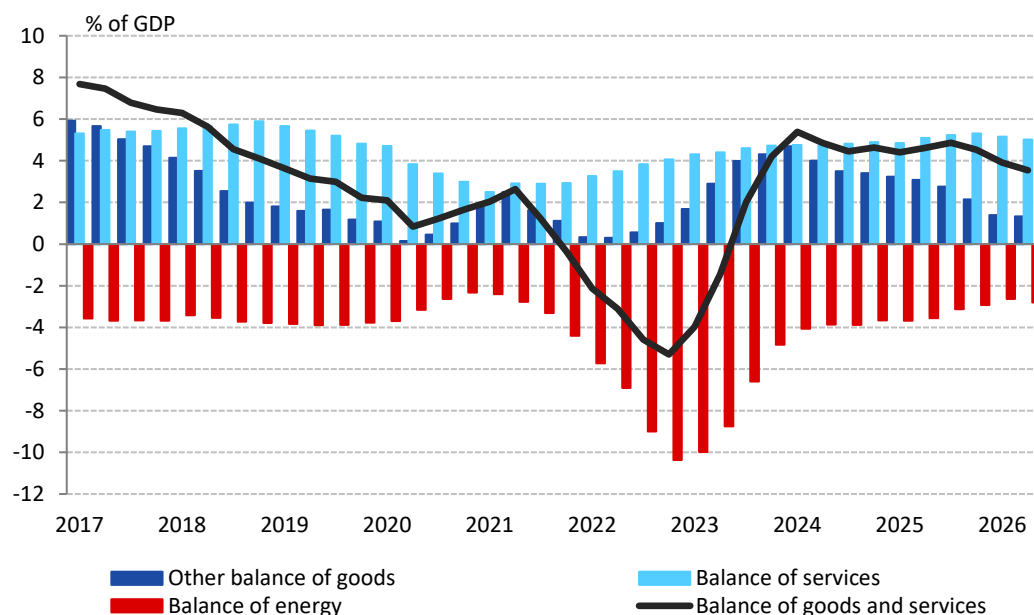
Source: Unless otherwise stated, the source of the charts is the MNB

1.1. Trade balance

After stagnating in 2025, the four-quarter surplus in foreign trade fell to 3.5 percent of GDP by 2026 Q2, in conjunction with a deterioration in the goods balance and a stable surplus in services (Chart 3). The smaller surplus on the goods balance is largely attributable to the weaker performance of industrial exports. The decline in German industry – particularly the automotive sector – had an impact on Hungarian exports and was also reflected in the balance of other goods. However, the positive impact of lower energy prices on the balance partly offset the deterioration in the goods balance. Supply problems stemming from the conflict in Iran that started in late February 2026 and the resulting rise in energy prices had only increased Hungary's energy deficit to a limited extent by the second quarter (partly due to the 2-month lag in the impact of gas price rises). Since 2021, the dynamic growth in tourism and the post-Covid rebound in the transport services balance have played a key role in the improvement in

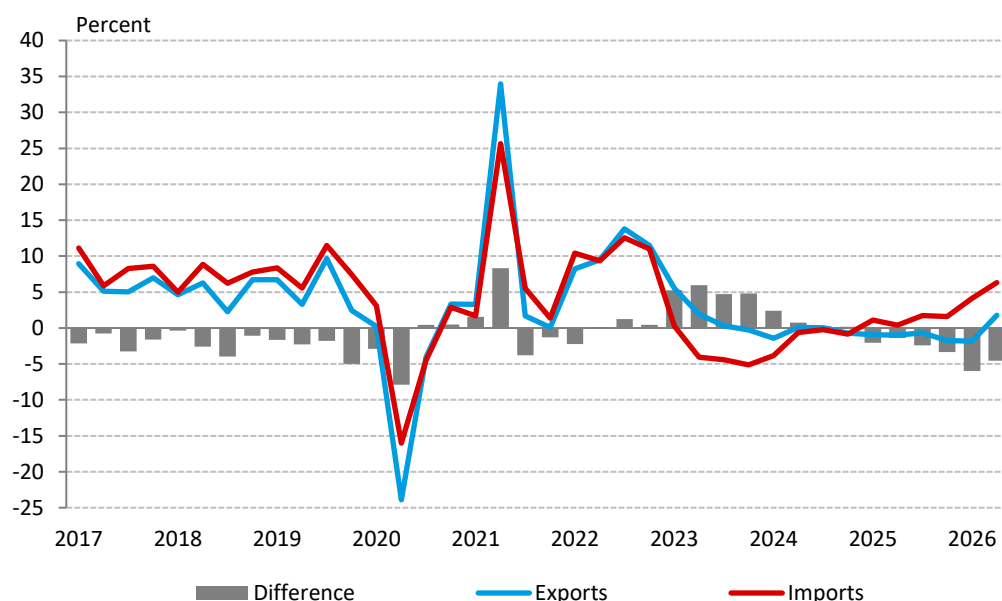
services balance, which has remained stable at around 5 percent of GDP since 2024. Within balance of services, tourism remained the most significant sector, accounting for a similar proportion in recent years, at around 2 percent of GDP.

Chart 3: Trends in the trade balance and its components (four-quarter figures)



Since early 2025, real growth in imports has consistently and increasingly outpaced real export growth, resulting in a steady deterioration in the trade balance during this period (Chart 4). In recent quarters, the volume of imports has gradually increased in year-on-year terms, while exports only began to rise in mid-2026 following a prolonged period of decline. Although domestic industrial production continued to fall in most manufacturing industry sectors, the drop in goods exports persisted for much of the period. In 2026, however, a number of domestic industrial sectors (e.g. manufacture of transport equipment, manufacture of computers, electronic and optical products, as well as electrical equipment) began to grow. The accelerating growth in goods imports is primarily attributable to a pick-up in household consumption and changes in inventories. The rate of growth in services exports remained similar to that seen in recent years, while services imports fell moderately. Overall, the volume of exports declined versus 2024, while imports rose, meaning that the previously established unfavourable export–import gap persisted.

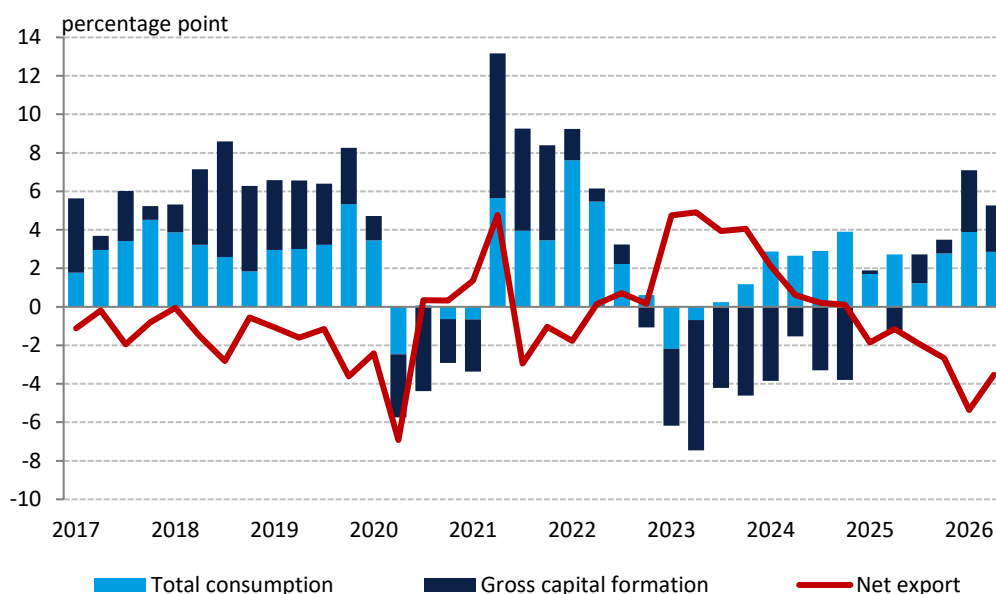
Chart 4: Annual growth in the volume of exports and imports



Source: HCSO, MNB

In this context, the growth contribution of net exports turned negative in 2025 and has continued to deteriorate since then (Chart 5). Since 2024, household and community consumption has gradually picked up, in conjunction with rising real wages. The import effects of growing consumption, combined with subdued export performance, had a negative impact on the growth contribution of net exports, which was further exacerbated after 2025 H2 by rising demand for imports associated with gross accumulation (which includes investment and inventory accumulation).

Chart 5: Contribution of domestic expenditure and net exports to GDP growth

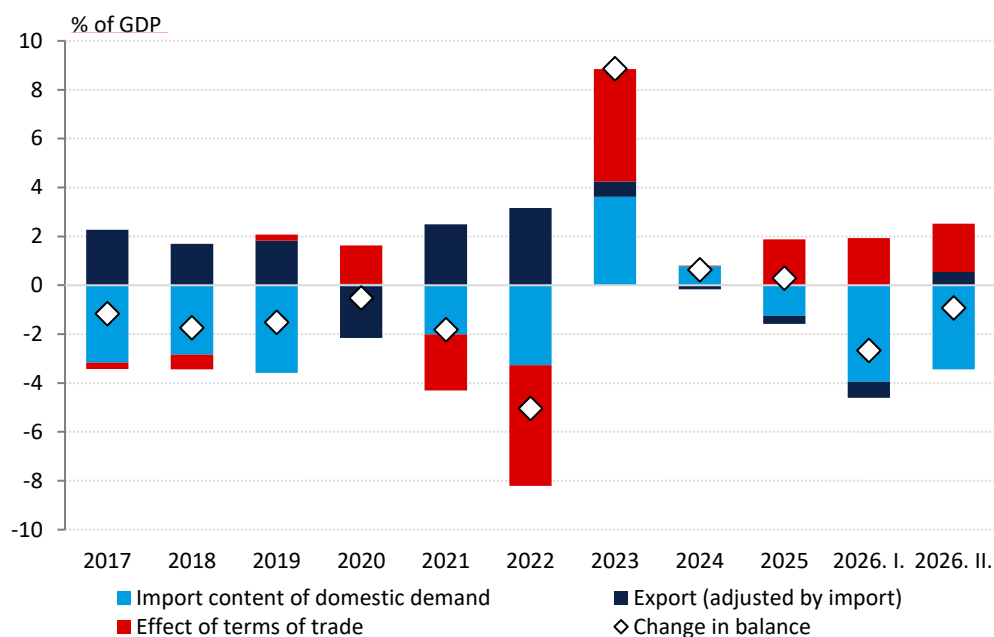


Source: HCSO

In recent quarters, the narrowing trade balance was driven primarily by changes in the import content of domestic demand and, to a lesser extent, by changes in exports, the impact of which has been mitigated by improving terms of trade (Chart 6). Compared to 2024, the increase in domestic demand for imports was primarily linked to growing consumption and demand for import-intensive products. Furthermore, the moderate decline in exports can be attributed to slack external demand and subdued manufacturing performance, particularly in terms of goods exports, both of which had a negative impact on the trade balance. However, the resumption of export growth did start to

improve the trade balance in 2026 Q2. Furthermore, the terms of trade improved significantly in 2025 and 2026 H1, partly driven by a fall of nearly 10 percent in oil prices in 2025–2026, which was driven by a slowdown in global oil demand – specifically, weaker Chinese demand due to the rapid uptake of electric cars. Tariff restrictions, which have dampened the global trade and economic outlook, also exerted downward pressure on oil prices, while the expansion of production outside OPEC+ and the gradual easing of OPEC+ supply restrictions further increased supply-side pressure. Another key factor behind the improvement in the terms of trade, particularly in 2026 H1, was the substantial appreciation of the forint against major currencies.

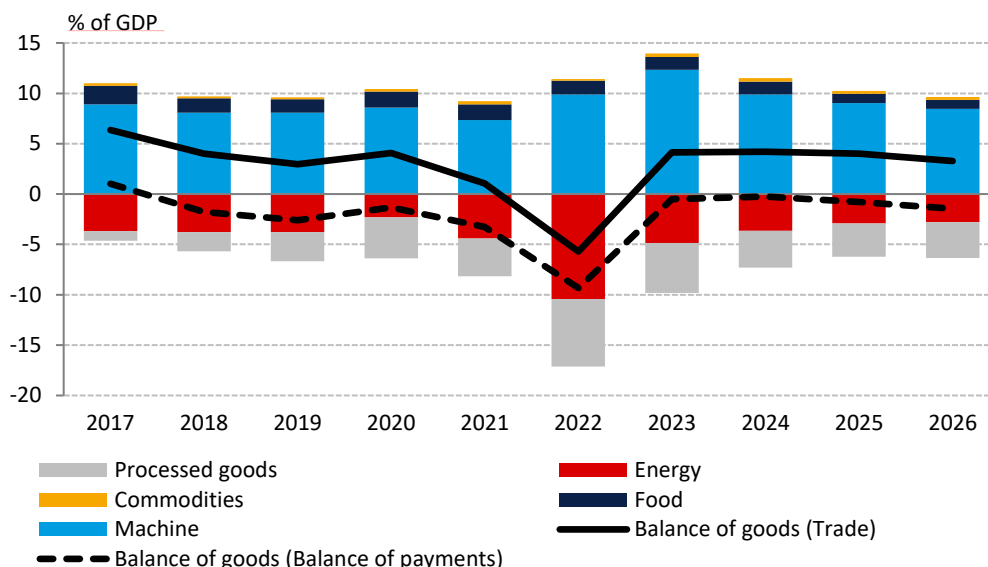
Chart 6: Change in the balance of external trade



Source: HCSO

The decline of nearly 1 percentage point in the balance of goods as a proportion of GDP compared to 2024 was primarily due to a fall in net exports of machinery and equipment as well as food, while the reduction in net energy imports had the opposite effect (Chart 7). Compared to 2024, imports of machinery grew at a faster rate than exports in this category by 2026 Q2, with the result that net exports in the machinery category reduced the goods balance as a proportion of GDP by 1.4 percentage points. The slower growth in machinery exports compared to imports can be attributed primarily to the weak performance of the German manufacturing industry, presumably in part due to high energy prices in Europe, the shift towards electric vehicles and moderate external demand from Europe. In the case of food products, the rise in the volume of imports led to a 0.4-percentage point fall in net exports as a percentage of GDP. Meanwhile, net imports of energy fell by 0.9 percent of GDP compared to 2024 – primarily due to a decrease of nearly 10 percent in the average price of oil in 2024, alongside a decline in domestic gas and electricity consumption.

Chart 7: Trends in net external trade balance in goods by main commodity group



The trade figures for the balance of payments are obtained using adjustment factors derived from foreign trade statistics (for further details, see the methodological publication on balance of payments statistics). The two types of data have followed similar patterns in recent years, making them suitable for analysing trends.

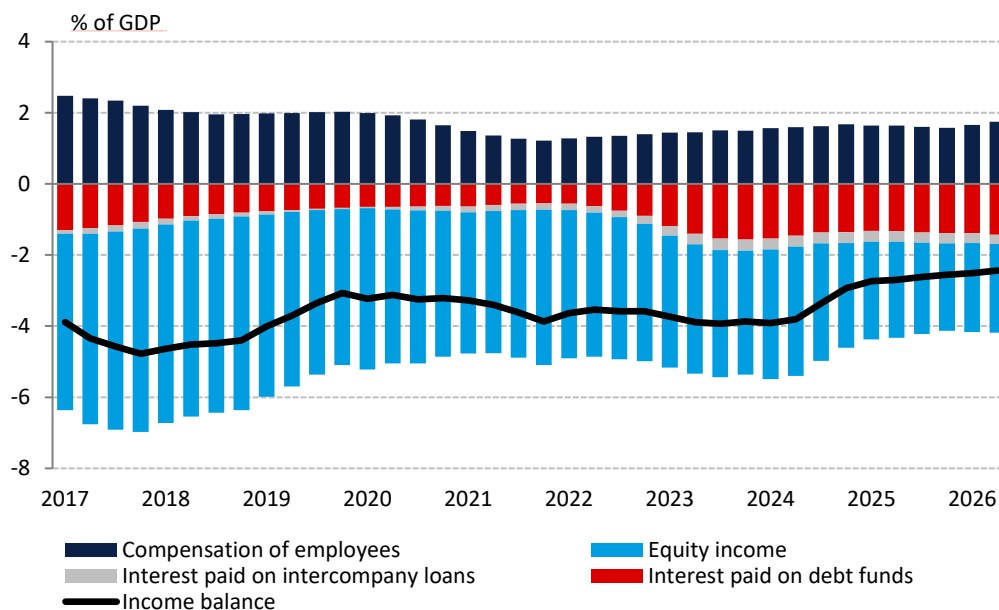
Source: HCSO, MNB

1.2. Income balance

As a percentage of GDP, the deficit on the income balance was reduced slightly by income from equity holdings and from non-resident employees in 2025 and in 2026 H1, with the deficit falling to 2.4 percent of GDP by 2026 Q2 as a result (Chart 8). A large proportion of the income balance is accounted for by the profits of foreign-owned companies,¹ the value of which has declined as a proportion of GDP (as has typically been the case in previous years), primarily due to a fall in income resulting from declining exports in the manufacturing industry sector (for more details, see Chapter 5). Consequently, the deficit in income from equity holdings (which includes both FDI and portfolio investments) kept moving on the downward trend observed in 2022–2024 and fell to 2.5 percent of GDP, with the continued application of sector-specific taxes also contributing to this development. Net interest expense on intercompany loans, as well as on loans granted to and received from abroad, remained in line with previous years. The value of the earnings of those temporarily working abroad as a proportion of GDP rose in 2026 H1, following a period of stagnation in 2025, and although this indicator still falls short of pre-pandemic levels, it has significantly improved the economy's income balance.

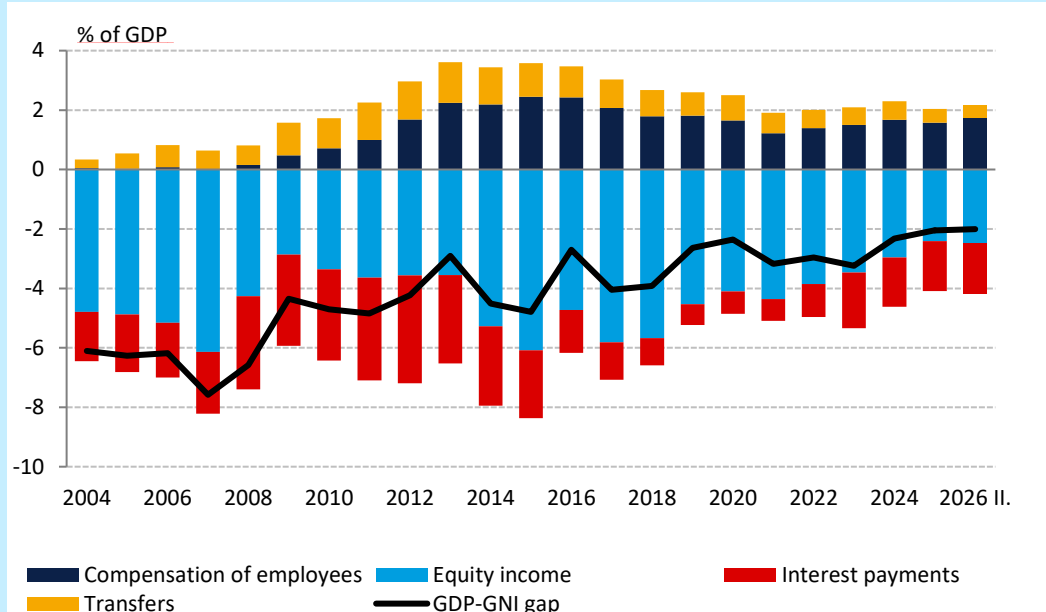
¹ We have only limited quarterly data on the interim profits of foreign-owned companies for 2026, and thus information on profit outflows is based on estimates that take partial data into account until the corporate questionnaires are received in mid-2027; for more details, see the publication entitled "Methodological Notes on the Balance of Payments and Holdings Statistics".

