EUROPEAN
COMMISSION

Brussels, 3.6.2026
SWD(2026) 217 final

COMMISSION STAFF WORKING DOCUMENT

2026 Country Report – Hungary

Accompanying the document

Recommendation for a COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Hungary

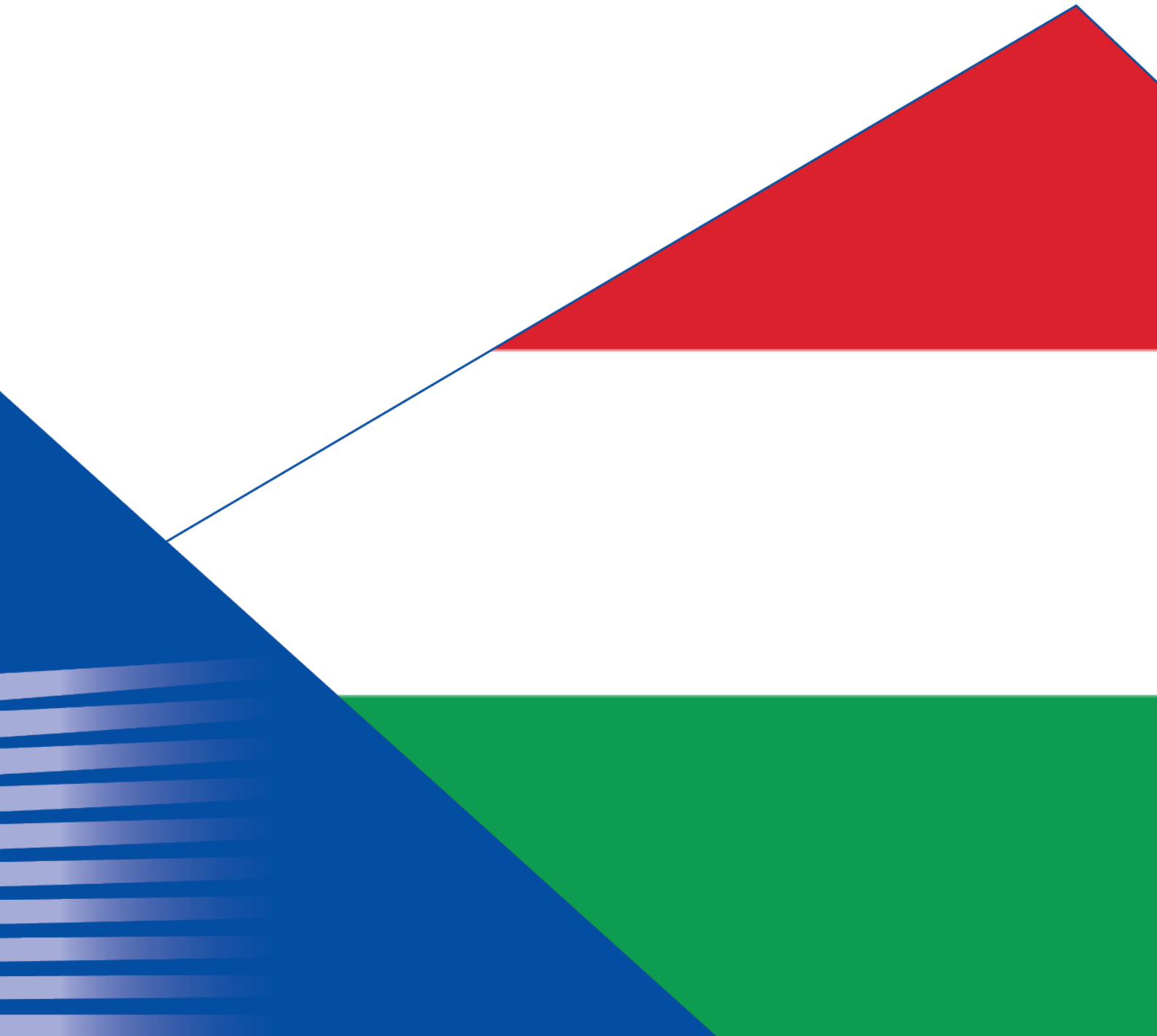
{COM(2026) 217 final}

European Commission

Economic and Financial Affairs

Hungary

2026 Country Report

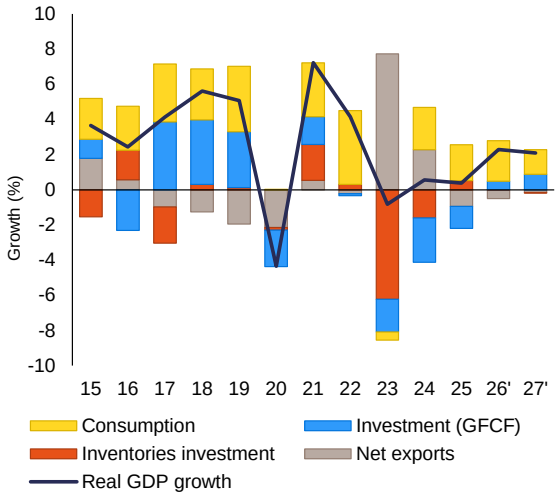


ECONOMIC DEVELOPMENTS AND KEY POLICY CHALLENGES

GDP is expected to pick up after a long period of stagnation

After three years of stagnation, growth is expected to resume, but significant risks remain. The poor economic performance of the last years is explained mainly by the sharp fall in investment – due to an uncertain business and policy environment – and weak external demand. Consumption remained supportive driven by significant wage increases, including a 11% minimum wage hike and public wage increases, and an expansionary fiscal policy, which are expected to support growth in 2026. Exports are projected to recover as well as a result of the launch of assembly facilities in the automotive industry. Nevertheless, continued weaknesses linked to global supply chains pose a risk to the macroeconomic outlook.