Chart 8: Trends in the components of the income balance (four-quarter figures)

**Box 1: Difference between GDP and GNI**

Compared to previous years, the gap between GDP and GNI narrowed somewhat in 2025 and 2026, meaning that the disposable income of domestic sectors is now only by 2 percent of GDP below the income generated in Hungary (Chart 9). The difference between gross domestic product (GDP) and gross national income (GNI) reflects the balance of income flows with other countries, on the basis of which we can draw conclusions about the income actually available to domestic actors (excluding secondary income). The significant improvement in the indicator in 2008–2009 was primarily linked to the decline in the profitability of foreign-owned companies due to the financial crisis, as a result of which the previous gap – which had exceeded 6 percent of GDP – fell to 4 percent of GDP. Subsequently, it fluctuated between 3–5 percent with minor fluctuations, moving on a downward trend. As a result of the coronavirus pandemic, the decline in the compensation of employees contributed to a widening of the gap between GDP and GNI (due to a fall in the earnings of Hungarian workers employed abroad). In the years after the pandemic, despite increases in sector-specific taxes and weak demand, foreign companies were able to maintain high levels of profitability in a high-inflation environment. At the same time, as a result of the high domestic and international yield environment and the rise in external debt, interest expense across economic sectors increased significantly. In 2024, as well in 2025, declining corporate profitability due to the subdued economic environment, combined with lower interest rates, had the overall result of the gap between GDP and GNI narrowing by 1 percentage point, to close to 2 percent of GDP. By 2026 H1, the rise in the compensation of employees working abroad, coupled with a fall in the profits of foreign companies, had narrowed the gap between GDP and GNI, while net interest expense remained broadly stable.

Chart 9: Trends in the GDP–GNI gap in Hungary

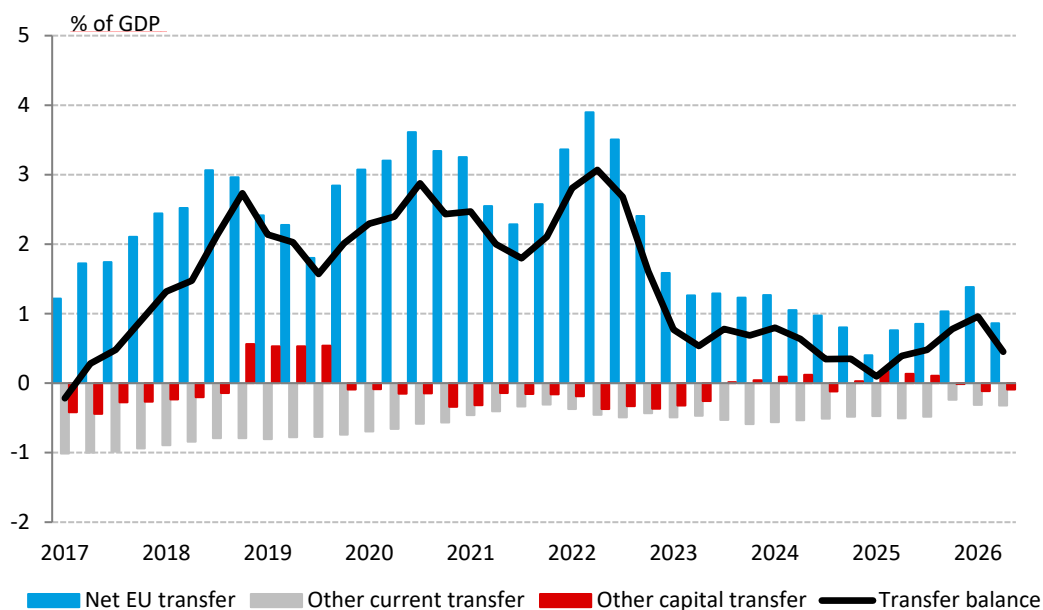


Note: No official GNI data (published by the HCSO) is currently available for 2025–2026; therefore, it has been compiled from the balance of payments data primary income (excluding SPEs).

1.3. Transfer balance

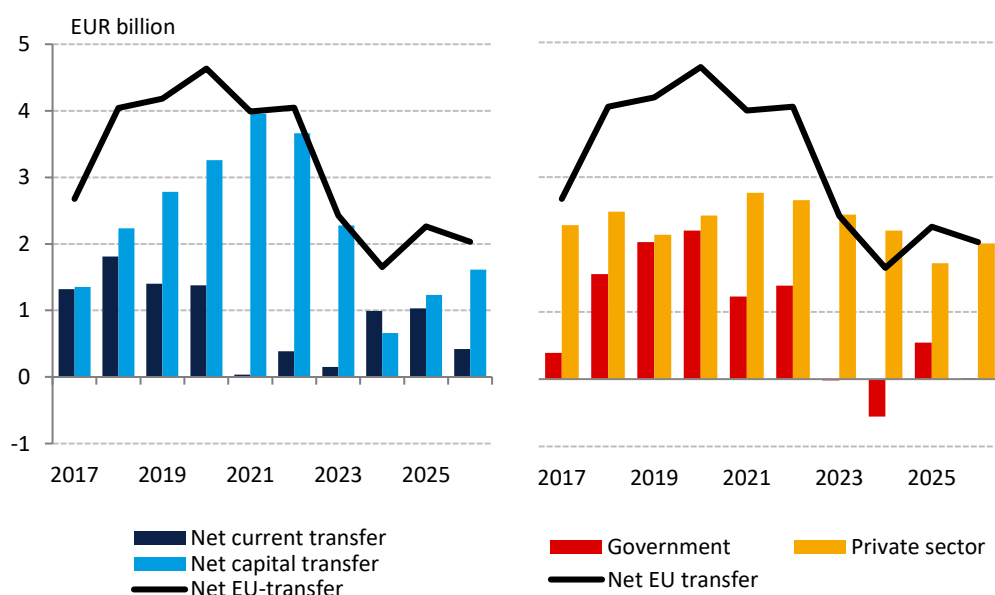
Following a steady, significant rise in 2025 and 2026 Q1, the four-quarter surplus on the transfer balance narrowed in the second quarter to reach 0.5 percent of GDP, a level similar to the end of 2024 (Chart 10). During the period 2017–2024, the average utilisation of net EU transfers was over 2 percent of GDP. After the start of 2025, the level of EU transfers fell well short of this level, but a steady increase to nearly 1.5 percent of GDP was observed until early 2026. This increase then turned into a decline in 2026 Q2, meaning that the net EU transfer balance for the four quarters stood at 0.9 percent of GDP at that time. The higher level of EU fund utilisation observed in Hungary in 2025 can be explained primarily by the gradual ramp-up of the 2021–2027 programmes and the acceleration in the take-up of EU funds already available, while a base effect also contributed to the further increase recorded in 2026 Q1 (the exceptionally low figure for 2025 Q1 was not included in the rolling period). Several factors slowed the inflow of EU transfers: on the one hand Hungary lost out on payments in 2025 from certain cohesion funds due to its failure to meet the rule of law and conditionality criteria by the deadline, on the other hand the obligation to pay a daily fine of EUR 1 million, payable from June 2024, also reduced the scale of the transfers. By 2026 Q2, the balance of other current transfers had improved moderately compared to 2024–2025, while the four-quarter balance of other capital transfers was close to equilibrium.

Chart 10: Trends in the transfer balance (four-quarter indicators)



Four-quarter net EU fund utilisation amounted to EUR 2.3 billion in 2025, up from EUR 2 billion in 2026 Q2, which was half the level typically seen in previous years but exceeded the 2024 figure. In 2025, the government sector became a net recipient of EU funds, while the household sector's use of EU funds remained significant (Chart 11). Owing to the cyclical nature of the EU budget, the inflow of capital transfers slowed in 2024 due to the start of the new budget cycle and delays in accessing RRF funds. While this inflow was moderately higher in 2025–2026, it remained below the figures for previous periods, contributing to the decline in domestic investment. By contrast, the balance of current transfers had fallen by 2026, primarily due to lower net inflows of EU funds, which was also influenced by restricted access to EU funds and delays in payments. The capital account was adversely affected by the fine imposed by the European Court of Justice in June 2024 in relation to immigration policy. At the same time, utilisation in the household sector remained close to the average for 2017–2024 in nominal terms, amounting to EUR 2 billion.

Chart 11: Trends in four-quarter net EU current and capital transfers and a breakdown by sector

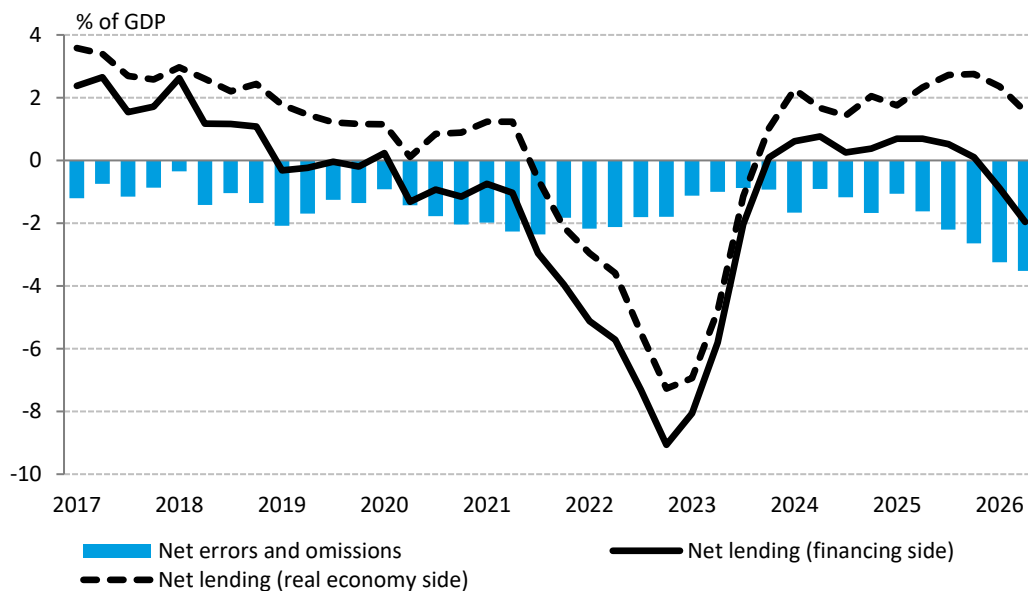


2. Financing approach and debt indicators

Calculated on the basis of financing data, the net lending position gradually narrowed in 2025 and 2026 H1. The financing requirements that emerged and grew in 2026 were reflected in an increase in debt inflows, while the level of net FDI remained very low. In 2025, the economy's net external debt ratio remained essentially unchanged based on underlying trends, as the inflow of debt-type funds was offset by revaluation effects and nominal GDP growth. However, after many years of stagnating, the indicator rose by mid-2026 as a result of transactional and revaluation effects, with optimism regarding the domestic economy also contributing to this trend. Foreign purchases of HUF-denominated government bonds and MNB discount bills surged to a historic high, while the decline in yields also contributed to an increase in the external debt. Despite the need for external financing, key debt indicators related to external vulnerability continued to paint a generally favourable picture. Net external debt stood at nearly 16 percent of GDP in 2026 Q2, which remains well below the levels seen at the beginning of the previous decade. Meanwhile, international reserves exceeded EUR 60 billion at the end of June 2026, which is more than EUR 14 billion above the level of short-term external debt, a figure closely monitored by investors.

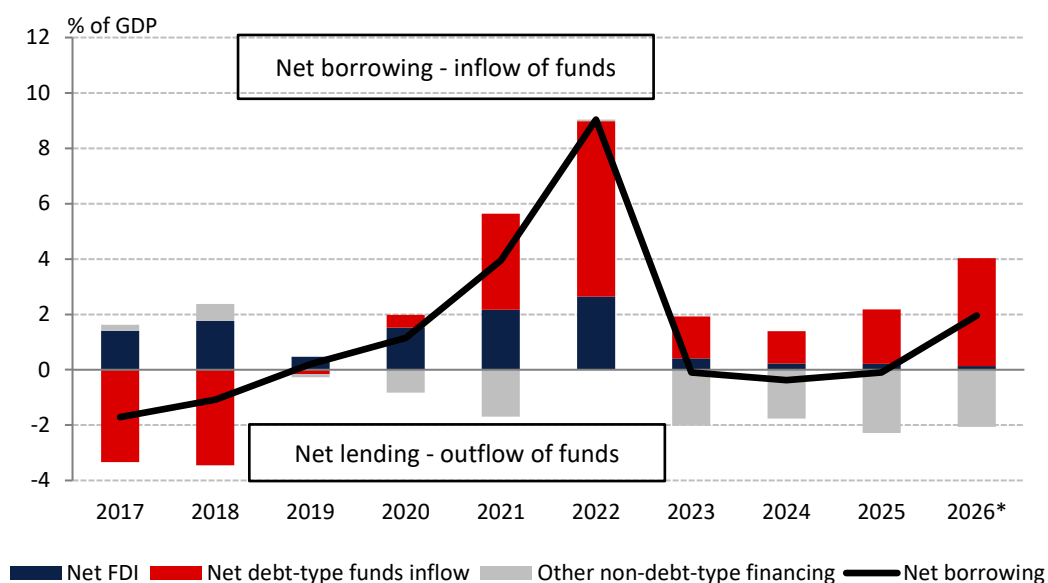
Calculated on the basis of financing data, the net lending position gradually narrowed during 2025 and this continued in 2026 H1 (Chart 12). While the real economy maintained significant net lending, the external position, as indicated by financing data, fell to close to equilibrium in 2025, after which net borrowing amounting to 2 percent of GDP emerged at the end of 2026 Q2. The discrepancy between the external balance indicators calculated using the two approaches (the balance of errors and omissions) exceeded 3 percent of GDP by mid-2026, following a gradual rise. It is worth noting that for several items (such as corporate profits and certain trade balance items) the 2026 figures currently consist of estimated values. Consequently, the discrepancy between the two indicators may narrow as actual data becomes available.

Chart 12: Two types of net lending (four-quarter figures)



Within the financing structure, inflows of debt-type funds were the dominant factor, while outflows of equity-type funds were significant, amidst modest net FDI inflows (Chart 13). Net external debt increased by around 2 percent of GDP arising from transactions in 2025, resulting from a simultaneous increase of nearly EUR 14.6 billion in foreign debt-type liabilities and EUR 10.4 billion in foreign instruments. In 2026 H1, the growth in external liabilities continued to outpace that of instruments, with the four-quarter net debt accumulation amounting to 3.9 percent of GDP at the end of June 2026. Throughout 2025, there was a modest net inflow of FDI, amounting to 0.2 percent of GDP. The decline in net other non-debt-type financing since 2020 was largely linked to an increase in portfolio holding outflow in domestic sectors.

Chart 13: Trends in FDI and debt-type financing transactions

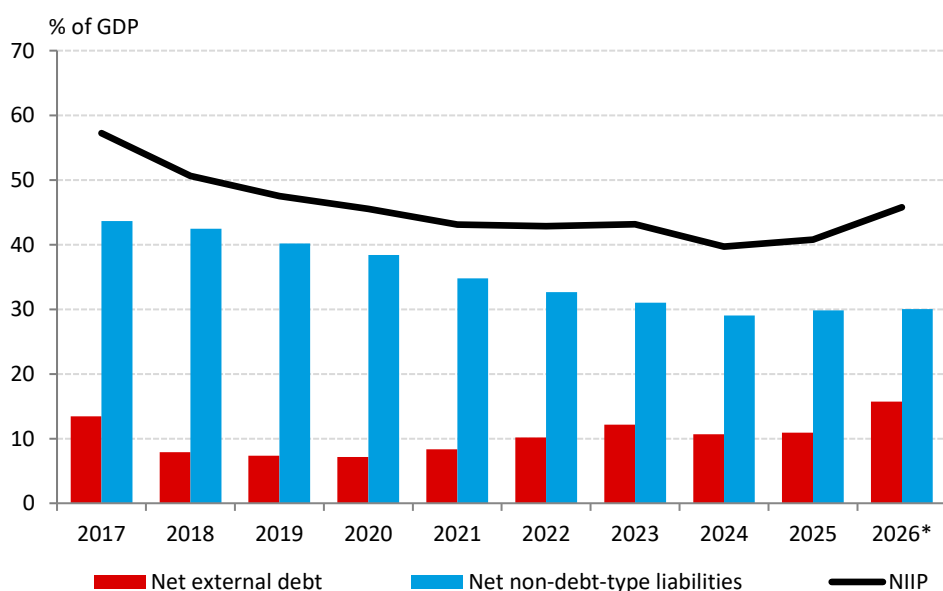


*For 2026, we have included four-quarter figures up to the second quarter.

2.1. Net external liabilities

Following a period of stagnation in 2025, Hungary's net external debt as a percentage of GDP rose in 2026 H1, in line with the net external borrowing (Chart 14). As a percentage of GDP, net external debt – comprising external debt and non-debt-type sources (FDI, portfolio holdings and derivatives) – fell gradually over the decade and a half following the 2008 crisis, reaching a low point of less than 40 percent in 2024. In 2025, the indicator rose moderately, before advancing to 45.8 percent by June 2026. Net external debt rose to nearly 16 percent of GDP by mid-2026, while the stock of net non-debt liabilities – in line with net FDI transactions in 2025–2026, which were close to zero – remained largely unchanged over the past year and a half.

Chart 14: Trends in net external liabilities (end-of-period figures)



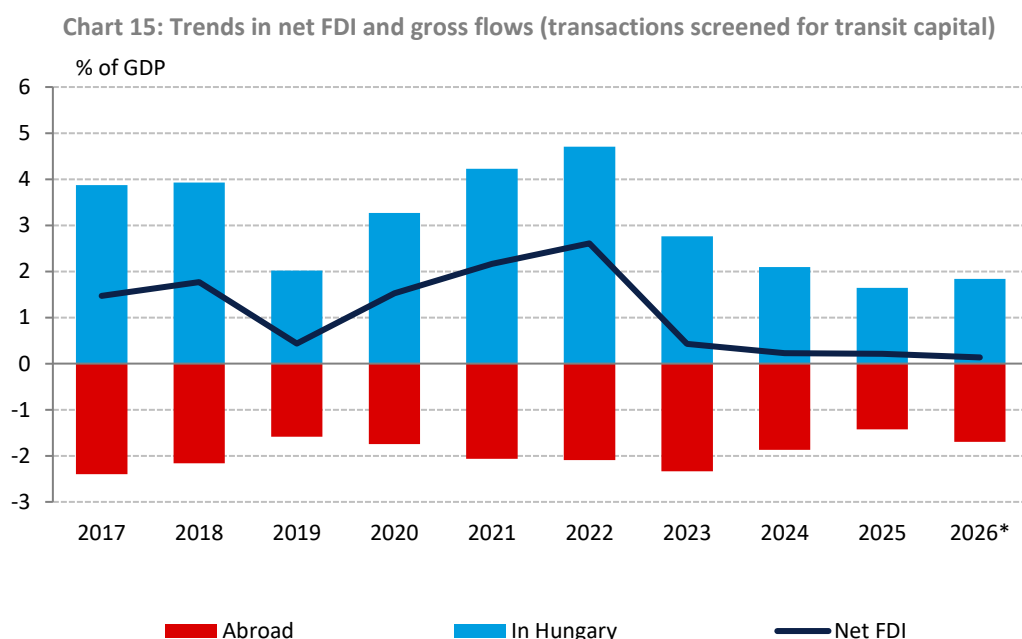
*For 2026, we have included four-quarter figures up to the second quarter.

2.2. FDI financing

FDI inflows into Hungary fell in 2025, while net FDI inflows stood at EUR 0.5 billion. The inflow of FDI into Hungary amounted to approximately EUR 3.6 billion for the whole of last year; by comparison, the four-quarter figure ending in 2026 Q2 (EUR 4.5 billion) showed an increase. Foreign investments by domestic entities increased by a total of EUR 3.2 billion during 2025, rising to above EUR 4 billion in the twelve months to 30 June 2026. As a result of all this, net FDI inflows totalled EUR 0.5 billion for 2025 as a whole, with the four-quarter figure declining moderately (to EUR 0.3 billion) by the end of June 2026.