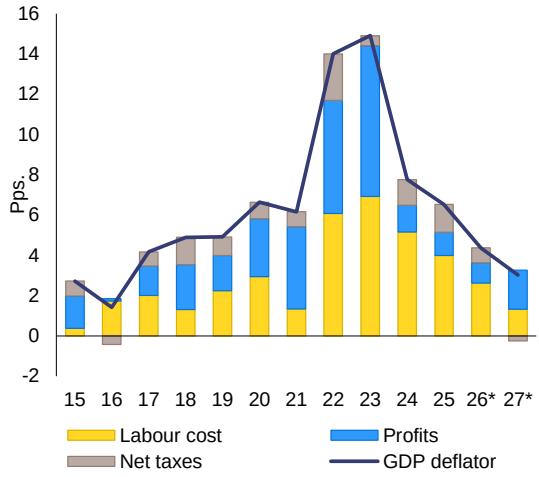
Graph 1.1: **Breakdown of the Hungarian GDP growth**



Source: Eurostat, European Commission

Inflationary pressures are expected to persist in the coming years. Inflation reached a record high of 17% in 2023 before declining to 3.7% in 2024 as the impact of earlier energy and food price increases and supply chain bottlenecks eased. In 2025, inflation rose to 4.4% as a result of rising global food prices and continued domestic demand. The government imposed price caps in food retail, drugstores and energy, and pressured banks and telecommunication companies to contain prices. However, core inflation remained well above the EU average. Nominal wage growth is set to sustain domestic price pressures. Moreover, price caps and agreements with service providers to postpone price increases are not sustainable in the long term and create a further upward risk to inflation. Inflation is expected to gradually decline but to remain above 3% in 2026.

Graph 1.2: **Breakdown of GDP deflator**



Source: Eurostat, European Commission

Economic vulnerabilities remain

Hungary continues to face vulnerabilities primarily related to high government debt and government financing needs,

competitiveness, and house prices. The Commission undertook an in-depth review of the Hungarian economy as part of the Macroeconomic Imbalance Procedure earlier in 2026([1]). That review highlighted that public debt increased in 2025 as a result of the high deficit and debt servicing costs. Meanwhile, wages grew rapidly, exerting pressure on competitiveness, while substantial energy imports pose risks to external balances. House price growth accelerated further in 2025 driven by extensive demand-supporting measures. Government policies, in particular the expansionary fiscal policy, have compounded these vulnerabilities.

State interventions are costly and make the business environment less predictable

Frequent ad hoc government interventions have impacted negatively on the business environment and are fiscally costly, thus limiting fiscal space for reacting to shocks. In 2025, the Council of the European Union recommended that Hungary pursue effective coordination of macroeconomic policies and phase out remaining price and interest-rate caps, and equivalent measures. Since then, there has been no progress in addressing this recommendation. Price and interest-rate caps, as well as subsidised loan programmes, have also weakened monetary policy transmission.

The government has introduced new price caps and extended the existing interest-rate caps. In the retail sector, after phasing out mandatory discounts, the government imposed price controls on certain food and industrial goods, reduced regulated utility prices for January 2026, and capped motor fuel prices in March 2026 to tackle the impact of the escalating conflict in the Middle East. Regarding interest rates, the government extended the caps on mortgage interest rates until June 2026, freezing the interest rate of floating-rate mortgages at the October 2021 level ([2]). The temporary nature of these measures and their continuous renewal increase uncertainty around price developments and impact negatively on business climate and investment in the retail sector.

Subsidised lending programmes impair the functioning of the banking system and monetary policy. In addition to existing subsidised lending schemes for house purchases, the government introduced a new mortgage scheme for households and lowered the preferential interest rate available to small to medium-sized enterprises (SMEs). These subsidised lending schemes offer borrowers an interest rate of 3%, well below the central bank rate and market-based benchmarks, such as the 10-year government bond yield, which averaged 6.9% in 2025. The loans are also guaranteed by the state. These policies further distort credit markets, entail significant fiscal costs, impair the transmission mechanism of monetary policy and adversely impact capital allocation through financing of investment with low rates of return ([3]).