- **Domestic investment by foreign companies accounted for 1.6 percent of GDP in 2025.** In line with the weak business climate, the decline in profits among foreign companies was reflected in a drop in reinvestment and, consequently, in decreasing FDI inflows (for further details, see Chapter 5). In addition, the regular dividend payments approved at the start of the year reduced direct equity holdings (via a reduction in reinvested earnings), but some of these have not yet been paid out, which contributed to an increase in intercompany loans. In 2026 H1, equity-type investments fell in line with dividend payments, a trend that was offset by an increase in intercompany loans. The four-quarter value of domestic investment by non-residents rose to 1.8 percent of GDP.
- **Foreign direct investment abroad by resident companies accelerated in the second half of the previous decade and reached around 1.5–2.5 percent of GDP in each of the past ten years.** In 2025, outflows as a percentage of GDP stood at 1.4 percent. Of this, 70 percent was attributable to the reinvestment of earnings, nearly 20 percent was in the form of new equity, and just over 10 percent was in the form of intercompany loans. The vast majority of outflows occurred in the financial and commercial services sectors as well as in the crude oil refining and pharmaceutical manufacturing sectors. In the twelve months to June 2026, outflows as a percentage of GDP rose to 1.7 percent.

As a result of all these factors, the net inflow of FDI amounted to 0.2 percent of GDP in 2025, falling to 0.1 percent of GDP over the four quarters including 2026 Q2 (Chart 15). In 2025, the trend observed in the wake of the financial crisis continued, according to which, in terms of the structure of FDI, equity holdings and intercompany loans often moved in opposite directions (this is also one of the factors why the MNB regards intercompany loans as equity-like funding and does not take such into account when assessing trends in external debt).

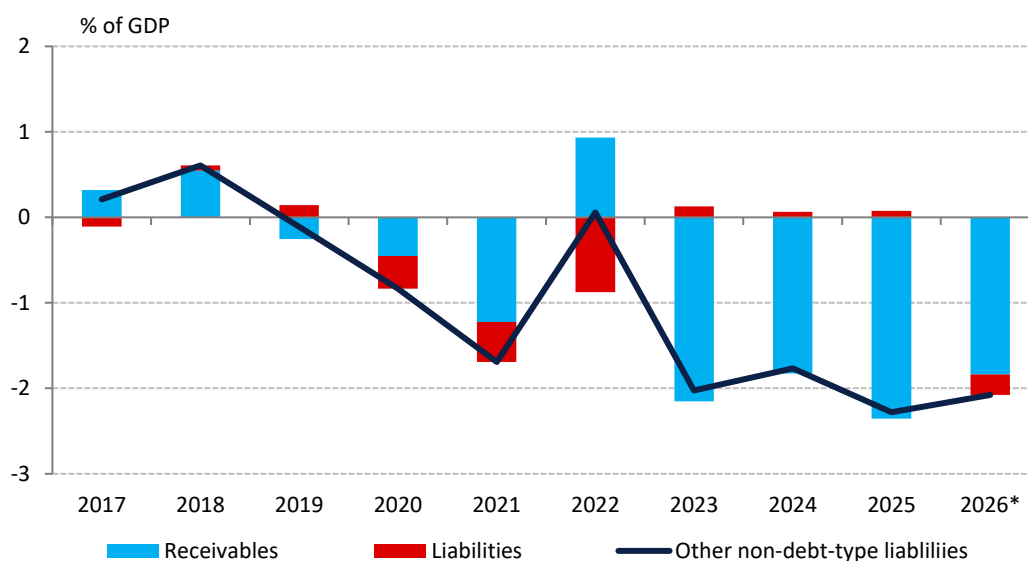


*For 2026, we have included four-quarter figures up to the second quarter.

2.3. Other non-debt-type financing

As a result of domestic actors' purchases of foreign investment funds and shares, the net outflow from other non-debt-generating sources remained at around 2 percent of GDP in 2025 again (Chart 16). Prior to 2020, the net value of non-debt-type sources fluctuated around the equilibrium value. Since the start of the decade, domestic actors have gradually increased their purchases of foreign investment funds and shares. Subsequently, the role of derivatives also increased temporarily, as collateral transactions linked to the surge in energy prices following the outbreak of the Russia–Ukraine war boosted the net inflow of non-debt-generating funds in 2022, before this inflow moderated in 2023 as prices returned to normal. During the pandemic, particularly in early 2022, equity sales by foreign investors significantly reduced the index. Following the energy crisis, domestic investors' purchases of foreign investment funds and equities picked up again. As a result, the decline in net portfolio debt rose to over 2 percent of GDP in 2025, a trend that persisted in the four quarters to June 2026.

Chart 16: Trends in portfolio investment, other investment and net derivatives**



*For 2026, we have included four-quarter figures up to the second quarter.

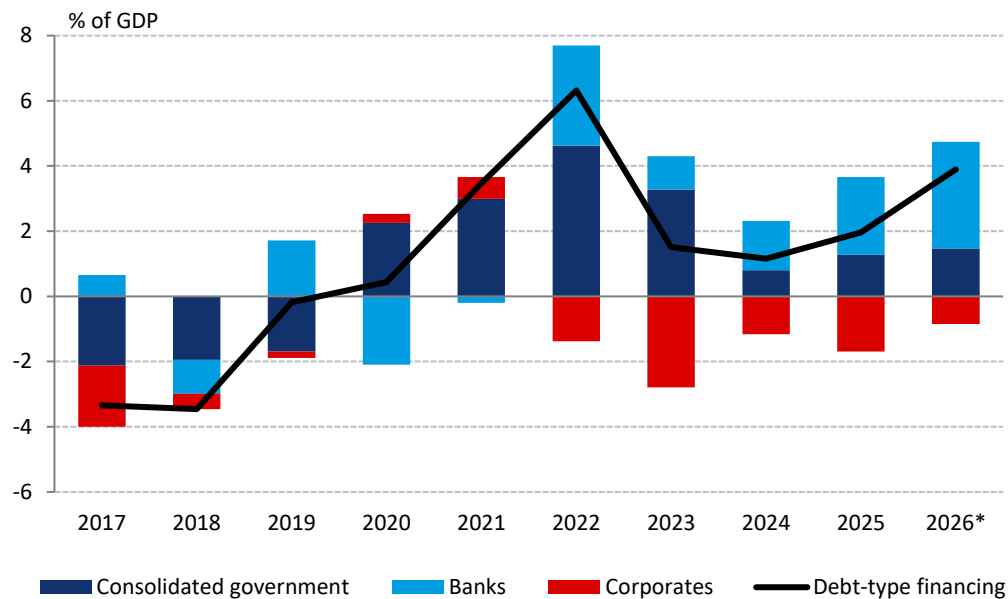
**Net receivables from derivatives are shown on the assets side.

2.4. Debt-type financing

In 2025, net external debt rose by around 2 percent of GDP as a result of transactions, driven by the general government and banking sectors, while the corporate sector's ratio continued to decline; these trends continued into 2026 H1. In 2025, the inflow of external debt into the economy began to rise again: as a result of transactions, the consolidated general government's net external debt rose by EUR 2.8 billion and that of the banking system by EUR 5.2 billion, while the corporate sector's figure fell by approximately EUR 3.7 billion. In 2025, the net external debt of the government, consolidated with the MNB, was increased by a significant expansion in the stock of HUF-denominated government bonds held by foreign investors, which was partly offset by a decline in the stock of MNB discount bills and the utilisation of EU transfers. Net external debt continued to rise over the four quarters ending in June 2026: net borrowing by the general government sector, consolidated with the MNB, rose moderately to 1.5 percent of GDP, while the indicator for the banking sector rose to 3.3 percent of GDP. The net external debt of companies fell further by 0.8 percent of GDP due to transactions. The government's external debt was significantly increased by the fact that net purchases of HUF-denominated government bonds by foreign investors surged to a historic high in the second quarter, while foreign investors' holdings of MNB discount bills also expanded in parallel with this.

A characteristic feature of both 2025 and 2026 H1 was that the government's issuance of foreign-currency bonds increased both gross external debt and FX reserves and thus had no impact on net external debt. The central bank's swap facility providing euro liquidity was also neutral in terms of net external debt at the national economic level: on the one hand, it reduced the FX reserves (thereby increasing the government's consolidated figure with the MNB); on the other hand, while simultaneously lowering the FX reserve, it reduced banks' net external debt ratio by providing foreign exchange liquidity to the banking system. In the case of the banking sector, however, the rise in liabilities in 2025–2026 could not be offset by an increase in foreign instruments, which was consequently reflected in a rise in net external debt.

Chart 17: Trends in debt-type financing by sector

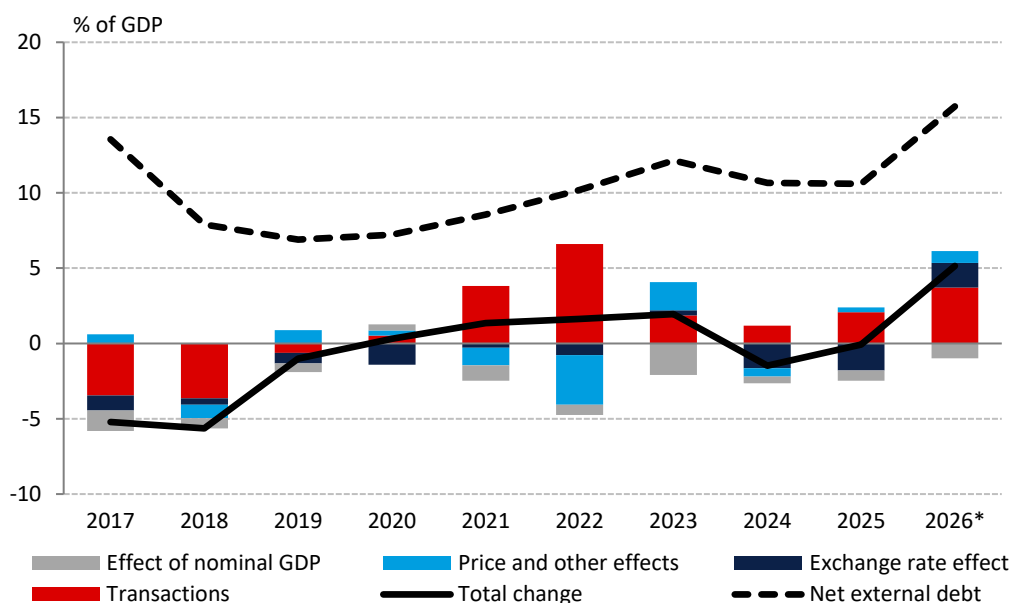


*For 2026, we have included four-quarter figures up to the second quarter.

2.5. Net external debt

In 2025, as a result of opposing effects, the economy's net external debt ratio based on underlying trends remained broadly unchanged, whereas in 2026 H1, both transactions and revaluation effects contributed to an increase (Chart 18). Following a significant decline after the 2008–2009 crisis, the debt ratio remained stable at a low level between 2018 and 2021, sitting at around 7–8 percent of GDP, before rising in 2022 in line with the increase in the economy's financing requirements, which was driven by soaring energy prices. In 2025, the rise in debt-type sources by as much as EUR 2 billion was offset by revaluation effects and nominal GDP growth. As a result, the net external debt ratio in 2025 remained essentially unchanged compared to 2024. In 2026 H1, revaluation increased Hungary's external debt ratio by 3.2 percent of GDP and debt-type capital inflows by 2.3 percent of GDP, causing the debt ratio to rise to 15.7 percent of GDP. Within the context of this revaluation, the rise in net external debt was driven by the forint's appreciation against the euro – following the parliamentary elections in April 2026 – and by the increase in the value of government securities held by foreign investors, which was linked to falling yields. The growth in nominal GDP reduced the value of the indicator by 0.6 percent of GDP.

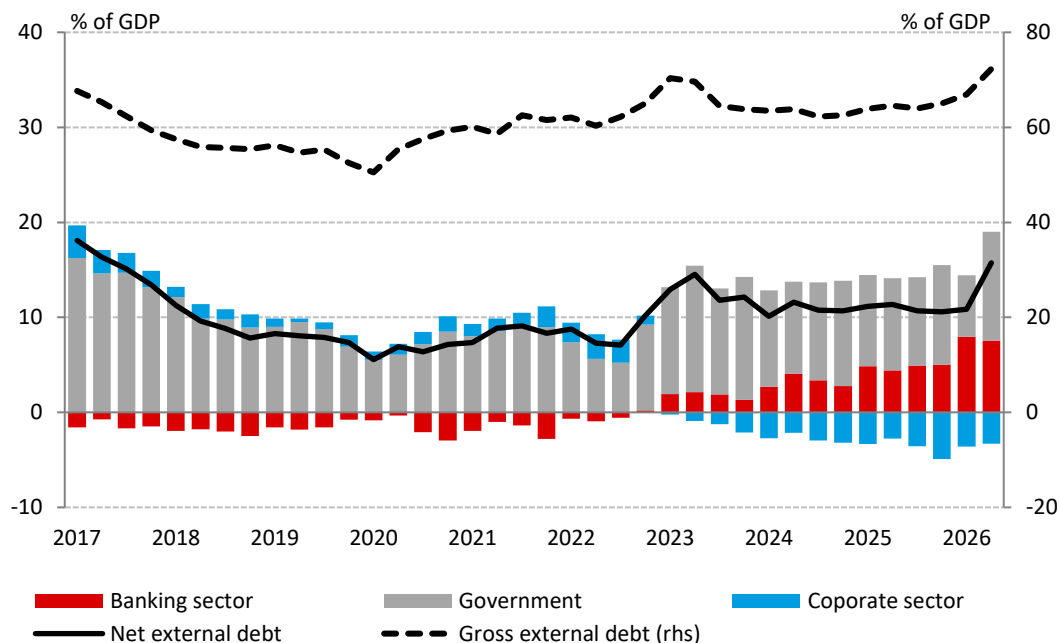
Chart 18: Breakdown of the change in net external debt by component



*For 2026, we have included four-quarter figures up to the second quarter.

In 2025, the net external debt ratio stood at less than 11 percent of GDP, before jumping to nearly 16 percent of GDP in 2026 Q2, primarily in connection with the consolidated general government accounts (Chart 19). Compared to 2025, *banks'* net external debt increased by 2.5 percent of GDP, as a result of a smaller rise in foreign instruments and a larger rise in foreign liabilities. The situation that has prevailed since the end of 2022 therefore continues, with the banking system's foreign liabilities exceeding its foreign assets. In other words, following the negative, near-zero levels seen since 2017, the sector's net debt ratio remains in positive territory and had risen to 7.6 percent of GDP by 2026 Q2. The ratio of *companies'* net external debt as a percentage of GDP has been negative for a long time, meaning that the sector's foreign instruments exceeded its foreign debt holdings; this negative figure fell further by the end of 2025, before returning to its previous typical level of around -4 percent by mid-2026. The net external debt of the *general government sector, consolidated with the MNB*, as a percentage of GDP is showing an upward trend, which is primarily attributable to a EUR 5 billion increase in HUF-denominated government bonds held by foreign investors. The MNB's indicator rose mainly due to an increase in the stock of MNB discount bills held by foreign investors, while the rise in FX reserves had the opposite effect. The economy's gross external debt advanced to 72 percent of GDP, which was largely attributable to the general government sector, while the household sector's figure rose by nearly 1 percent of GDP.

Chart 19: Trends in net external debt by sector and gross external debt (excluding intercompany loans)

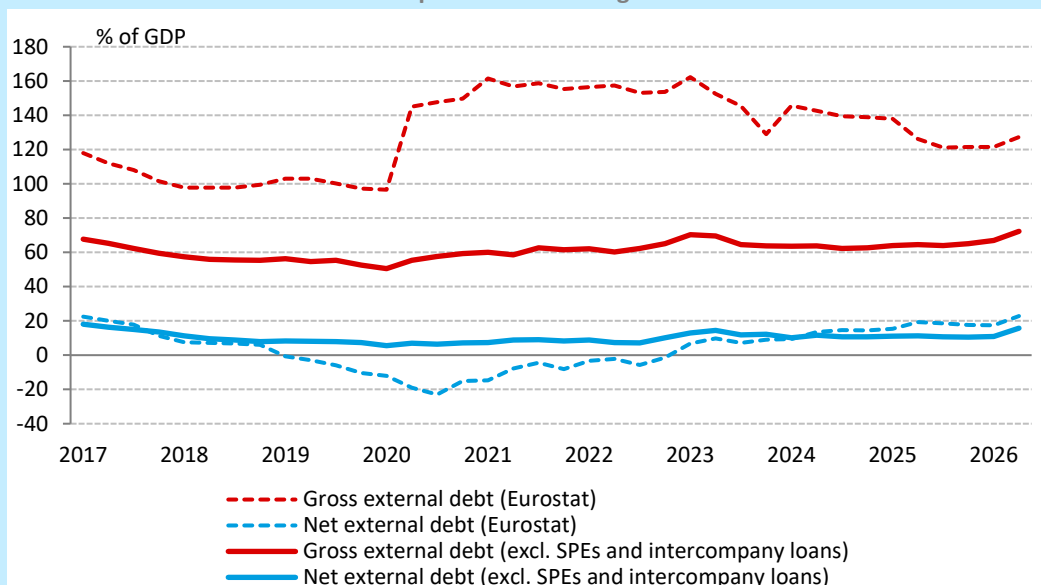
**Box 2: Trends in external debt by various criteria**

Net external debt remains at a low level, regardless of whether SPEs and intercompany loans are taken into account. However, in the case of gross external debt, the indicator – which includes both SPEs and intercompany loans – continues to exceed the debt ratio based on underlying trends by a significant margin. Based on economic considerations, the MNB's analyses and publications examine debt ratios that exclude SPEs (special purpose entities) and intercompany loans, and treat gold reserves as foreign assets,² in order to illustrate the underlying trends. However, in the Eurostat database, only the indicators calculated in conjunction with these factors are directly available at the international level; data filtered for SPEs require corrective calculations. SPEs do not carry out any genuine real economy activities in the country in question and generally have fewer than five employees. Their activities typically have no impact on other economic agents or on the country's net external debt – as, alongside their external liabilities, they also hold foreign claims of an equivalent value and thus only significantly affect gross debt indicators. Given their fundamentals, intercompany loans are generally regarded as non-debt-type sources rather than debt-type sources (for further details, see the April 2014 Report on the Balance of Payments), and, accordingly, balance of payments statistics classify intercompany loans as FDI.

Net external debt, which includes SPEs and intercompany loans, has remained at roughly the same level in recent years as that based on underlying trends but has been considerably more volatile: while this indicator fell sharply up until 2020, it subsequently rose to a greater extent than the net external debt based on underlying trends (Chart 20). Meanwhile, the gross indicators continue to show a significant discrepancy between the two methodologies, and in 2020, due to the entry into the domestic market of a large special purpose entity, there was a significant surge in the "broader" gross external debt, which further widened the gap between the two indicators. All of this highlights the fact that an indicator which takes into account SPEs – as entities that do not carry out any genuine economic activity in Hungary – and the changes in that indicator resulting from specific factors, obscure the true economic trends.

² From an economic point of view, fundamental developments in the dynamics of debt ratios are not affected by the switch between gold bullion and unallocated gold accounts; accordingly, this effect is excluded from the report's time series.

Chart 20: Development of net and gross external debt

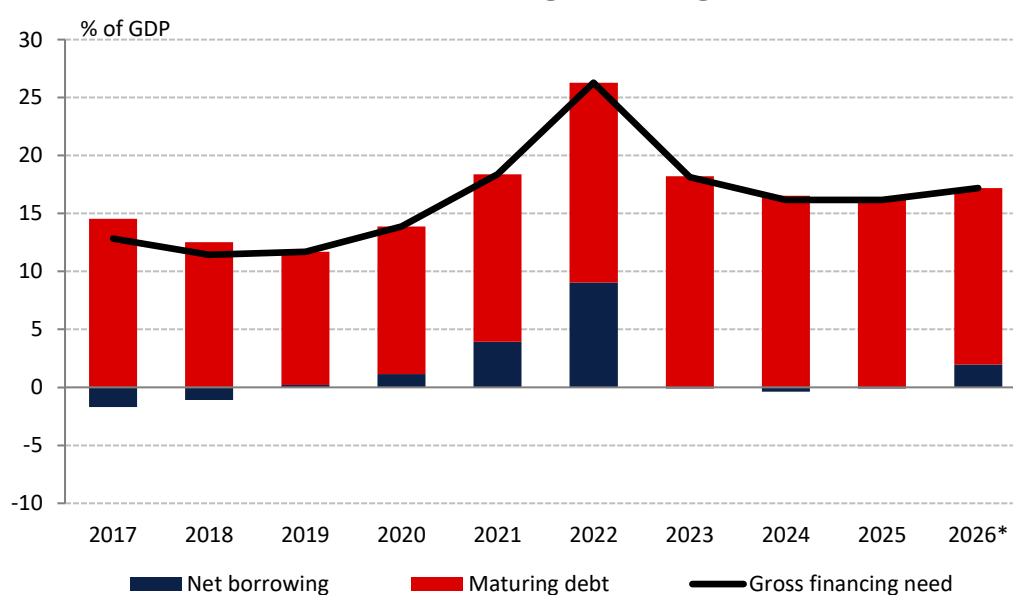


Source: Eurostat, MNB

2.6. Gross financing need

In 2026, the gross financing need rose moderately as a result of the increasing net borrowing (Chart 21). Following a gradual decline in previous years, the gross external financing need rose between 2020 and 2022, as the net lending position turned into net borrowing, before turning downwards in 2023 as the external position improved, falling back to the 2021 level. Net lending, calculated on the basis of financial account items, amounted to 0.1 percent of GDP in 2025. At the end of December 2024, short-term external debt – i.e. maturing in 2025 – stood at 16.3 percent of GDP, representing a moderate decrease compared to the previous year's level. Thus, overall, the gross financing need – which indicates the external resources to be raised by the Hungarian economy in a given year and is calculated as the sum of the two figures – amounted to 16.2 percent of GDP, which was virtually identical to the 2024 figure. By early 2026, maturing debt had fallen to 15.2 percent of GDP, while net borrowing had risen to 2 percent of GDP, meaning that the gross financing need also increased, although it remains well below the 2022 level of over 25 percent.

Chart 21: Trends in the gross financing need



*For 2026, we have included four-quarter figures up to the second quarter.

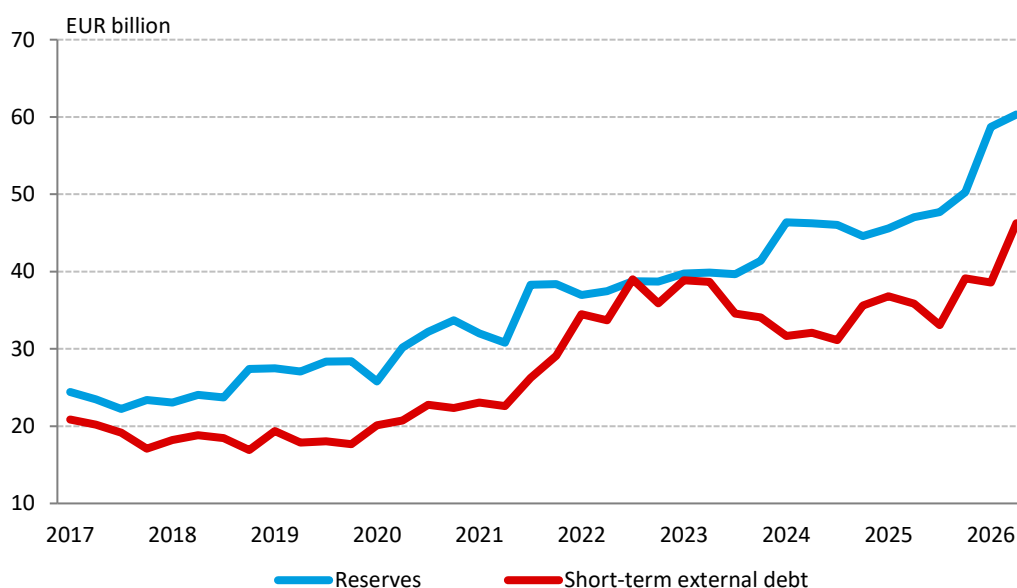
2.7. International reserves and reserve adequacy

At end-2025, holdings of international reserves exceeded the level of short-term external debt (a figure closely monitored by investors) by EUR 11.1 billion and by EUR 14.1 billion at the end of 2026 Q2. The level of international reserves amounted to EUR 50.2 billion at the end of December 2025 and then rose significantly in 2026, to exceed EUR 60 billion by the end of June. Given that short-term external debt amounted to EUR 39.1 billion at end-2025 and EUR 46.3 billion at end-June 2026, this provides significant room for manoeuvre in terms of the Guidotti–Greenspan indicator, which is closely monitored by both the MNB and investors (Chart 22). Compliance as measured by the IMF's composite indicator also shows a similar trend: compliance, which stood at EUR 5.6 billion at end-2025, rose to EUR 8.1 billion by June 2026.

In 2025, international reserves rose by EUR 5.7 billion, followed by a further significant increase in 2026. Foreign exchange reserves advanced from EUR 46.5 billion at end-December 2024 to EUR 50.2 billion at end-2025 and reached EUR 60.3 billion in June 2026. The following key factors influenced the level of FX reserves during this period:

- grants received from the European Commission;
- GDMA's net foreign currency financing;
- an appreciation in the exchange rates of reserve assets denominated in currencies other than the euro and changes in the present value of collateral transactions relating to non-euro reserve assets;
- the above items being offset to some extent by the negative balances on Hungarian State Treasury's foreign exchange expenditure.

Chart 22: Short-term maturity external debt and international reserves

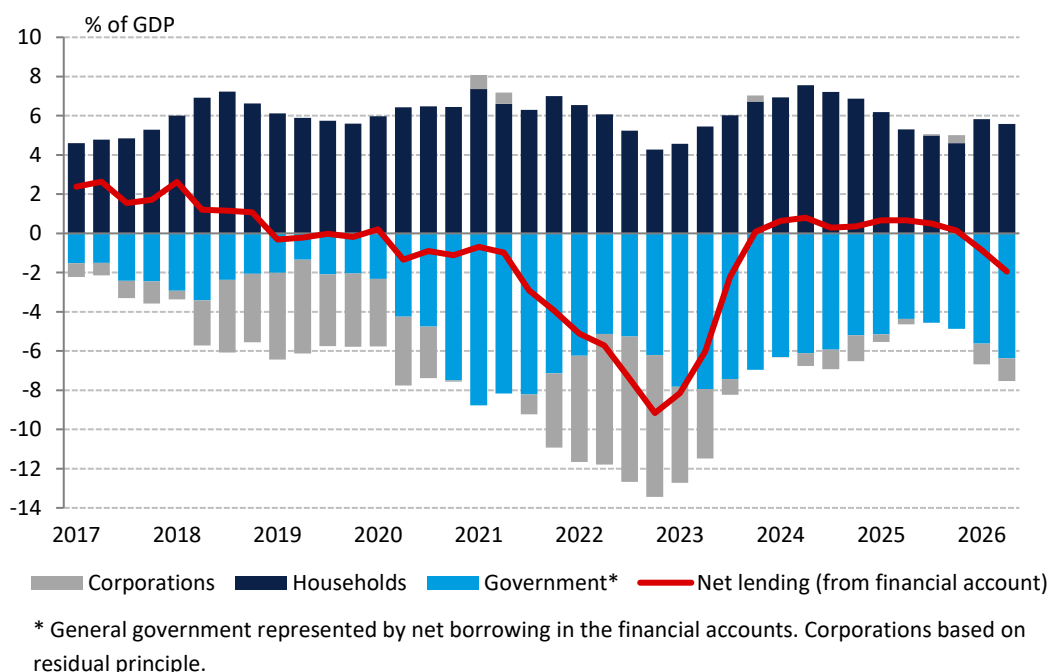


3. Savings approach

Since mid-2025, the net lending positions of the domestic economic sectors have declined, primarily in connection with the rise in the general government deficit. The general government's net borrowing fell moderately in 2025 compared to the previous year but rose significantly this year, mainly due to wages, social benefits and one-off expenditures. The net lending of the household sector decreased in 2025 as consumption rose but increased significantly in 2026 Q1, supported by substantial government income transfers. In 2025, the corporate sector's financing position had come close to reaching equilibrium and then in 2026 H1 it once again turned into net borrowing, driven by a decline in operating income and stronger capital formation. Within household savings, the largest share was accounted for by investment fund shares and deposits, while the stock of government securities as a percentage of GDP rose following a decline in the first half of the period.

Based on the savings trends of the sectors, the government's net borrowing has been rising gradually since 2025 Q2, while the reduction in the household sector's net position continued into 2026, after a pause in 2025 H2 (Chart 23). The general government deficit – driven by increases in wages, social benefits and one-off expenditure items and despite a significant fall in interest and public investment expenditure as well as a rise in the banks' windfall tax – rose to 6.4 percent of GDP by 2026 Q2. Against a backdrop of slowing wage growth and rising consumption, the household sector's net financial position fell to 4.6 percent of GDP in 2025, before rising to 5.6 percent in the first quarter of this year due to significant government income transfers, from which it corrected only moderately in the second quarter. Against a backdrop of weak investment activity, companies' net borrowing position had moved closer to equilibrium by the end of 2025, before rising in 2026 in line with a further decline in profitability and capital expenditure (on investment and stock) that exceeded the level of the previous year. Overall, over the past year and a half, while the government deficit has risen and household savings have fallen, the corporate sector's net borrowing have remained largely unchanged. Consequently, the external net lending of the economy, as measured by the savings of the domestic economic sectors, has declined.

Chart 23: Net lending of specific sectors* (four-quarter data)

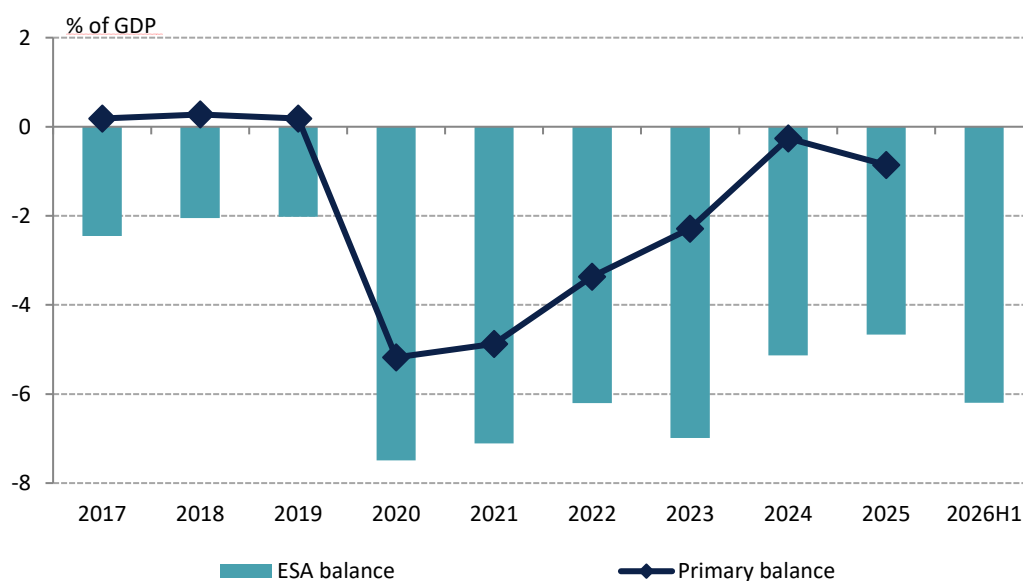


3.1. General government

The net borrowing of the general government continued to fall in 2025 relative to previous years but remained high and this trend was followed by a rise in the budget deficit in 2026 H1. In 2025, the general government deficit on an accrual basis stood at 4.7 percent of GDP (Chart 24), representing a decrease of 0.4 percentage point compared to the previous year's figure of 5.1 percent. The improvement in the general government ESA balance in 2025 is primarily attributable to a significant reduction in accrual-based interest expenditures, which fell from 4.9 percent of GDP in 2024 to 3.8 percent. Although the primary balance – calculated excluding interest expense – deteriorated, at –0.9 percent of GDP it was the second most favourable in the region after Czechia. According to the HCSO data, the cumulated general government deficit on an accrual basis stood at 6.2 percent of half-year GDP at the end of June 2026, while the four-quarter net borrowing amounted to 6.4 percent of GDP in the second quarter. In the first half of the year, nearly 41 percent of the 7.5-percent accrual-based deficit target set out in the 2026 Budget Act Amendment was achieved.

According to data from the autumn 2026 EDP notification, government sector investment fell to 4.1 percent of GDP in 2025, and, as a result, the public investment rate fell to its lowest level since 2016. Expenditures in 2025 exceeded the previous year's level by 0.4 percent. In the first half of 2026, public investment was 21.5 percent lower than in the first half of the base year. Under the amended 2026 Budget Bill, capital expenditure for 2026 was rationalised by HUF 217 billion, which also helped to reduce expenditure in the first half of the year. The slowdown in government public investment is leading to an improvement in the external balance through a reduction in import demand.

Chart 24: Developments in the primary balance and fiscal balance of the general government



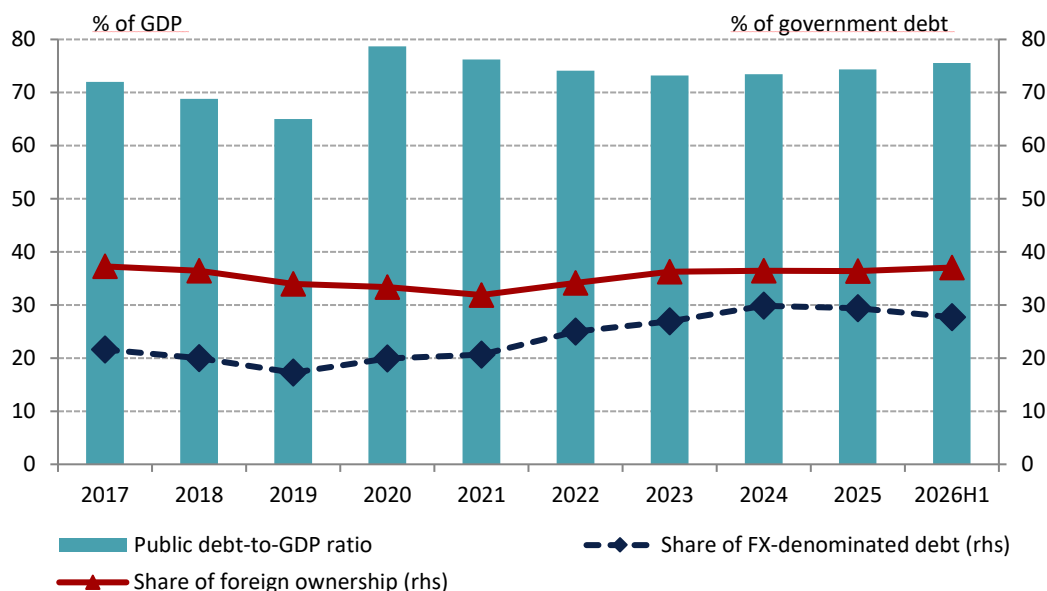
The ESA balance for 2026 H1, as a percentage of half-yearly GDP.

Source: MNB, Eurostat

Gross public debt as a percentage of GDP amounted to 74.4 percent at the end of 2025, which is 0.9 percentage point higher than one year earlier. In 2025, the Government Debt Management Agency (GDMA) issued HUF-denominated debt totalling more than HUF 3,850 billion, the largest share of which was accounted for by the issuance of HUF-denominated bonds on the market, amounting to nearly HUF 3,100 billion. The increase in the stock of discount treasury bills amounted to approximately HUF 480 billion, while net issuance of retail government securities totalled HUF 460 billion, in conjunction with a HUF 155 billion reduction in the stock of HUF-denominated loans. The debt management agency carried out further net foreign currency issuance of more than HUF 2,400 billion, of which the net wholesale foreign currency bond issuance amounted to nearly HUF 2,110 billion, while net foreign currency loan drawdowns totalled HUF 270 billion. As a result of the significant issuance of HUF-denominated bonds and the appreciation of the forint against the euro of nearly HUF 25, the proportion of central public debt denominated in

foreign currency fell to 29.4 percent from 29.8 percent at the end of the previous year (Chart 25). According to financial accounts data, the gross public-debt-to-GDP ratio was 75.6 percent at the end of 2026 Q2. The debt ratio was thus 1.2 percentage points higher than the 74.4 percent recorded at end-2025 but 2.0 percentage points lower than the 77.6 percent recorded in 2026 Q1. The fall in the public debt ratio in the second quarter was due to the revaluation of foreign currency debt, while net issuance was also more moderate than in the first quarter.

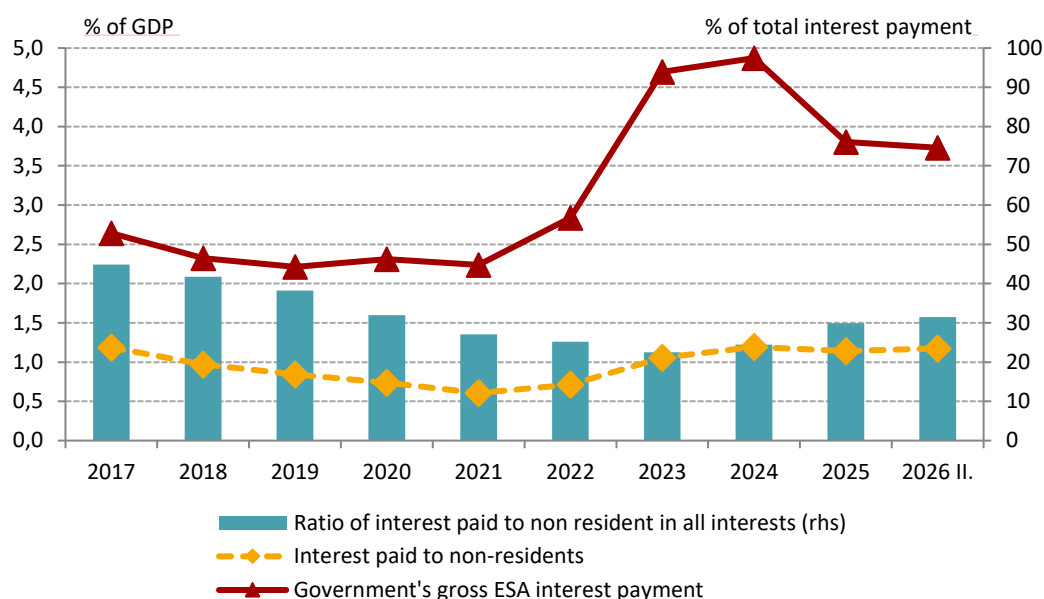
Chart 25: Developments in gross government debt and within that proportions of foreign ownership and foreign currencies



Source: GDMA, MNB

Government interest expenditure accounted for 3.8 percent of GDP in 2025, with the share of interest paid to foreign creditors falling as a percentage of GDP (Chart 26). Gross ESA interest expenditure by the government rose to 4.9 percent of GDP in 2024, before dropping back to 3.8 percent in 2025. The fall in the interest rates on inflation-adjusted government securities played a part in the decline in government interest expenditure as a percentage of GDP in 2025: according to the ESA methodology, the inflation rate for the previous year – i.e. the 3.7-percent inflation rate recorded in 2024 – is used as the interest rate base for inflation-adjusted securities in 2025, which represented a significant decrease. 70 percent of the government's interest expenditure went to domestic recipients, with a significant proportion of this going to households. Interest paid by the government to non-residents accounted for around 30 percent of total interest expenditure, falling to 1.1 percent of GDP in 2025. In 2026 Q2, four-quarterly government interest expenditure accounted for 3.7 percent of GDP. Within this, interest paid to non-residents amounted to 1.2 percent of GDP, which accounted for nearly 32 percent of total government interest expenditure.