With a high government deficit and debt ratio, Hungary faces significant fiscal challenges. In its medium-term fiscal-structural plan, adopted in February 2025, Hungary committed to limiting net expenditure growth, aiming to reduce its deficit below 3% of GDP by 2026, in line with the requirements of the excessive deficit procedure. According to the plan, this would imply an improvement of the structural primary balance of 2.2 percentage points of GDP between 2024 and 2028. Since the implementation of the plan began, Hungary has requested and the Council has activated the national escape clause for defence for Hungary, giving it additional flexibility to increase defence spending. Fiscal

([1]) SWD (2026) 138 final; European Economy Institutional Paper 336, May 2026

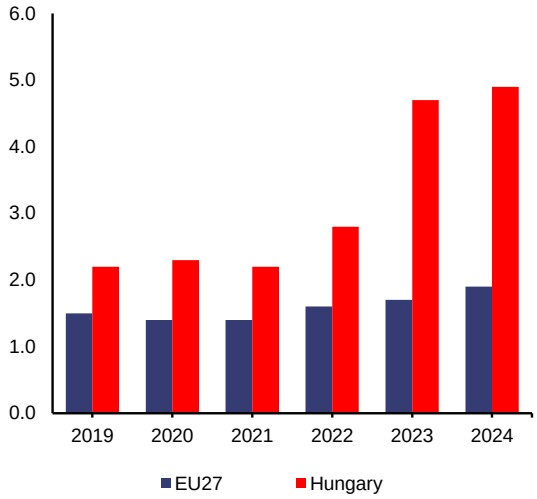
([2]) Hungary's largest bank (OTP) went to court to annul the corresponding government decree.

([3]) The government decree on home mortgages caps the maximum loan interest rate at 110% of the five-year benchmark government bond yield, plus 1 percentage point. This hypothetical interest rate serves as the basis for determining the interest-rate subsidy.

policy continues to be expansionary, driven by the adoption of new deficit-increasing measures, which has led to frequent revisions of deficit targets. Many of these measures undermine the effort to bring the deficit below 3% of GDP. Putting debt on a downward trajectory is also necessary given Hungary's high debt-servicing costs and the large projected increase in pension expenditure by 2070. The effectiveness of Hungary's national fiscal framework in ensuring fiscal sustainability is also limited.

The government deficit remains high, driving an increase in the debt ratio. The general government deficit stood at 4.7% of GDP in 2025, compared to an originally announced budgetary target of 3.7%. The Commission's Spring 2026 Economic Forecast projects the deficit to reach 6.2% of GDP in 2026 and 5.8% of GDP in 2027 as a result of cuts to personal income tax, public wage increases, a 14th month pension and generous housing subsidies. Public debt is expected to increase from around 74.6% in 2025 to 76.8% in 2027, largely due to the substantial budget deficit.

Graph 1.3: **Interest expenditure, % of GDP, 2019-2024**



Source: AMECO

Debt-servicing costs remain high, adding to fiscal sustainability concerns. Hungary faces the highest level of interest expenditure in the EU, at close to 5% of GDP in 2024. Debt-servicing costs have risen rapidly since the pandemic, with the high sovereign yields on Hungarian government debt reflecting its fiscal sustainability challenges. This interest burden limits Hungary's fiscal space to support economic growth when the economy faces shocks or performs below its potential. Moreover, Hungary's government has significant gross financing needs, worth about 18% of GDP in 2026, and almost one third of its debt is in foreign currencies. This exposes public finances to changes in investor sentiment.

Significant reliance on retail bonds is costly and represents an additional risk to debt management. Retail bonds should in principle be a stable source of financing. However, in Hungary, retail bonds are redeemable at any time and are typically redeemed when yields are increasing. In practice, this lowers the average maturity of public debt. It can also affect financing needs and increases uncertainty over public debt issuance. For example, at the beginning of the year, the Debt Management Agency estimated a gross financing need of 15% of GDP for 2025; it eventually turned out to be 26% of GDP. In 2025, retail bonds offered yields around 60-90 basis points above market rates, which pushed their share higher than in other EU countries. The government also offers tax benefits to encourage households and banks to buy government bonds. In 2025, households gained exemptions from withholding tax amounting to around 0.4% of GDP, while banks' tax liabilities were reduced by around 0.1% of GDP. These tax benefits further increase annual debt-servicing costs by reducing government revenues, and create incentives to use subsidised lending schemes to finance purchases of government bonds.

Several factors increase fiscal risks. Government guarantees that would add to the government's deficit and debt level if called – in particular those given on borrowings of certain state enterprises and households – have increased significantly since 2019 to 13% of GDP in 2025, well above the EU average. The government has invested public funds equivalent to more than 5% of GDP in private equity and other funds (public interest trusts, central bank foundations, etc.). However, their transparency and control mechanisms raise concerns (see Chapter 2 for

more details). In addition, the central bank has accumulated a loss of around 2% of GDP, largely due to interest payments to commercial banks as part of its monetary policy operations, creating additional fiscal risks as these losses should be covered by the budget, though only gradually due to a recent change in legislation.