Chart 26: Developments in the interest expenditure of the general government

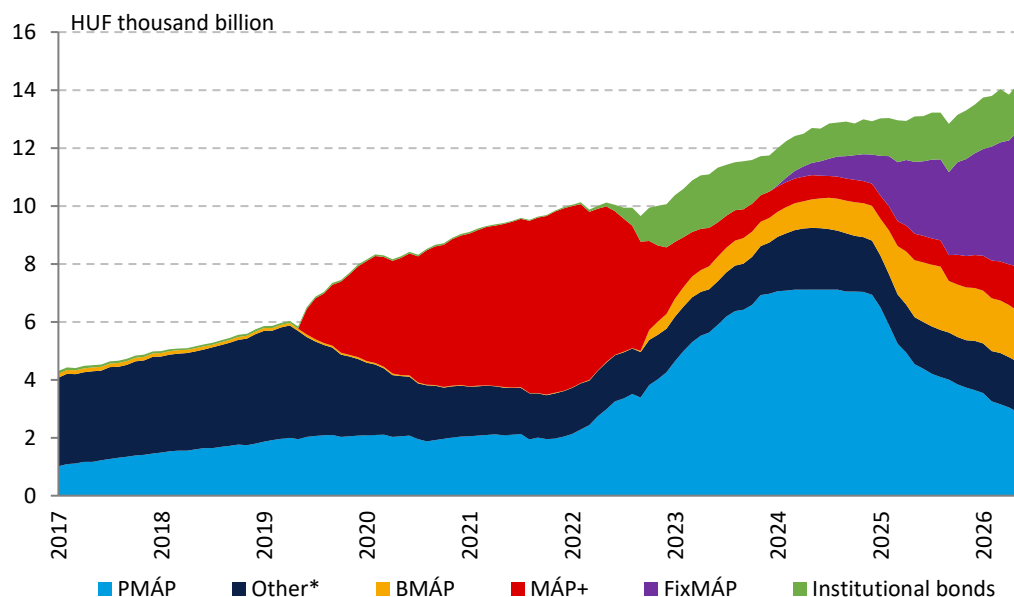


Source: Eurostat, MNB

In 2025, trends in households' holdings of government securities were mainly determined by interest payments on PMÁP and the reallocation of their portfolio between fixed- and variable-rate securities (Chart 27). Following a significant fall in the interest rates on inflation-adjusted PMÁP series in early 2025 (from 18–19 percent to around 4–5 percent), household investors accelerated their shift towards fixed-rate products offering higher interest rates. In September 2025, interest rate hikes for the MÁP Plusz and FixMÁP products were announced; with this, and the reduction in the interest rate spread on variable-rate securities, increasing the proportion of fixed-rate securities within household portfolios became a clear objective. As a result, by the end of 2025, the FixMÁP portfolio had risen to 3.5 times its level at the start of the year, exceeding HUF 3,500 billion, and by January 2026, households held the largest portfolio of these securities. Overall, households' government securities holdings calculated at face value increased by nearly HUF 600 billion in 2025, which was realised after the outflows experienced in the first nine months. However, holdings of government securities recorded in financial accounts, which include the accrual and payment of interest, have fallen for the first time since 2010. This is partly due to the fact that the HUF 1,300 billion interest payment under the PMÁP programme did not flow back in full to the government securities market: part of it was channelled into other investments and also supported consumer and property-related expenditure. On the other hand, the level of new inflows was not sufficient to offset the outflows.

In 2026 H1, households' holdings of government securities, calculated at face value, had already increased by more than HUF 800 billion. So far in 2026, household purchases of government securities have been particularly strong. Demand for fixed-rate securities has picked up further, with the total value of MÁP Plusz and FixMÁP holdings rising by nearly HUF 1,800 billion. At the same time, the rate of outflow from the PMÁP has slowed significantly compared to last year. The GDMA has already cut interest rates on certain retail government securities three times this year in response to changes in the domestic yield environment. Interest rates on fixed-rate products fell by 0.5 percentage point in May and then again in June and July. Nevertheless, households continue to provide the government with stable, domestic funding this year again.

Chart 27: Stock of government securities held by households (at face value)



* 1MÁP, Baby Bond, FMÁP, 2MÁP, PÉMÁP, EMÁP, KTJI-II.

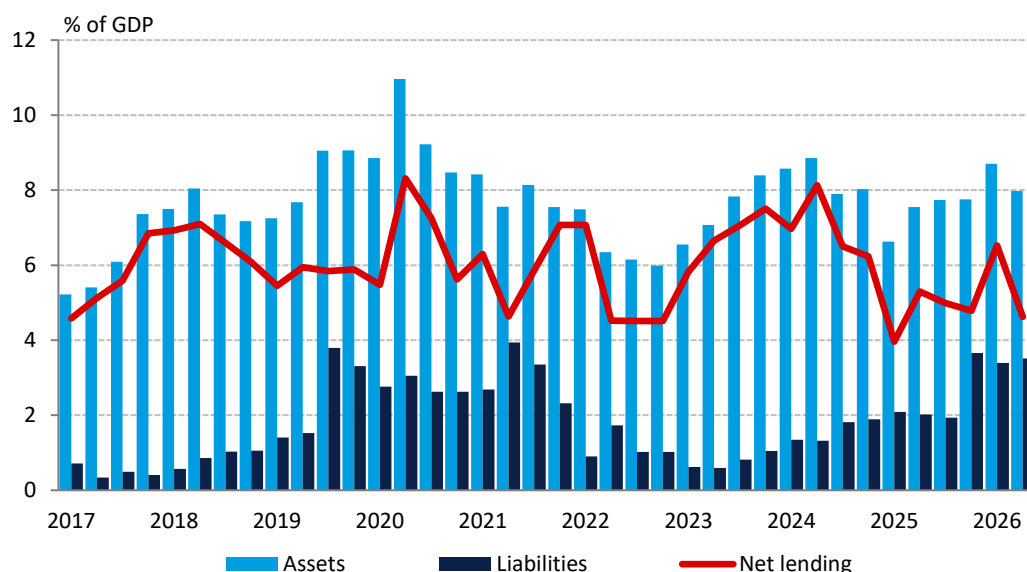
Source: MNB

3.2. Households

Since the end of 2024, households' net lending has remained at a lower level than previously typical, at around 4–5 percent of GDP; only at the start of 2026 was a higher figure recorded, thanks to significant one-off government transfers (Chart 28). According to the seasonally adjusted GDP-based indicator, which captures underlying trends,³ the household sector's accumulation of financial assets has risen since early 2025, which is attributable to significant growth in real wages, one-off fiscal measures supporting growth in net incomes (e.g. the 14th-month pension and housing support for public sector employees) as well as funds flowing into the secondary housing market financed by loans. Driven mainly by the Home Start Programme, net borrowing by households surged from the last quarter of the previous year, while consumer and other forms of lending have also continued to pick up over the past year and a half, a trend to which falling interest rates on personal loans may have contributed.

³ From an economic perspective, it filters out one-off effects (such as pension fund savings, early repayment scheme, real yield disbursement, forint conversion and settlement, personal income tax refunds, and service benefit for military and law enforcement personnel). One-off effects also influence the net figures via accumulation of financial assets and liabilities; therefore, we present the underlying trends using both gross and net figures.

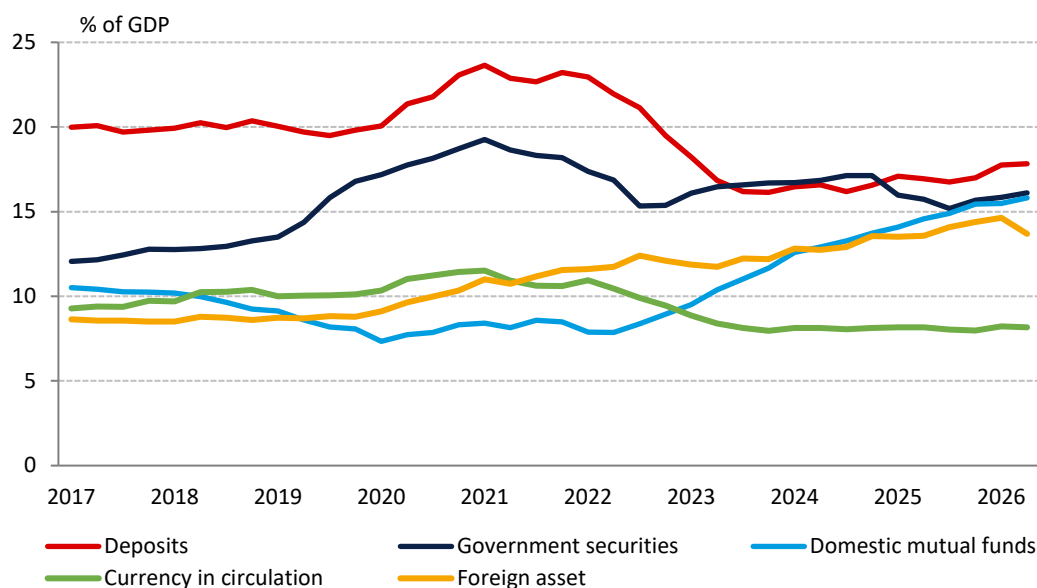
Chart 28: Households' net lending based on underlying trends (seasonally adjusted, GDP-weighted, adjusted* data)



* Values adjusted to reflect underlying trends, taking into account pension fund savings, early repayment of mortgages, real return payments, compensation for depositors of liquidated savings cooperatives, the effects of conversion into forints and settlement, personal income tax refunds, and the service benefit for military and law enforcement personnel. The time series have been aligned separately.

Over the past year and a half, among the financial instruments of the households, the holdings of investment fund shares and bank deposits as a percentage of GDP have increased, while those of government securities have declined; the stock of cash and foreign assets, however, has remained largely unchanged (Chart 29). Following the easing of inflation in the 2022–2023 period, cash holdings as a percentage of GDP stabilised at around 8 percent and remained at this level throughout 2025 and 2026 H1. The stock of government securities held directly by households fell as a percentage of GDP over the course of last year – partly in connection with the aforementioned HUF 1,300 billion PMÁP interest payment. In the first half of this year, the household sector's holdings of government securities rose again as a percentage of GDP, driven by a surge in demand for fixed-income instruments (for a more detailed analysis of trends in the holdings of individual retail government securities, see Chapter 3.1). Holdings of domestic investment fund shares continued to rise at an extremely rapid pace throughout 2025 due to transactions, primarily related to savings flowing into derivative, equity and bond funds. The pace of capital inflows into domestic investment fund shares slowed moderately in 2026 H1, with the result that their stock as a percentage of GDP grew at a slightly slower rate than that of government securities during the half-year. Household deposits rose in 2025 by somewhat less than in the previous year (by nearly HUF 1,300 billion). In the first half of this year, the transfer of Revolut's retail deposits from abroad to its domestic branch also contributed to the faster growth of household deposits as a percentage of GDP.

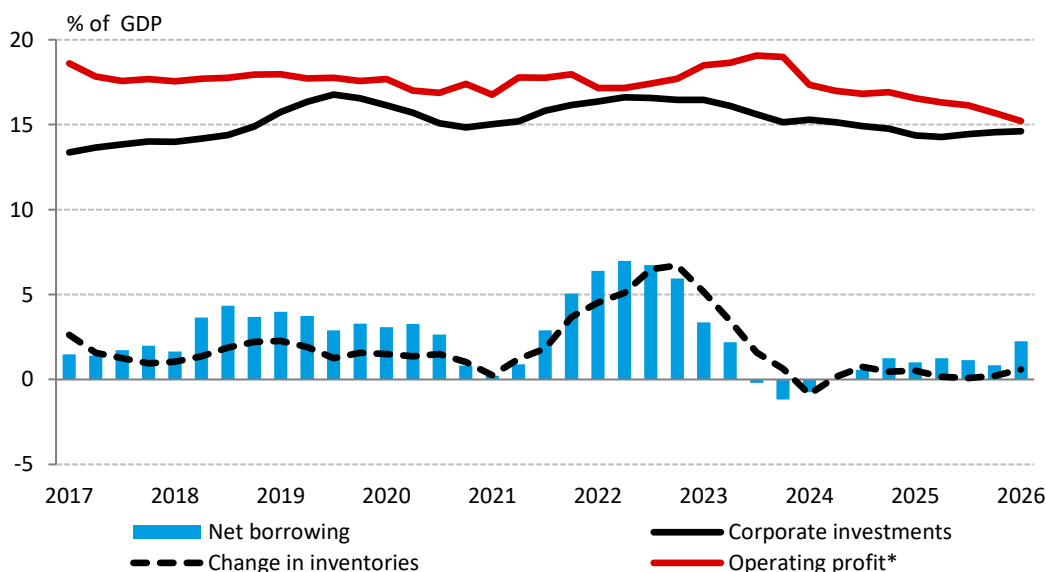
Chart 29: Households' holdings of key financial assets



3.3. Corporate sector

The four-quarterly net borrowing position of non-financial corporations (NFCs) moved close to equilibrium in 2025, but this year it once again reached a significant level, against a backdrop of falling profitability and rising gross capital formation (Chart 30). The four-quarter operating profit of NFCs as a percentage of GDP continued to fall in 2025 and early 2026, against a backdrop of subdued exports, declining manufacturing industry income and significant domestic wage growth, reaching its lowest level since the financial crisis. Corporate investment expenditure as a percentage of GDP declined until mid-2025 and then rose slightly in the second half of the year, before stabilising in early 2026. The slowdown in inventory build-up lasted until 2025 Q3, after which this indicator began to rise. As a result of the above factors, the four-quarters net borrowing of NFCs as a percentage of GDP fell moderately from the second quarter of last year, before rising at the start of this year; however, it remains below the levels typical of the 2018–2022 period (the second-quarter financial account will be published after this Report has been finalised).

Chart 30: Net borrowing of non-financial corporations as a percentage of GDP (four-quarter data)



*An indicator adjusted for companies' foreign interest and equity income. Data on net borrowing is only available up to the first quarter.

Source: HCSO, MNB

4. Regional comparison

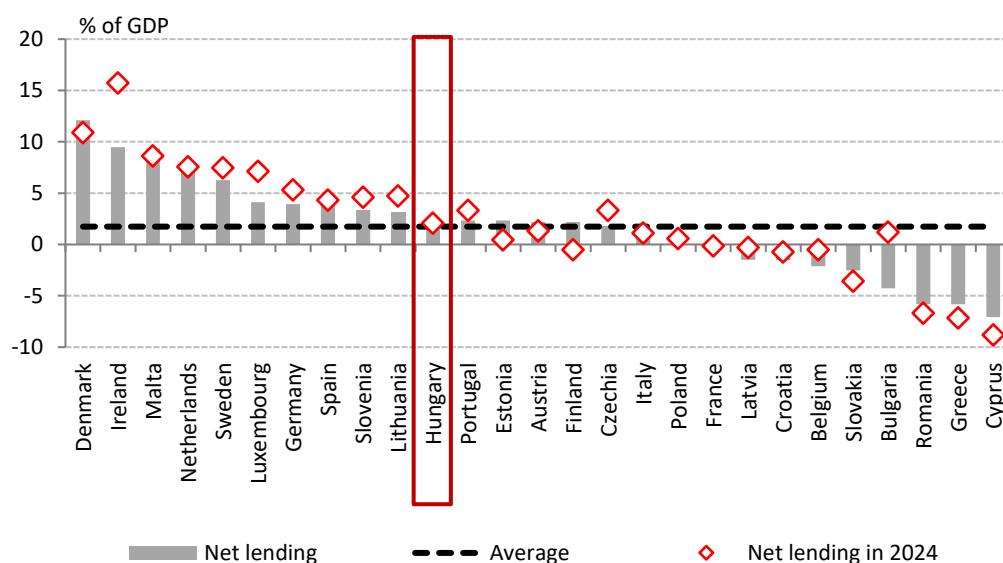
According to the four-quarter data, the net lending positions of the countries in the region showed mixed results in 2026 Q1: as with Hungary, the positions of Czechia and Poland deteriorated, while those of Slovakia and Romania improved compared to 2024. The shift towards balance can be explained primarily by developments in the trade balance. The energy balance improved in every country in the region during the examined period. Consequently, the differences are largely attributable to the non-energy balance of goods, mainly due to the developments in domestic demand. The surplus on the services balance narrowed somewhat in most countries, with only Hungary registering a moderate increase. The deficit on the income balance rose moderately, with the exception of Hungary and Slovakia, driven not only by the profit balance but also by interest expense. Net inflow of funds generally increased, amounting to around 4–5 percent of GDP in Slovakia and Romania, while net FDI flows into countries in the region typically remained below the levels seen in previous years. Compared to 2024, by 2026 net external liabilities had only fallen in Slovakia, while net external debt tended to rise.

The international comparison presents the developments in Hungary's external balance in relation to those of other countries in the region. Hungary's balance of payments data are best compared to countries at a similar stage of development, which face broadly similar challenges. Taking this into account, the most relevant group of countries is the Visegrád countries, which joined the European Union at the same time, and Romania; data for these countries are available until 2026 Q1.

4.1. A snapshot of Europe

According to the four-quarter data, the Hungarian economy's external balance was higher than the average of EU countries in 2026 Q1 (Chart 31). In most EU countries, the external position has deteriorated compared to 2024, despite falling energy prices. This was primarily due to the trade tariffs imposed by the US government, which also affected the European Union, as well as long-standing trends in the automotive industry, particularly those slowing the transition to electromobility. As a result of these factors, economic growth in the European Union has slowed, and the decline in German industrial production (particularly in the manufacture of transport equipment) has led to a fall in exports of goods from individual Member States. The Hungarian economy's four-quarter net lending position up to 2026 Q1 ranks in the middle of the field amongst European Union countries, while it is favourable in a regional comparison: it significantly exceeds the figures for Poland, Slovakia and Romania and moderately exceeds that of Czechia.

Chart 31: Net lending position of EU countries (2026 Q1, four-quarter data)

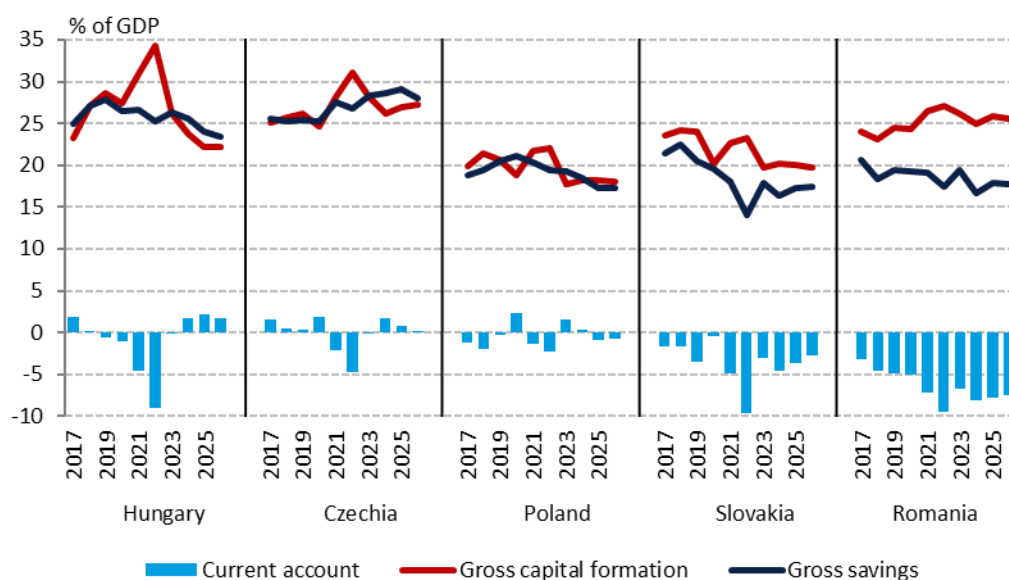


Source: MNB, Eurostat

4.2. Gross saving and investment

In 2025, current account balances in the region's countries generally moved towards equilibrium: the balances in countries that had previously recorded surpluses decreased, while the balances in countries with deficits increased (Chart 32). External balance indicators deteriorated significantly in 2022, against a backdrop of soaring energy prices and an increase in gross capital formation, which includes inventories (and was therefore also supported by a rise in inventory levels due to the chip shortage and higher gas prices). From 2023, the decline in investment activity in the region contributed to an improvement in the external balance, with slower growth in inventories also contributing to this trend. In 2024, in most countries, the decline in the gross savings rate (defined as the difference between income and consumption) led to a deterioration in the external balance: the exceptions to this were Czechia, where savings rose moderately, and Hungary, where gross capital formation continued to fall significantly. According to the four-quarter data for 2026 Q1, the external financing position rose in Slovakia and Romania compared to 2024, while it declined in the other countries, a trend driven mainly by changes in the savings rate. Compared to 2024, capital expenditure continued to fall in Hungary, Poland and Slovakia, while it rose moderately in Czechia and Romania.

Chart 32: Evolution of gross savings and capital formation rates (four-quarter figures)



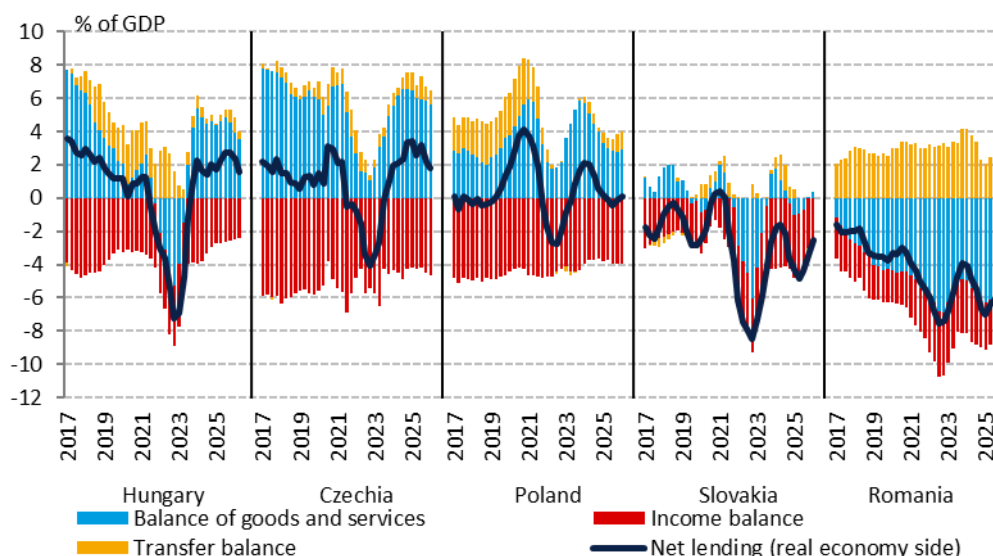
Note: The latest data in the chart relates to 2026 Q1.

Source: MNB, Eurostat

4.3. Net lending and its real economic factors

The shift towards balance in the external positions up to 2026 Q1 was mainly due to developments in foreign trade (Chart 33). Hungary's four-quarter net lending, calculated on the basis of real economy data, declined (as in Czechia and Poland), but remains among the highest in the region, at a level equivalent to 2.4 percent of GDP. Following a substantial improvement in 2024, the sharpest deterioration in the net lending position occurred in Czechia. However, with a level similar to that of Hungary, it still had one of the highest net lending indicators in the region during the four quarters up to 2026 Q1. Poland's external position has decreased over the past year or so, meaning that the moderate net lending in 2024 has shifted to a position close to balance. By 2026 Q1, the deficit in Slovakia and Romania had fallen similarly from 2024; however, in the latter country, net borrowing still stood at nearly 6 percent of GDP. It can be said of each country that its external position moved in parallel with changes in its trade balance.

Chart 33: Developments in the external positions of regional countries (four-quarter data)



Note: In the case of Hungary, data is available until 2026 Q2; for the other countries until 2026 Q1.

Source: Eurostat, national central banks

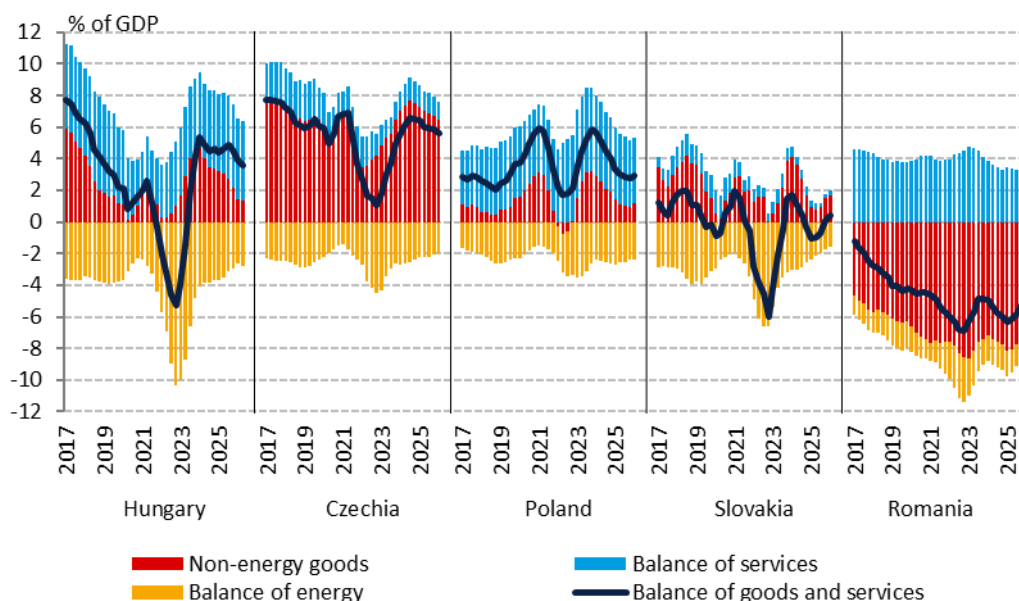
The key factors underlying the external balance indicators were as follows:

- The **level of the goods balance and services balance** as a percentage of GDP fluctuated, and it was primarily this item that determined the change in external net lending. Accordingly, over the four quarters up to 2026 Q1, the trade balances of Hungary, Czechia and Poland fell compared to 2024, while the indicators for Slovakia and Romania rose.
- The **income balance** generally worsens the net lending position of the economy in the countries of the region. During the period under review, the income balance for Hungary and Slovakia improved significantly, while net income outflows increased in the other countries, most notably in Czechia.
- The extent to which the **transfer balance** contributed to improving the external balance increased in Hungary, Poland and Romania over the four quarters up to 2026 Q1 compared to 2024, while it declined in the other two countries and remained most significant in Romania.

4.4. Trade balance

In 2026 Q1, according to the four-quarter data, the trade balances of the countries in the region showed varying trends compared to 2024 (Chart 34). The energy balance of the countries in the region continued to improve until early 2026, primarily as a result of falling oil and gas prices, with the largest improvements seen in Hungary and Slovakia. However, the goods balance – excluding energy items – for Hungary, Czechia and Poland deteriorated during the period under review, which was presumably mainly linked to a pick-up in domestic demand and the strengthening of the euro against the US dollar, while the volume of goods exports increased, with the exception of Hungary. In contrast to the moderate increase in Hungary, the services balance in the region's countries generally declined. Overall, the Czech and Polish trade balances fell compared to 2024 levels to a moderately larger extent than the Hungarian balance, with the four-quarter balance of goods and services balance as a percentage of GDP coming in at 3.9 percent for Hungary, 5.6 percent for Czechia and around 3 percent for Poland in the first quarter. By contrast, in Slovakia and Romania, the trade balance improved significantly compared to 2024, resulting in a moderate surplus in Slovakia and a deficit of around 5 percent of GDP in Romania.

Chart 34: Structure of the balance of goods and services (four-quarter values)



Note: In the case of Hungary, data is available until 2026 Q2; for the other countries until 2026 Q1.

Source: Eurostat

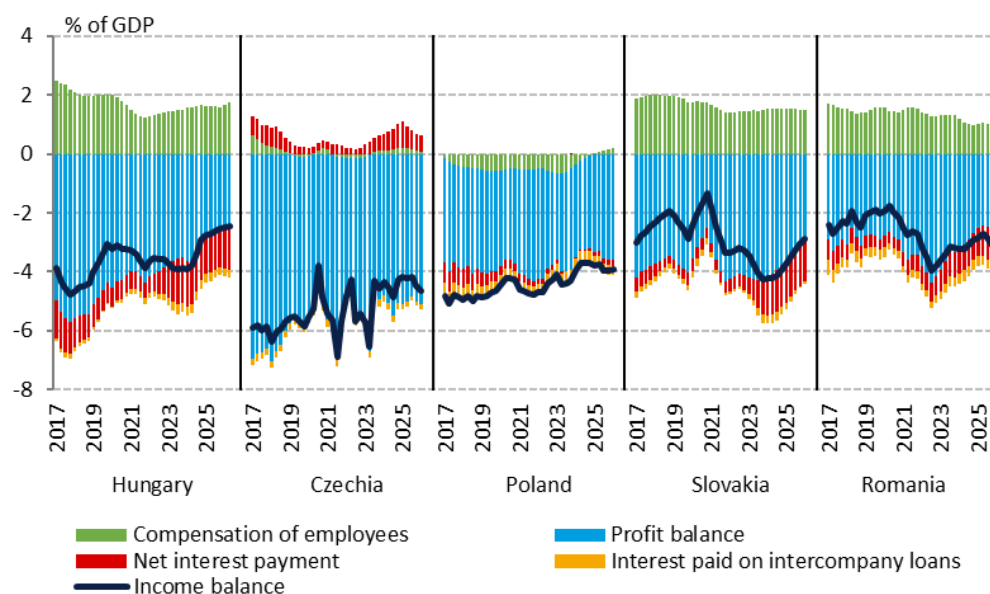
4.5. Income balance and transfer balance

The four-quarter income balance deficit was the lowest in Hungary in 2026 Q1, while, in terms of the direction of change, the deficit rose in the countries of the region compared to 2024, with the exception of Hungary and Slovakia (Chart 35).

- The balance of compensation of employees temporarily working abroad improved the income balance moderately in Czechia and Poland (both of which have significant numbers of Ukrainian workers) and to a greater extent in the other three countries. The resulting surplus for Czechia and Slovakia narrowed to some extent, while the figures for Poland and Romania rose slightly during the review period.
- As a result of the net external debt position, the interest balance widened the income balance deficit in most countries in the region, while in the case of Czechia, the country's net external assets significantly improved this indicator. During the period, the net interest margin – against a backdrop of falling short-term yields and, generally speaking, rising long-term yields – typically deteriorated in the regional countries.
- Foreign-owned companies have built up significant production capacity in all these countries; consequently, the profit balance⁴ of this sector accounts for the largest share of the region's deficit on the income balance. In 2026 Q1, the deficit on the four-quarter profit balance as a percentage of GDP was the highest in Czechia, and the lowest in Hungary (2.5 percent of GDP) and Romania (2.7 percent of GDP). Compared to 2024, the Czech and Romanian profit balances remained virtually unchanged, while the Hungarian and Slovak deficits narrowed significantly (the former from 2.9 percent of GDP to 2.5 percent, the latter from 3.8 percent of GDP to 2.9 percent), whereas the Polish deficit rose substantially (from 3.2 percent of GDP to 3.6 percent).

⁴ We have only limited quarterly data on the profits of foreign-owned companies, thus information on profit outflows is based on estimates until the corporate questionnaires are received in September of the following year; for further details, see the publication "Methodological Notes on the Balance of Payments and Investment Position Statistics".

Chart 35: Developments in the components of the income balance (four-quarter figures)

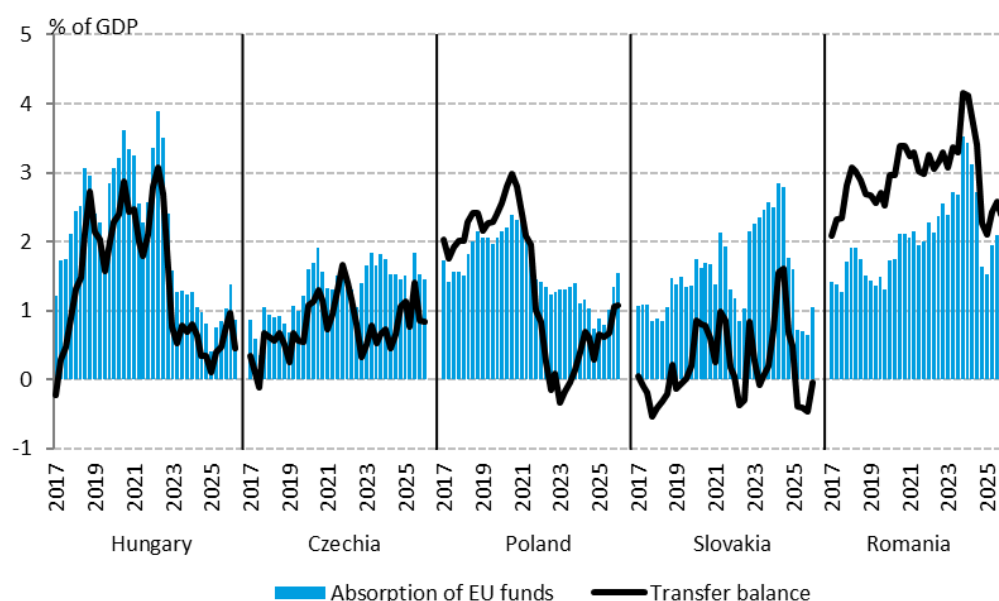


Note: In the case of Hungary, data is available until 2026 Q2; for the other countries until 2026 Q1.

Source: Eurostat

The net inflow of EU transfers, which determines the transfer balance, has fallen in most countries in the region since the end of 2024: aside from Hungary, only Poland has seen an increase (Chart 36). Hungary's transfer balance rose to 0.9 percent of GDP, while in Poland, the increase was even greater than in Hungary. In Czechia and Slovakia, the balance deteriorated, while in Romania it stabilised at a high level of 2.3 percent of GDP. In Hungary, by early 2026, the take-up of EU funds had already exceeded 1 percent, while in Romania the high level of EU transfers was largely due to progress on the 2021–2027 programmes – furthermore, their transfer balance was significantly improved, in a unique way, by remittances from people working abroad on a long-term basis (and who are therefore no longer considered residents). In Hungary and Slovakia, the roll-out of projects under the 2021–2027 budget cycle was slower – moreover, EU transfers to Hungary were also reduced as a result of the fine imposed for failing to meet the rule of law criteria. The drawdown of funds from the Recovery and Resilience Facility (RRF) continued in the countries of the region: Poland received the largest payment, followed by Romania and Czechia. No new payments were made to Hungary in 2025 or early 2026; only the effect of REPowerEU advance payment made earlier (2023–2024) was evident.

Chart 36: Transfer balance and use of EU transfers in regional countries



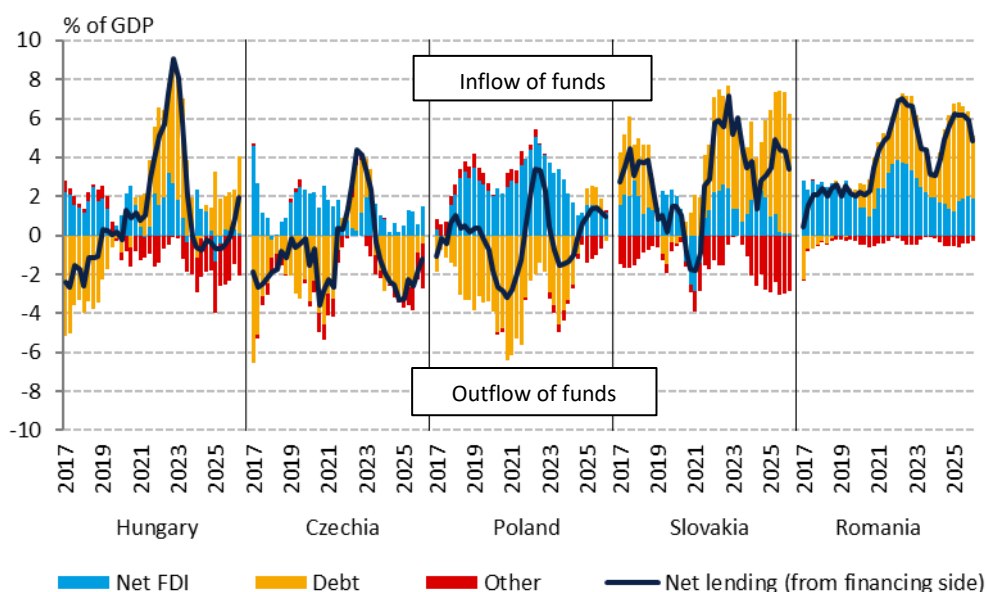
Note: In the case of Hungary, data is available until 2026 Q2; for the other countries until 2026 Q1.

Source: Eurostat

4.6. Developments on the financing side

According to the data in the financial accounts, FDI-type funds have provided stable, substantial financing for **Czechia, Poland and Romania in recent quarters** (Chart 37). By early 2026, net borrowing had increased in all countries in the region compared to 2024, with the exception of Czechia and Romania. In terms of external financing, Poland was close to balance in 2024, while the net borrowing that emerged in 2025 continued into 2026 and was financed by net FDI inflows. In addition, in Slovakia and, to an even greater extent, in Romania, there has been significant and growing reliance on external financing in recent periods, driven primarily by a substantial inflow of debt. Compared to 2024, debt-type financing rose to a lesser extent in Hungary as well, while Poland's net external debt saw a moderate decline, and Czechia's net external debt also fell. Outflows via the "other" category were a feature in every country in the region: in the case of Hungary, these were mainly linked to portfolio outflows.

Chart 37: Net borrowings and forms of financing (four-quarter data)



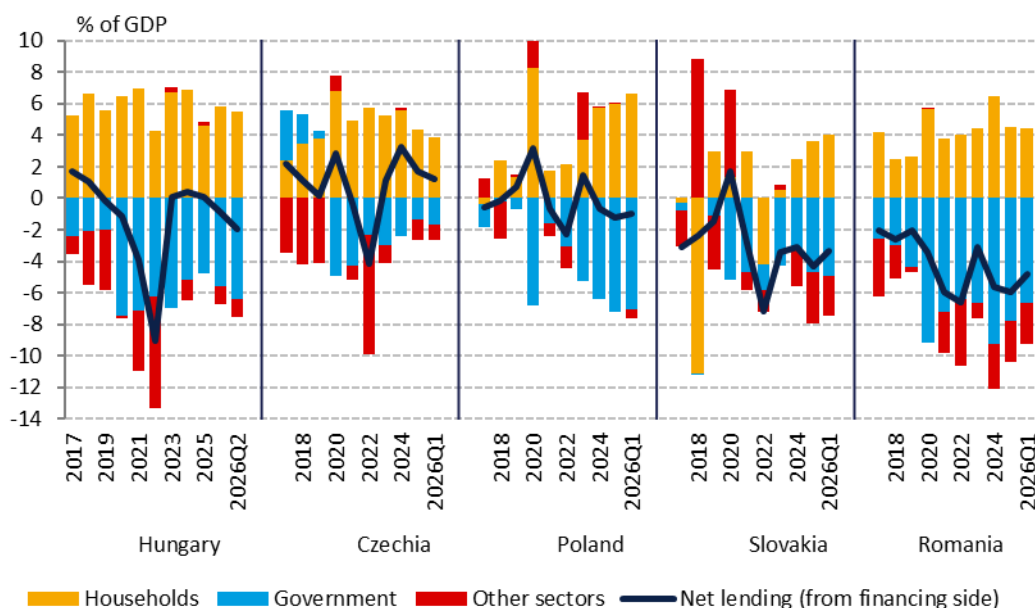
Note: In the case of Hungary, data is available until 2026 Q2; for the other countries until 2026 Q1.