The national fiscal framework offers only limited incentives for fiscal sustainability. In 2025, the Council recommended that Hungary strengthen its medium-term fiscal framework. The 'state of danger' in force since 2020 has lifted the requirement to publish a multiannual budgetary plan and therefore limits the ability of the fiscal framework to ensure a medium-term orientation and accountability. In 2024, Hungary ranked second lowest in the EU in the Commission's fiscal governance database, both in terms of the strength of the medium-term budgetary framework and the design strength of its national fiscal rules. The national debt rule that requires the government to ensure the public debt ratio is reduced each year was not met in 2024 or 2025, and the government already announced that it would not be met in 2026. The Hungarian Fiscal Council's mandate remains narrow; strengthening its role and independence by enhancing its operational capacities could help improve fiscal discipline and transparency. Spending reviews are useful tools to improve efficiency. Hungary conducted two spending reviews in 2023-2024, but the results were not published or reflected in budgetary planning.

The practice of early budget adoption and frequent revisions reduces the credibility of targets. The 2025 budget was amended 46 times ([4]). The 2026 budget was adopted in June 2025, which made it rapidly outdated, both in terms of macroeconomic assumptions and announced policy measures, by the time implementation began in 2026. The budgetary targets for both 2025 and 2026 were also revised several times in 2025.

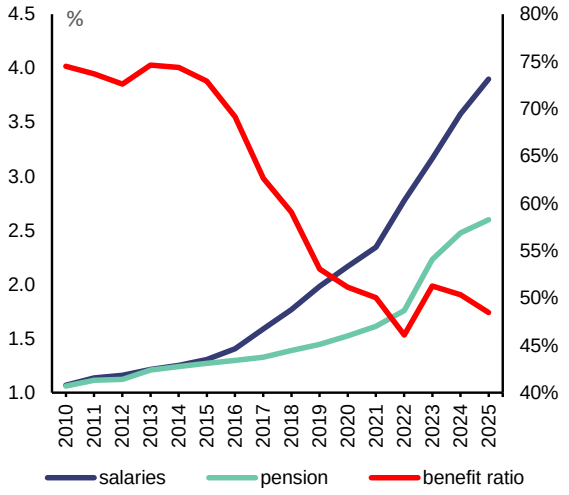
The projected increase in pension costs and the gradual decline in pension adequacy for low-income earners pose challenges. In 2025, the Council recommended that Hungary improve the long-term sustainability of the pension system, while preserving adequacy. Hungary's public spending-to-GDP ratio for pensions is facing one of the largest increases in the EU, set to rise 4.1 percentage points between 2025 and 2070. According to the Commission's projections, Hungary's public debt would rise to over 100% of GDP in the next decade if ageing-related spending remains unaddressed. Supplementary pensions only play a limited role in providing retirement income, with low coverage and limited financial depth (see Annexes 2 and 6).

The design of the pension system also generates equity issues. These include large pension gaps between pensioners from different age cohorts and increasing expenditure on pensions for high-income individuals. New pensions reflect current wages, which have increased rapidly, while existing pensions are only indexed to inflation. As a result, people who retired earlier receive lower pensions than recent retirees with similar careers. Pension contributions are not capped, boosting current revenues from high earners but increasing future spending through higher pensions. As a result, income inequality (measured as the ratio of total income in the highest quintile to that in the lowest quintile) among people aged 65 and over increased from 2.6 in 2010 to 4 in 2024, while it stagnated in peer countries ([5]) at 2.7 during the same period. The average value of pension compared to wages has decreased significantly in the last one and half decade due to the rapid increase of wages (see Graph 1.4).

([4]) hvg360: Nyolcnaponta írta át 2025-ben a kormány a költségvetést, mutatjuk, pontosan hogyan.

([5]) Czechia, Poland and Slovakia.

Graph 1.4: **Share of average pension compared to average wages in Hungary, 2010-2024**

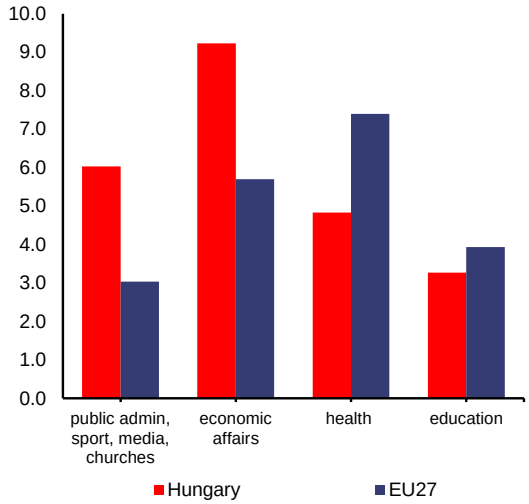


Source: KSH

Recent measures do not address the challenges in the pension system effectively. The government introduced a universal 14th month pension in 2026, with one quarter to be phased in each year until 2029. While the measure would raise average pension levels, its non-targeted nature does not address the challenges of rising inequalities nor those related to the long-term sustainability of public finances. The government commissioned the OECD to explore reform proposals. A report ([6]) was published, but no further action has been taken.

There is room to restructure spending towards more growth-friendly areas. The government spends a low share on health, education and R&D. Spending on healthcare is markedly lower than the EU average, which may contribute to the country's unfavourable health outcomes. Public expenditure on education (without tertiary education) and public R&D spending is among the lowest in the EU. However, expenditure on economic affairs is well above the EU average due to increased state involvement in the economy, such as generous subsidies to firms. Between 2022 and 2024, spending on public administration ([7]) and sport, media and churches was 6% of GDP, the highest in the EU and well above the EU average of 3%.

Graph 1.5: **Public expenditure in Hungary compared with the EU average between 2022 and 2024 (% of GDP)**



(1) Education without tertiary education
Source: Eurostat

Public expenditure could be used more efficiently. Despite high spending on executive administration, institutional quality and government effectiveness are among the lowest in the EU (see Chapter 2), reflecting overpriced public procurement, low levels of transparency and accountability. While spending on tertiary education is two times higher than the EU average, the tertiary attainment rate is still one of the lowest in the EU. The high spending on economic affairs does not translate into high productivity growth.

Hungary has increased its defence spending significantly since 2021. Hungary increased its expenditure on defence from 1.0% of GDP in 2021 to 2.0% in 2024 but has not indicated that it would further increase expenditure to meet the revised NATO targets of 3.5% and 5% of GDP. The Council has activated the national escape clause for defence for Hungary, which has also provided Hungary with general flexibility to increase

([6]) Strengthening-the-Hungarian-Pension-System.pdf.

([7]) 01.1 Executive and legislative organs, financial and fiscal affairs, external affairs.

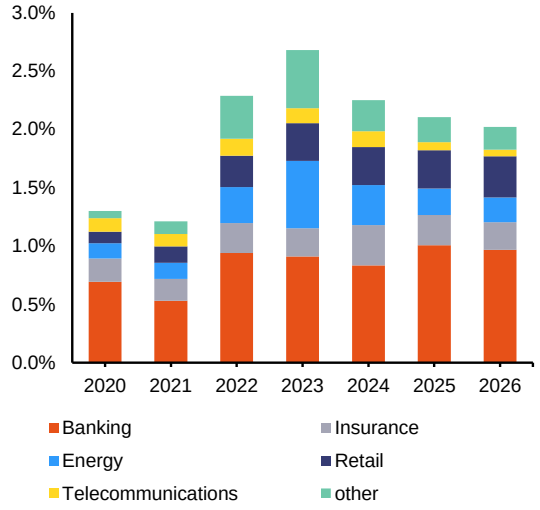
expenditure, given that it had already increased its defence spending since 2021.

The tax system is overly complex and is undermining growth, competitiveness and income inequality

Over time, Hungary's tax revenue has declined as a share of GDP, increasing fiscal consolidation challenges. The tax revenue as a share of GDP has been trending downwards since 2016, falling from 39% to around 35%, while the EU average has remained stable. Measures such as the gradual reduction of social contributions between 2017 and 2022, the personal income tax exemption for mothers, which will be phased in over 2025-2029, and the increase in the family tax allowance have reduced revenue shares from income taxes. While Hungary extended temporary, sector-specific taxes in finance, energy and retail in 2026, these are not projected to offset the revenue-reducing measures. This limits scope for growth-friendly expenditure and makes it harder to consolidate sufficiently to bring the government deficit below 3% of GDP.

The high number of tax exemptions, tax incentives and sector-specific taxes add to the complexity of the tax system. Revenues from sector-specific taxes amounted to 2.1% of GDP in 2025, burdening a small number of companies producing only around 10% of the gross value added, while revenues from corporate income tax amounted to 1.2%. Sector-specific taxes increase effective tax rates to 30-100% in the sectors concerned. They also increase prices in the construction, energy and services sectors, which are crucial for innovation and growth. In the past, Hungary committed to phasing out distorting sector-specific taxes, but instead the government introduced additional taxes of this kind and extended some of those that were in place into 2026. There were 54 types of tax in 2025.

Graph 1.6: **Sectoral tax, % of GDP**



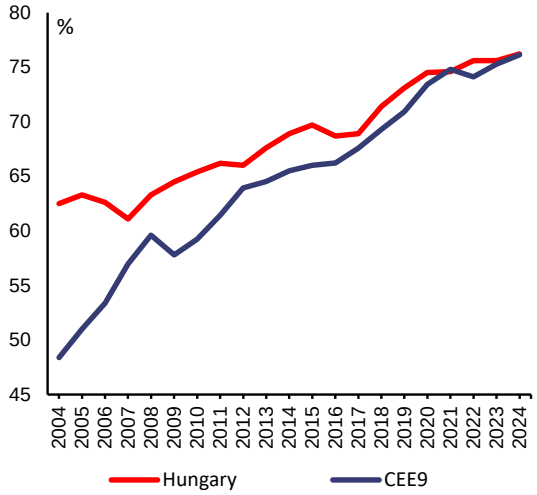
Source: Hungarian cash budget data

The fairness of the tax system could be improved. Hungary relies on consumption taxes, which inherently place a higher burden on low-income earners. At the same time, the personal income tax system lacks progressivity, with Hungary being one of the few Member States to apply a flat-rate tax to labour income. The tax wedge for low-income earners is one of the highest in the EU (see Annex 3).