Source: MNB, Eurostat

4.7. Financial savings by sector

Compared to 2024, the rise in net borrowing typically seen in regional countries was driven by a decline in the household sector's net financial savings, while the persistently high budget deficit has increased in several of the countries (Chart 38). In Poland and Slovakia, the deterioration in the external balance was mainly caused by a significant increase in the government's net borrowing, while in Czechia it was due to a decline in households' net lending. By contrast, compared to 2024, Romania was the only country where – thanks to a significant reduction in the budget deficit – net borrowing improved, with this indicator falling to below 5 percent of GDP by 2026, but remaining at a high level. With the exception of Romania, consumption continued to rise in 2026 in conjunction with increases in real wages in the regional countries. Accordingly, while net household financial savings have fallen in some of these countries since 2024, they remain at a high level. By early 2026, government budget deficits had increased in most of the countries, attributable to higher social and wage expenditure, defence and public investment spending, as well as significant interest expenses, with this further exacerbated by energy price subsidies in some of the countries.

Chart 38: Trends in the economy's financing position by sector



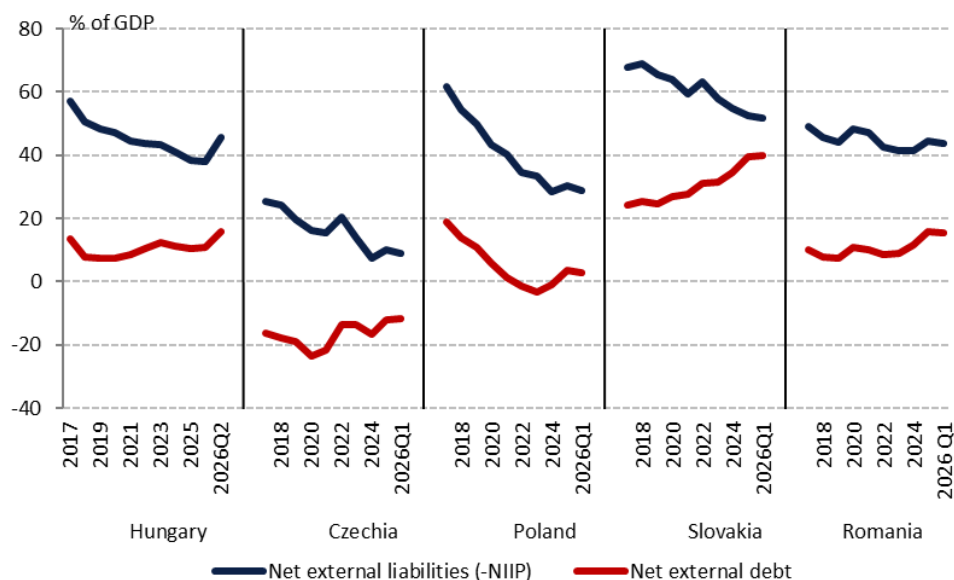
Note: In the case of Hungary, data is available until 2026 Q2; for the other countries until 2026 Q1.

Source: MNB, Eurostat; for Romania, other receivables of households (from employers and insurers) according to the underlying trend, excluding the outliers in 2013, 2016 and 2017

4.8. External debt indicators

In 2025 and 2026 Q1, the net external debt of the region's countries generally rose, while their debt ratios showed varying trends – the Q2 levels of the Hungarian ratios were slightly above the regional average (Chart 39). The outflow of external funds had an adverse effect on the development of Czechia's net external debt indicators; in other words, its net external creditor position narrowed, primarily as a result of the faster growth in its external liabilities. 2024 saw an end to the improving trend in Poland's net external liabilities and net external debt, which had been ongoing since 2014, and these indicators began to rise. In Romania, external debt indicators have risen significantly since 2024, while in Slovakia there has been a decline in net external liabilities, in conjunction with lower net inflow of funds, while net external debt has risen. In the case of Hungary, after 2024 the outflow of external funds turned into an inflow, and both net external liabilities and net external debt rose to some extent and remained moderately above the regional average: this may be due to the forint's appreciation against the euro and the debt-increasing effect of falling yields. In terms of levels relative to GDP, Czechia remained in the most favourable position in the region for both indicators, while Slovakia's figures were the highest (which may be linked to the country's membership of the euro area). Looking at these trends over the longer term, Hungary has seen the strongest improvement in its external debt indicators over the past decade, but – with the exception of Slovakia – all of the countries in the region have experienced a significant decline in both indicators.

Chart 39: Trends in net external debt and liabilities (excluding intercompany loans)*

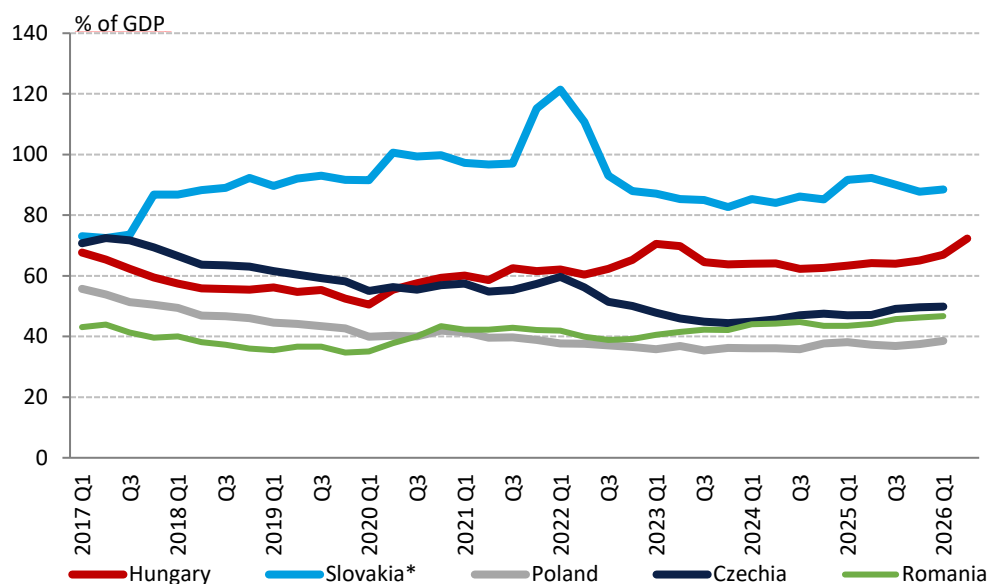


Note: In the case of Hungary, data is available until 2026 Q2; for the other countries until 2026 Q1.

Source: MNB, Eurostat (in the case of Hungary, data excluding SPEs)

In most of the countries in the region, gross external debt as a percentage of GDP – calculated excluding intercompany loans – either increased or remained stable compared to 2024, in line with rising borrowing (Chart 40). While Hungary's gross external debt was exceptionally high by regional standards when the financial crisis erupted, by 2016 it had fallen below the levels of Czechia and Slovakia, into the regional midfield, thanks to the reduction resulting from the post-crisis adjustment. In line with the surge in the budget deficit following the outbreak of the pandemic and the increasing reliance on foreign financing to cover it, the domestic indicator has risen since 2020 and is expected to remain relatively high by regional standards in 2026 (the trend in Slovakia's gross external debt is also influenced by changes in TARGET 2 balances linked to the country's participation in the euro area and by the ECB's liquidity expansion). Main reason for this is that, in 2026 Q2 Hungary's indicator rose significantly, advancing to 72 percent of GDP, due to revaluation effects resulting from the HUF appreciation against the euro and falling yields.

Chart 40: Trends in gross external debt in regional countries (excluding intercompany loans)



* Changes to the euro area's payment system are also contributing to the trend in Slovakia's gross external debt. In the case of Hungary, by 2026 Q2; for the other countries, by 2026 Q1. Source: Eurostat

Box 2: How does Romania maintain a high current account deficit?

Romania's significant external imbalances are linked to its faster-than-average economic convergence. Romania's current account deficit has been at around 6.5 percent of GDP over the past decade, while the regional average was just 1.3 percent. Moreover, the high deficit has arisen because income from work abroad continues to account for a significant proportion of Romania's current account balance: Its value as a proportion of GDP amounts to around 2 percent, roughly half of which consists of the wages of those working abroad on a temporary basis and remittances from those living abroad on a permanent basis (which are included in the balance of transfers). Romania's significant external imbalance is linked to the fact that, while starting from a lower level than the other four countries, it has experienced faster economic convergence, which has been accompanied by public investment far exceeding domestic savings. In terms of purchasing power, Romania's per-capita GDP has closed the gap on the EU average by 20 percentage points over the course of a decade, while the other countries in the region have, on average, improved by 6 percentage points in this respect during the same period. This also means that the significant growth in nominal GDP has gone a long way towards curbing any potential deterioration in GDP-based indicators (both transaction-based ones, such as the current account balance, and holdings-based ones, such as the external debt ratio).

However, in order to assess the vulnerability caused by external imbalances, it is also necessary to review the financing side of the current account, which shows a lower degree of external dependence than that indicated by the current account indicator itself. In the case of Romania, over the past decade the financial account has typically indicated a lower net borrowing than the real economy – this may suggest that the actual current account deficit may be even smaller than indicated (e.g. due to an underestimation of remittances). In other words, unlike many other countries, Romania had to attract less external financing than indicated by the current account balance.

In Romania, a significant proportion of financing comes from FDI and EU transfers, which do not generate debt. Over the past decade, Romania has met its external financing needs primarily through net FDI inflows amounting to an average of 2.3 percent of GDP per annum; only Poland has achieved a higher level in the region. Although net FDI inflows have remained substantial, since 2020 Romania has been meeting a large proportion of its financing needs through debt. During a review of the sectors' ability to raise funds, it can be seen that in Romania, as in the other countries in the region, it is primarily the government's financing needs that drive the raising of external sources. EU capital transfers also play a significant role in covering the current account deficit: Romania's balance of capital account with the EU has averaged 1.6 percent of GDP annually since 2017, which exceeds the regional average and accounts for more than 90 percent of the total capital account surplus.

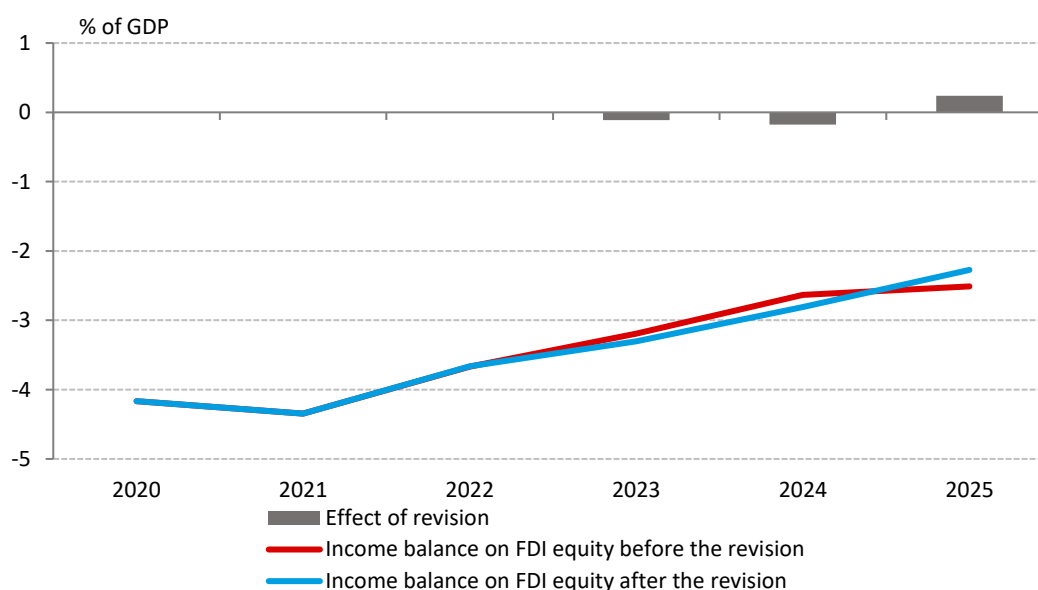
Owing to the low starting point and the factors mentioned above, Romania's external debt ratios are not yet significant, and thus the risk associated with their sustainability remains moderate. At the end of the first quarter of this year, Romania's gross external debt as a percentage of GDP, excluding intercompany loans, stood at around 60 percent, its net external debt at 16 percent and its net external liabilities at around 44 percent. These figures are similar to the Hungarian data and do not, in themselves, indicate any particular sustainability risk. At the same time, the Romanian economy's continued successful convergence and its ongoing commitment to EU integration play an important role in the financing and refinancing of the external deficit.

5. Income of foreign-owned companies

The net outflow of funds arising from dividend income of foreign-owned companies fell moderately short of the previous estimate in 2025 and – continuing the earlier downward trend – fell to 2.3 percent of GDP. The decline in the GDP-proportionate profit of foreign companies operating in Hungary to a level not seen since 1997 may have been partly due to the slower expansion of export volumes – also resulting from subdued external demand – as well as the windfall tax. The profitability of foreign-owned banks improved sharply in 2025, while the profits of NFCs continued to decline. Dividend payments by foreign-owned companies accounted for around 2.5 percent of GDP, while reinvested earnings fell, with the latter also contributing to the slowdown in net FDI inflows. An increasing share of profits is concentrated in the financial, information and communications, retail, and manufacture of transport equipment sectors, which accounted for nearly three-quarters of total profits in 2025. In international comparison, the return on FDI in Hungary, at around 9 percent, still lags behind the regional average and exceeds only the level seen in Slovakia.

In the September data release on the balance of payments, based on the annual data reports received, the previous estimates for 2025 corporate income were replaced by the actual figures, which were broadly in line with the estimates. According to the data, the profit balance in the income balance (i.e. the net value of the income of foreign companies operating in Hungary and Hungarian-owned companies operating abroad) shows a deficit that is 0.2 percent of GDP smaller than previously estimated: in other words, the improvement in the profit balance was larger than expected, with the downward revision of the 2024 data as another factor that also contributed to this (Chart 41). The balance, which was broadly in line with the previous estimate, arose because the profits of foreign-owned companies operating in Hungary were essentially in line with our estimate, while the foreign income of domestic companies turned out to be higher than expected.⁵

Chart 41: Effect of the revision on the income balance of the FDI share

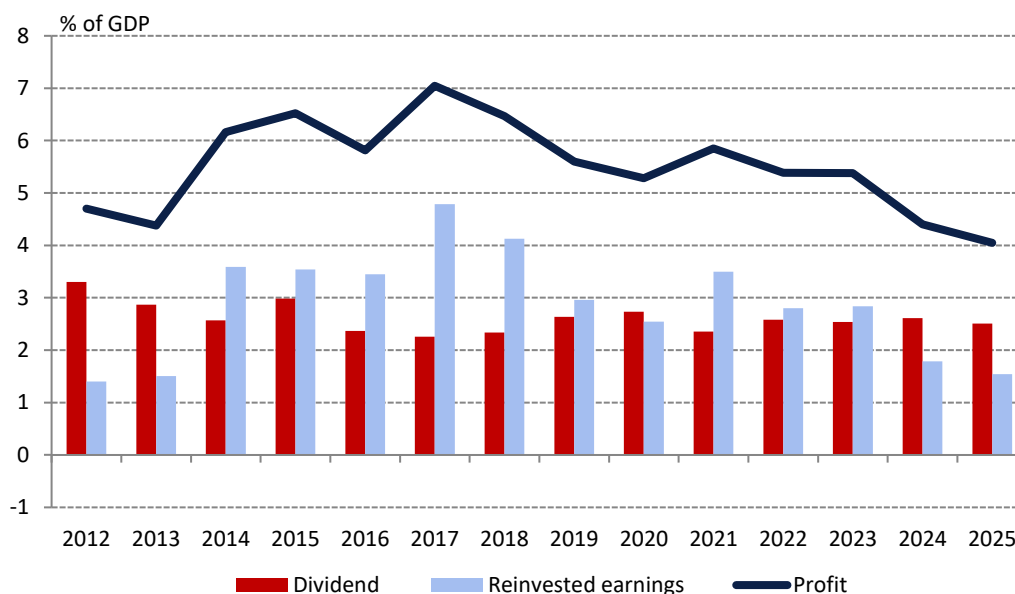


⁵ The balance of payments statistics screen out companies' exceptional (one-off) income items and reflect income arising from normal business operations. Under the methodology of the balance of payments, gains arising from transactions outside the normal course of business, such as exchange rate fluctuations, are not included under income. Income items arising from such sources are recognised under changes in holdings other than those arising from transactions.

5.1. Income of foreign-owned companies in the balance of payments

In 2025, the balance of income from shareholdings in foreign-owned companies, which fell moderately compared to the previous year, accounted for 4 percent of GDP. The value of dividends paid to owners as a proportion of GDP remained at around the 2024 level, meaning that the lower income was reflected in a decline in reinvestment. At the start of the previous decade, the profits of foreign companies as a percentage of GDP began to rise, in line with the acceleration in economic growth and the dynamic expansion of exports (Chart 42). Towards the end of the decade, however, profits of foreign corporates fell, a trend exacerbated by the impact of the lockdowns caused by the pandemic. At the same time, the level of profits as a percentage of GDP remained relatively high, while dividend payments⁶ were modest. Consequently, the value of reinvestments was high, which played a significant role in the inflow of FDI and therefore in the dynamic growth of corporate investment. The post-pandemic recovery and rising export revenues have, on the whole, led to a nominal increase in corporate profits. Nevertheless, the profits of foreign-owned companies as a percentage of GDP gradually fell between 2022–2024. While this was attributable to the windfall tax, in addition to slower growth in export volumes, the rapid rise in energy prices and nominal GDP also contributed to this trend. The windfall tax, which remained in place in 2025, and subdued external demand were reflected in a moderate decline in foreign companies' profits as a percentage of GDP: at 4 percent of GDP, this figure is the lowest since 1997. The ratio of dividend payments as a percentage of GDP remained virtually unchanged (with the dividend payout ratio standing at 60 percent); at the same time, reinvestment continued to decline, contributing to lower net FDI inflows than in previous years, which fell to 0.2 percent of GDP in 2025.