Structural challenges call for ambitious reforms

Income convergence has been slower in Hungary than in its regional peers. Hungary's economy caught up with the EU average in the years after it joined the EU (Graph 1.7). However, income convergence was supported by a significant increase in employment rather than by improvements in skills and productivity. For instance, despite strong income convergence over the past decade, labour productivity remains at roughly the same level relative to the EU average as it was 15 years ago, while regional peers have recorded much faster productivity growth. Overall, Hungary's productivity level and average salary are still among the lowest in the EU. One reason for modest productivity growth is that much of the additional workforce entered low-skilled jobs.

Graph 1.7: **Income convergence, EU=100, in purchasing power standard**



(1) Bulgaria, Croatia, Estonia, Lithuania, Latvia, Poland, Romania and Slovakia
Source: Eurostat

The current growth model has reached its limits. The working age population is shrinking by 30 000 people each year; therefore, additional growth is unlikely to come from further increases in employment. To sustain and further improve living standards, more growth will need to come from innovation, and investment in high value-added activities. However, for now, productivity growth remains hampered by the low skill level of the workforce, the unpredictable business environment, and an unequal distribution of income, which limits human capital and opportunities.

Hungary has one of the highest internal regional disparities in the EU. Large differences exist, in particular, in GDP per capita, R&D expenditure and access to key local public services. Moreover, local governments face tight financial positions and shrinking fiscal autonomy, which limit their capacity to maintain and develop quality public services (see Annex 18). Ensuring access to quality public services has a central role in retaining local populations and boosting economic performance ([8]).

([8]) Horeczki R., Póla P. (2023). 'Fejlesztési lehetőségek a periférián egy Baranya megyei felmérés tükrében'. Tér és Társadalom 37(3):77–97.

Dependency on energy imports poses economic security challenges

Hungary's economy relies on imported energy and resource efficiency is low. The Hungarian economy is highly energy-intensive and continues to rely heavily on imported fossil fuels, particularly from Russia. In 2024, Hungary imported 50% of its energy, close to the EU average. However, its economy is among the most energy-intensive in the EU, alongside Czechia and Slovakia, using 70% more energy than the EU average to produce a unit of value added, owing to relatively high consumption by households and industry. In 2025, Hungary's net energy imports amounted to 2.6% of its GDP, ranking third highest in the EU. Furthermore, the country's resource efficiency is among the lowest in the EU. The government incentivises resource-intensive industries, such as battery manufacturing, which require lot of energy, water and workforce.

EU funding instruments provide considerable resources to Hungary. They support investments and structural reforms to increase competitiveness, environmental sustainability, skills, social fairness and security, while helping to address challenges identified in the CSRs. Key instruments include the Recovery and Resilience Facility (see Box 2) and Cohesion policy funds (see Box 3). In addition, the Common Agricultural Policy (CAP) provides Hungary with an EU contribution of EUR 8.5 billion under the CAP strategic plan for 2023-2027 ([9]). A further EUR 252 million are available under the Asylum, Migration and Integration Fund (AMIF), together with the Border Management and Visa Instrument (BMVI) and the Internal Security Fund (ISF). Other EU programmes also support competitiveness in Hungary, for instance

([9]) An overview of Hungary 's formally approved strategy to implement the EU's common agricultural policy nationally can be found at https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/hungary_en

through open calls under the Connecting Europe Facility.

Box 1:

UN Sustainable Development Goals (SDGs)

Despite making progress on most SDGs, Hungary remains below the EU average on all SDGs apart from SDG 1 (No poverty), SDG 7 (Affordable and clean energy), SDG 8 (Decent work and economic growth) and SDG 11 (Sustainable cities and communities). Moreover, Hungary is moving away from the targets for several SDGs on sustainability (SDGs 11 and 15) and macroeconomic stability (SDGs 16 and 17).

Hungary is improving on most SDGs related to fairness (SDGs 1, 3, 4, 5, 7 and 8), but is moving away from the targets for SDG 10 (Reduced inequalities).

Box 2:

Key achievements of the recovery and resilience plan

The recovery and resilience plan (RRP) of Hungary represents a total investment budget of **EUR 10.4 billion**, corresponding to 5.3 % of GDP, aimed at supporting the green and digital transitions, strengthening economic resilience, and addressing long-standing structural challenges identified in the European Semester.

As of 1 May 2026, Hungary had not yet submitted any payment requests. Implementation has progressed slowly, with a few reforms and investments delivering results on the ground.

Highlights and impact of the plan

- **Competitive public education using 21st century technology.** Investments include the distribution of ca. 580 000 digital notebooks to students and teachers to support digital education by 2026, accompanied by reforms to improve the attractiveness of the teaching profession.
- **Development and digitalisation of the electricity network.** The investments combined with reforms will significantly increase the ability of the power grid to integrate additional power plant capacity stemming from renewable energy sources.
- **Solar panel installation and energy-efficiency improvements in the residential sector.** Households receive support to install solar panel systems and electric heating solutions, and to make energy-efficiency improvements.

Box 3:

Contribution of cohesion policy funds

EU cohesion policy funding is supporting Hungary's efforts to boost competitiveness, environmental sustainability, skills and social fairness. In the 2021-2027 programming period, EU cohesion policy funds ([10]) are providing EUR 19.6 billion (amounting to EUR 24.3 billion paired with national co-financing), or 9.5% of 2024 GDP, to Hungary. This makes cohesion policy one of the main sources of public investment in the country. The value of selected projects corresponded to 58.8% of the total allocation as of March 2026, with additional calls for projects in the pipeline.