Chart 42: Income of foreign-owned companies and its utilisation



5.2. Income of domestic companies in the balance of payments

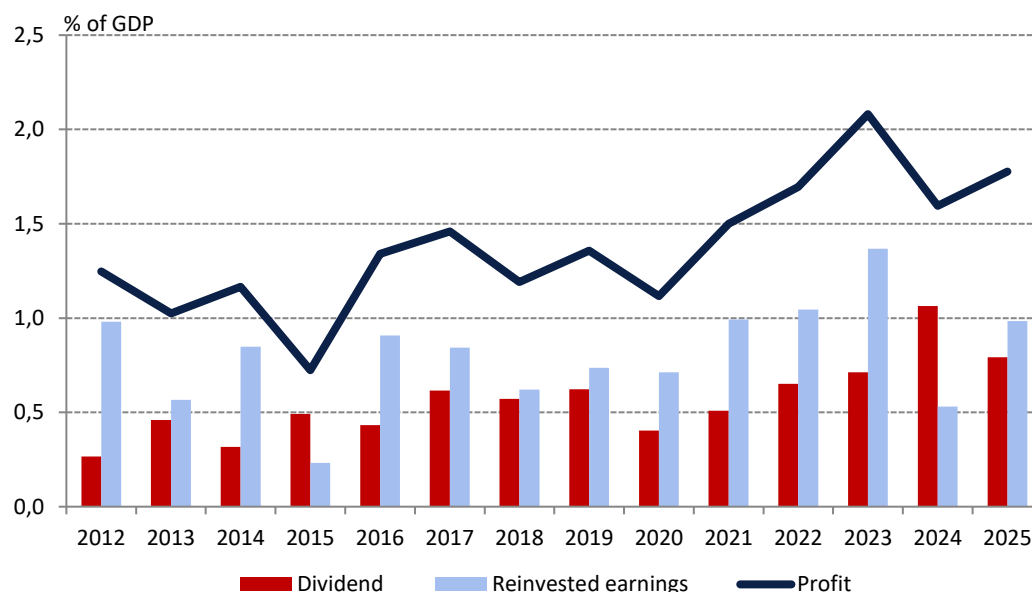
In 2025, the balance of income of domestic companies⁷ operating abroad rose to 1.8 percent of GDP, reflecting a significant increase compared to 2024. The value of dividends paid as a percentage of GDP was lower than in 2024, resulting in a strong increase in reinvestments. The profits of domestic companies as a percentage of GDP began to rise from 2022, in line with the acceleration in economic growth. Growth was largely driven by the financial sector, but the relatively stable profits of manufacturing industry companies also contributed to the higher level. Over the past ten years, domestic companies have retained the majority of their profits in their foreign subsidiaries: only in 2024 did

⁶ In balance of payments statistics, dividend payments exceeding the profit for the year in question do not appear in the income balance, as they are recorded as a withdrawal of capital in the financial account. The extent of this is illustrated by the exceptional dividend, which amounted to nearly EUR 2 billion in 2025, falling significantly short of the average for the previous five years.

⁷ In this chapter, this category covers resident companies.

dividend payments exceed reinvestments. In 2025, dividend as a percentage of GDP was 0.8 percent, while that of reinvestment rose to 1.0 percent.

Chart 43: Income of domestic companies abroad and its utilisation⁸



5.3. Profitability of foreign-owned banks and NFCs

Banks' profit margins increased significantly in 2025, while those of NFCs declined moderately. In the five years after 2012, the profits of NFCs rose in line with the economic recovery, while the profitability of banks stabilised at around 8 percent after 2015 as the effects of the financial crisis (e.g. balance sheet clean-up) gradually subsided (Chart 44).

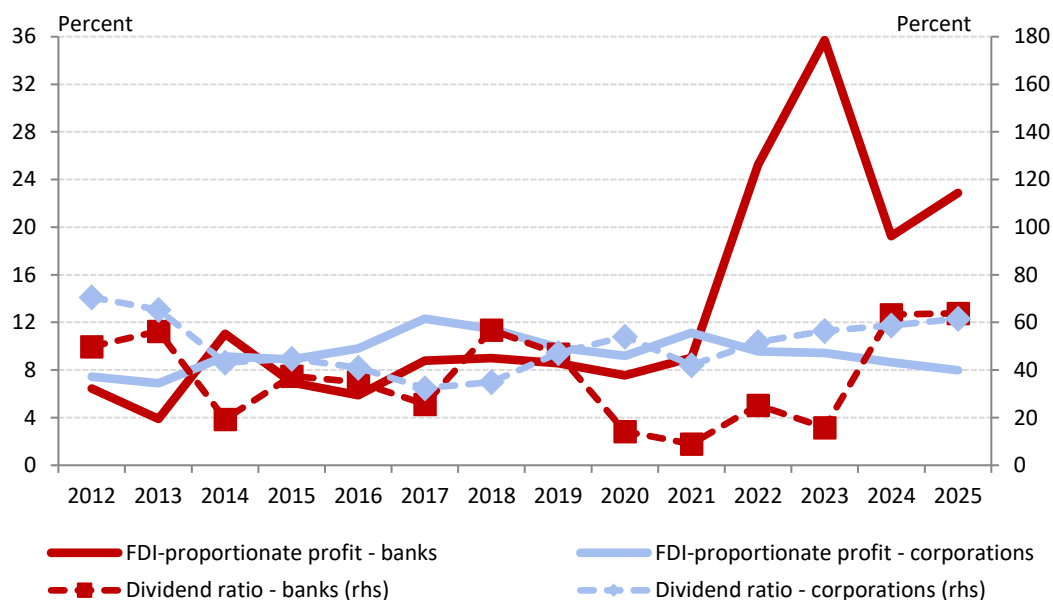
- Calculated on the basis of normal business operations, the profit margin of foreign-owned banks advanced from 9 percent in 2021 to nearly 25 percent in 2022 and then to 36 percent in 2023, a rise that was largely attributable to higher interest revenue resulting from the rising interest rate environment. As a result of yields returning to normal, banks' profit in proportion to equity adjusted partially in 2024. In 2025, however, growth was observed once again, which was linked to the consistently high interest income of foreign banks.
- Profits of NFCs rose gradually to around 12 percent by 2017 following the crisis but subsequently began to fall again due to high wage outflows. In 2020, profits fell even further, dropping to around 9 percent, as a result of production losses caused by pandemic-related restrictions, lockdowns and disruptions to supply chains. Since 2022, there has been a steady decline due to slowing export growth and the windfall tax, which continued to curb growth in NFCs' earnings in 2025, resulting in a fall in profits from FDI holdings to 8 percent.

In 2025, the dividend payout ratio for NFCs and banks stood at around 60 percent, similarly to 2024. The significant decline in banks' dividend payments in 2020, followed by a recovery in 2022, was due primarily to regulatory decisions. In March 2020, the Financial Stability Council of the MNB adopted a comprehensive package of measures to mitigate the impact of the crisis arising from the pandemic on the financial intermediary sector. One of these measures was the temporary restriction on dividend payments, which served to strengthen the liquidity and financial position of the domestic banking system. The restriction was lifted at the end of 2021, resulting in an increase in banks' dividend payments in 2022. In 2023, however, despite a surge in profits, banks' dividend payout ratios fell significantly once

⁸ It is worth noting that after 2013 any dividends paid to foreign owners that exceed the profit for the year in question – and are therefore considered exceptional – are excluded from the total; these are subsequently accounted for not as a dividend payment but as a reduction in share capital and thus affect the allocation of profit between dividend payments and reinvestment.

again. This may have been due to the MNB tightening the banks' liquidity requirements.⁹ In 2024, amidst falling profits, banks' dividend payout ratio rose once again to around 60 percent, a level that was maintained in 2025 as well. Following a gradual rise, the dividend payout ratio of NFCs exceeded 60 percent in 2025. In addition, persistently weak investment may also have contributed to a decline in reinvested earnings and an increase in dividends.

Chart 44: Profits of foreign companies and banks as a proportion of FDI and approved dividends as a proportion of profits



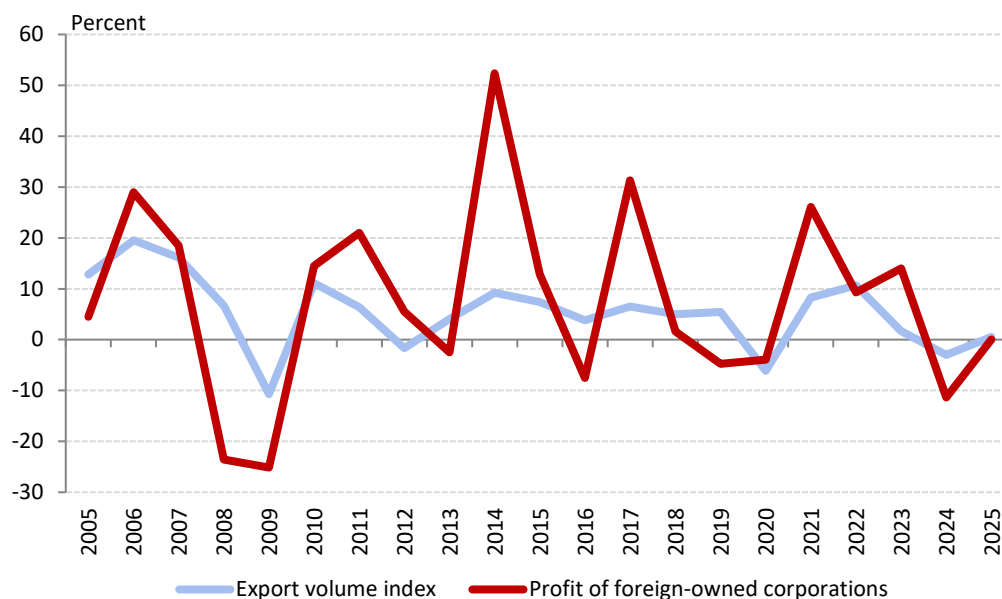
Note: The profit margin is calculated on the basis of the year-end holdings.

5.4. What is behind the trend in corporate profits?

In 2025, the decline in export volumes slowed and in parallel with this last year's fall in corporate profits was corrected. Given that a significant proportion of foreign-owned companies operate in the export sector, it may be worth comparing their profit trends to export performance (Chart 45). Over the past decade, trends in exports and profits have generally moved in unison, with changes in export revenue closely mirroring changes in profit trends. After the pandemic, export volumes rose sharply in 2021, reaching levels not seen since the early 2010s. In parallel with this, corporate profits also rose significantly. In 2022, while real export growth accelerated further, a significant rise in expenditure due to soaring energy prices, together with the windfall tax, substantially reduced the profitability of foreign companies, resulting in an overall decline in their profits. In 2023, export volumes declined, which was accompanied by a fall in the earnings of NFCs; however, due to a surge in banking profitability, the earnings of foreign-owned companies rose overall at a faster rate than in the previous year. In 2024, weak external demand and the windfall tax also dampened the profitability of NFCs, while banks' profits also fell, meaning that the earnings of foreign companies as a whole began to decline. In 2025, profitability remained weak among NFCs, while it increased among financial companies. As a result, the overall profits of foreign companies remained virtually unchanged.

⁹ The stricter liquidity requirements were necessitated by the liquidity risks arising from the US bankruptcies in 2023, increased volatility in the money markets, the uncertain economic outlook and potential run risks affecting bank deposits.

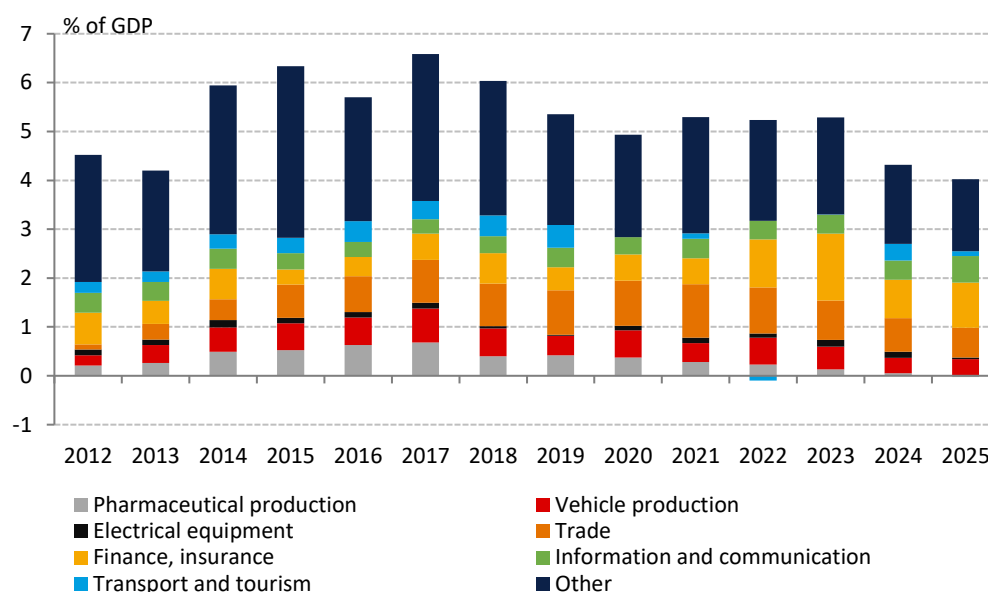
Chart 45: Growth in the profits of foreign-owned companies (in HUF) and trends in exports (volume index)



The concentration of profits generated by foreign companies from FDI remained high in 2025: just four sectors account for nearly three-quarters of these profits. Up until 2017, the growth in profits of foreign-owned companies affected a wide range of sectors, with the rise in profitability of the largest sectors being the key factor (Chart 46). The decline in profits as a percentage of GDP observed in 2018–2019 was also widespread, as it affected both the largest and the smaller sectors. Since 2020, however, the concentration of profits among foreign companies has been rising steadily, and by 2025 the financial, IT and communications, retail, and manufacture of transport equipment sectors accounted for nearly three-quarters of total profits, while the share of the chemicals, pharmaceuticals, and transport and tourism sectors – which had previously been significant – had fallen substantially.

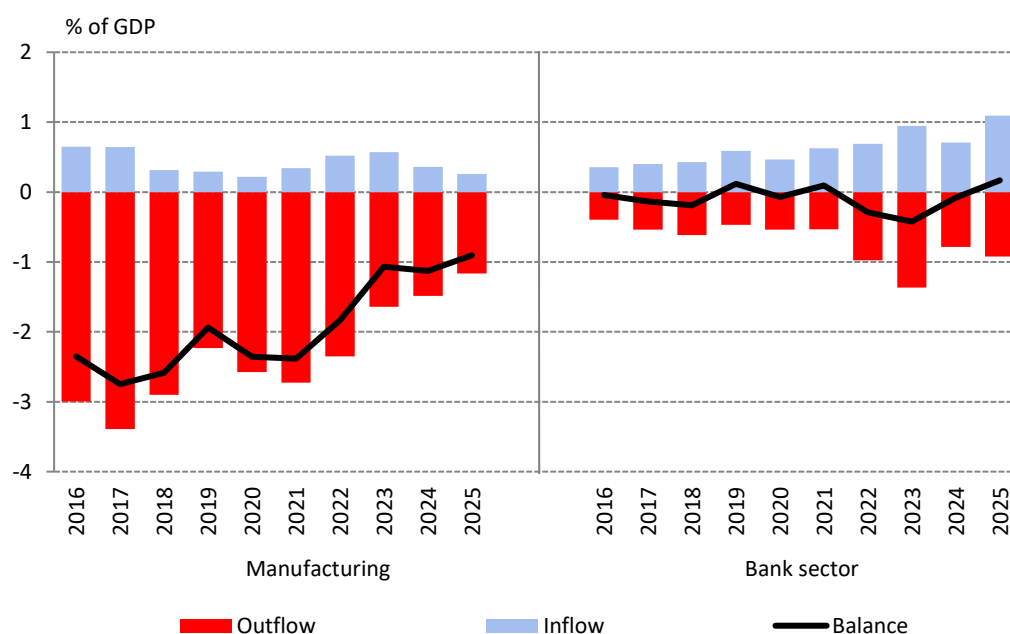
In 2025, profitability in the banking and IT sectors improved significantly, while that of the manufacture of transport equipment improved moderately. At the same time, profitability in the pharmaceutical and retail sectors declined. The profits of foreign companies were broadly similar to those seen in the previous year, both in terms of level and composition. Revenue in the telecommunications sector as a proportion of GDP rose significantly to 0.55 percent of GDP, the highest figure in recent years. Following last year's correction, profitability in the financial sector once again increased significantly, reaching the average for the past five years. The combined revenue of the transport and tourism sectors – following last year's exceptional figure – fell significantly in 2025 but remained positive. Among the manufacturing industry sectors, manufacture of transport equipment is particularly worth highlighting, as its profits have stabilised at last year's high level. It is also worth noting that, despite the steady rise seen in previous years, revenue in the electrical equipment sector – which includes battery factories – fell from 0.13 percent last year to 0.04 percent of GDP.

Chart 46: Profits of foreign-owned companies



In 2025, the rise in revenue for Hungarian companies operating abroad was linked to the banking sector, which achieved an unprecedented level of excess profits, while profits at manufacturing industry firms fell. Over the past ten years, the profits of foreign companies operating in Hungary have declined, primarily due to shrinking profits in the manufacturing industry sector. By contrast, the foreign earnings of domestic companies in the sector actually rose in the two years following the pandemic, but a decline was observed here as well in 2024–2025. That said, the revenues generated by domestic companies continued to significantly offset the deficit on the income balance of manufacturing industry firms in 2025. In the banking sector, by contrast, the income balance relating to equity was already positive in 2025 – this was largely attributable to a substantial increase in the foreign profits of domestic banks, which was only partially offset by the more modest profit growth of foreign banks.

Chart 47: Income from equity holdings by sectoral decomposition

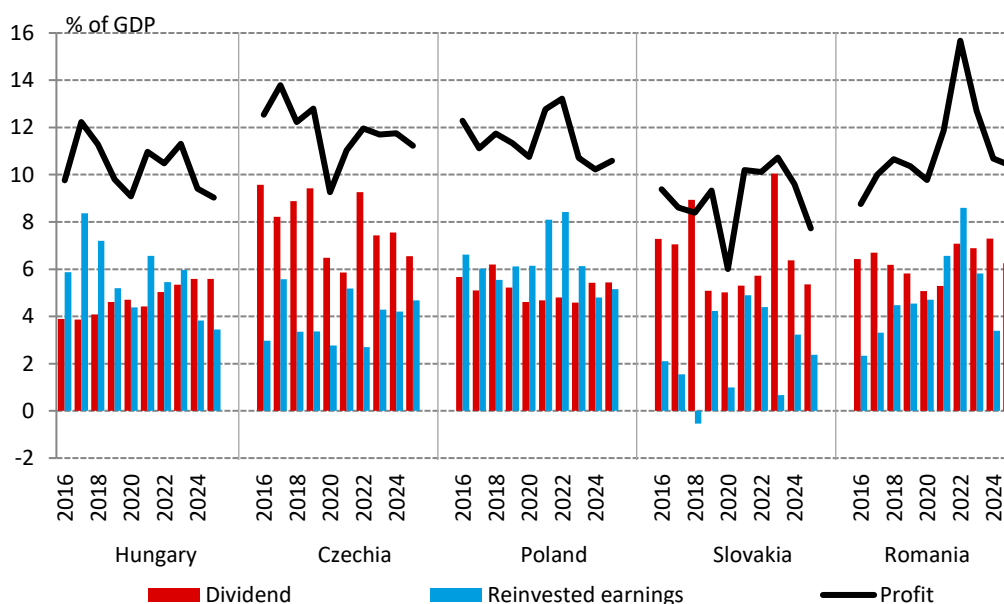


5.5. International comparison

The profitability of foreign companies declined in almost all countries in the region in 2025; however, the return on FDI in Hungary, at around 9 percent, continues to exceed only the Slovak figure (Chart 48). Following the 2008 financial crisis, the profit indicators of the countries in the region largely moved in tandem as a result of common external factors: the post-crisis downturn was followed by a moderate uptrend from 2013 onwards. In 2020, the pandemic – through the resulting decline in economic growth – also had a negative impact on corporate profitability. However, profit margins gradually recovered in the subsequent years. In 2025, despite a moderate decline, the profit margin of foreign companies operating in Czechia was the highest, exceeding 11 percent (according to current estimates, which are presumably still based in part on provisional data). Following a modest decline, the Polish profit margin stood at over 10 percent in 2025, while the Hungarian figure fell to 9 percent. By contrast, the Slovak figure has fallen to a level that was already low by regional standards, accounting for around 8 percent of FDI.

Over the past ten years, the annual value of dividend payments as a proportion of Hungary's GDP has gradually caught up with the level seen in the other countries in the region. Dividend payments in these countries have traditionally been relatively high, particularly in Czechia and Slovakia. According to data from Slovakia, for example, foreign companies paid out almost all of their profits as dividends in 2023. In Hungary, by contrast, following a decline that lasted until 2014, dividend payments as a proportion of capital have risen gradually over the past four years. As a result, income paid out as dividends in Hungary also exceeded reinvested income, in line with the pattern observed in the other countries in the region.

Chart 48: Breakdown of income from FDI (by share of FDI)



*In the countries of the region, the figure for 2025 is likely still based on estimates.

Source: Eurostat.

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