- **Innovation, business environment and productivity.** EUR 5.5 billion is allocated for research and innovation, SME competitiveness, and digitalisation. Around 25 000 firms have already seen their projects approved.

- **Decarbonisation, energy affordability and sustainability.** EUR 6.1 billion is dedicated to clean transition projects. Out of this, more than EUR 865 million is allocated to water management, drinking water and wastewater treatment projects, which, among other outcomes, is expected to improve wastewater treatment capacity for 612 000 people. Another EUR 985 million supports energy-efficiency interventions.

- **Skills, quality jobs and social fairness.** Nearly EUR 1.8 billion of European Social Fund Plus (ESF+) funds are allocated to supporting quality education by making teaching more attractive, and a further EUR 800 million aims to improve equal access to quality mainstream education. Around EUR 1 billion supports access to the labour market, targeting those most in need and young people, and EUR 17 million is allocated to capacity building of social partners. EUR 200 million contributes to reducing poverty and social exclusion in economically and socially disadvantaged areas ('catching-up settlements').

The mid-term review ([11]) reinforced cohesion policy's contribution to emerging strategic priorities, reallocating around EUR 930 million to competitiveness, through support for critical technologies – including the promotion of skills in the development of critical Strategic Technologies for Europe Platform (STEP) technologies – and to defence, particularly military mobility along the EU's main corridors. Following the mid-term review, the development and production of critical STEP technologies will be supported by EUR 135 million of ESF+ funding, allocated to specialised skills development.

([10]) European Regional Development Fund, European Social Fund Plus, Cohesion Fund and Just Transition Fund.

([11]) The mid-term review is carried out halfway through the 2021-2027 programming period. It is a formal process required under Article 18 of the Common Provisions Regulation that aims to assess the implementation of programmes and, where necessary, propose adjustments to improve their performance, ensure their relevance in light of new and emerging needs and keep them aligned with other EU policies.

INNOVATION, BUSINESS ENVIRONMENT AND PRODUCTIVITY

A better business environment and greater innovation are key to increasing productivity. In 2025, Hungary received country-specific recommendations (CSRs) to improve the regulatory framework and enhance competition in product markets and services, stimulate the development of capital markets and strengthen the innovation framework for the public sector and businesses. Since the adoption of the 2025 CSRs, the government has continued to introduce new measures creating uncertainty for businesses. Important pieces of legislation are adopted without meaningful involvement of stakeholders. Measures targeting specific sectors or companies increase prices and discourage companies from investing. Public procurement remains vulnerable to anticompetitive practices and corruption risks. The weakness of the anticorruption framework remains a challenge. R&D spending in public research is low, and the generous R&D subsidies for companies do not achieve the expected result. Capital markets are underdeveloped, and certain aspects of the regulatory environment hinder their development.

Low competition in domestic markets increases costs and hinders productivity

The weak business environment is a major barrier to productivity growth. In 2025, Hungary received a CSR to improve the regulatory framework and enhance competition in product markets and services. Hungary's 9% corporate income tax rate (the EU's lowest), loose enforcement of environmental protection rules and generous state subsidies make it an attractive location for investment, mainly in manufacturing. However, many industries face obstacles and the overall perception of the business environment is negative. According to the International Institute for Management Development's *World Competitiveness Yearbook*, Hungary ranked among the lowest in the EU in 2025.

Businesses continue to face a highly volatile and unpredictable regulatory environment. This includes frequent amendments, the extensive use of emergency measures and limited preparation time for economically significant changes. This remains a structural challenge, as the pace and manner of regulatory change have not stabilised and continue to affect long-term business planning.

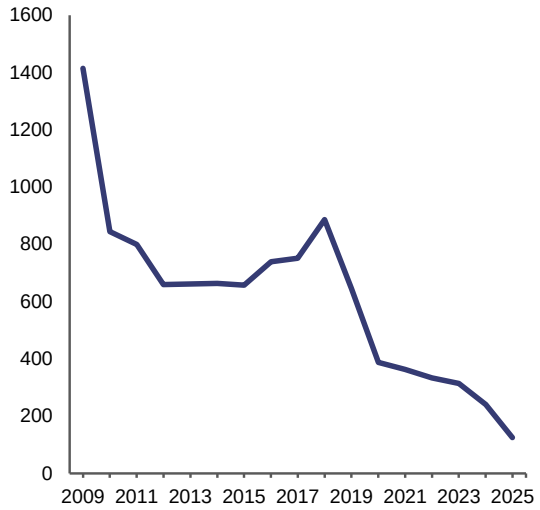
Stakeholder involvement and the implementation of better regulation tools remain limited in practice. Between 2021 and 2024, stakeholder engagement in developing primary laws was the second lowest in the EU ([12]). Consultation is not required in the early phases of rulemaking and, although *ex post* evaluation is legally mandated, it is not conducted systematically. While Hungary has introduced a central consultation portal and publishes summaries of preliminary impact assessments, there is no specific oversight body responsible for ensuring the quality of regulatory impact analysis or the breadth of stakeholder consultation. In addition, important draft laws continue to be tabled by individual members of parliament, thereby formally exempting them from standard consultation and impact assessment requirements. Even when consultation is conducted, stakeholder input does not necessarily lead to substantive

([12]) OECD Regulatory Policy Outlook.

adjustments, and implementation timelines may remain tight.

Significant regulatory changes happen quickly, leaving little time to adapt. While the accelerated legislative procedure may be used up to 20 times a year (seven laws were adopted under this procedure in 2025), in 2025, the government amended laws more than 80 times under the war emergency regime. This allows the government to amend or derogate from acts of parliament without following the ordinary legislative process ([13]). Sustained reliance on decree-based regulation limits parliamentary scrutiny and contributes to compliance uncertainty and elevated regulatory risk for businesses. This is compounded by an eightfold decrease in the average time between a piece of legislation's entry into force and its first amendment since 2009 (Graph 2.1).

Graph 2.1: **Average time between a piece of legislation's entry into force and its first amendment, days**



Source: Hungarian Official Gazette

Business dynamism is low, as stringent regulations hold back business creation, slowing the reallocation of capital towards the most productive firms. New business registrations remained among the lowest in the EU between 2021 and 2024. The widespread use of subsidy schemes keeps less productive firms in the market. Hungary's product market regulation is among the strictest of all EU countries that are OECD members, in particular in subcategories on distortions induced by state involvement, regulatory impact evaluation and barriers in the services sector ([14]). Setting up a new company is administratively complex and costly, and late payments from government to business and business to business are increasingly lengthy. According to the World Bank, the quality of regulation for business entry, the quality of insolvency proceedings and the quality of regulations promoting market competition are among the lowest in the EU. Recognition of professional qualifications is slow and excessively bureaucratic. Hungary has one of the highest numbers of regulated professions in the EU.

Competition is restricted in several service and product markets. Several services are entrusted to state-owned or private firms that operate without competition. Such services include textbook publishing, waste management, mobile payments, the cash-in-transit market, tobacco wholesale and retail trade, gambling, motorway construction and, from 2025, cybersecurity audits and certified translation services.

Targeted measures make it difficult for non-Hungarian firms to operate in specific sectors. Various state interventions have been used to the detriment of mostly foreign-owned firms, facilitating the creation of public or government-connected national champions. Firms are forced to operate at a loss due to a supplementary mining tax, a CO_2 quota tax, price-margin caps in retail and export restrictions on construction materials. The Commission has initiated infringement procedures ([15]) on these four measures as

([13]) For example, under emergency powers, the government adopted new taxes, introduced price-margin caps in food retail and drugstores, required banks to operate cash dispenser machines, and granted special status to certain insolvency procedures.

([14]) OECD PMR 2023-2024.

([15]) In November 2025, January 2026 and April 2026, the Court of Justice of the European Union ruled that export restrictions, the supplementary mining tax and the CO_2 quota tax, respectively, violated the freedom of

they are not consistent with single market rules. In 2025, an amendment to the Architectural Law granted additional powers of intervention, including pre-emption rights over the assets of construction-material producers.

The government has continued to introduce measures that can be used against foreign companies. In 2025, a legislative change gave the Competition Authority the power to impose measures on large companies in the mining and construction sectors, for example requiring them to sell off part of their business. While the new tool seems to follow a model used in Germany, it lacks the guarantees of the German legislation and provides more discretion for the Authority. The independence of the Hungarian Competition Authority has been assessed as among the lowest in the EU ([16]). Important investments and acquisitions are classified as being of 'national economic interest' or of 'strategic interests', exempting them from public oversight and in-depth assessment by the Competition Authority ([17]). Such designation decisions seem to be taken arbitrarily. The government has tightened the rules under which it can block the acquisition of companies in Hungary. In case of a negative decision, the government will have a buy option. Such a buy option is at odds with the objective of protecting competition and with other competition regimes, it decreases the value of the companies, affects the property rights of company owners, limits competition for acquisitions, reduces business dynamics and hinders the mergers and acquisitions market. It is detrimental to innovative companies and start-ups, for which the main exit strategy is to sell the company. In 2025, the government blocked a foreign investor's acquisition of a milk wholesaler, citing public policy grounds.

Retail outlets continue to operate in a quickly changing regulatory environment. In November 2025, the government slightly reduced the retail tax burden by shifting the tax brackets upwards. However, foreign companies still bear a disproportionate burden, and the tax rules do not allow firms to reduce their tax base through restructuring. In March 2025, the government introduced price-margin caps for certain food and non-food products as a temporary measure to curb inflation. Since then, both the product scope and the duration of application have been extended. In 2025, the 'plaza stop' law was tightened further. Currently, not only opening a retail outlet requires permission, but also renting one or changing its interior layout. The new rules limit the maximum size of a food retail outlet to 800 m^2, which makes it impossible to open larger ones in more populated areas. Other measures, linked to packaging, labelling and waste, for example discriminatory food waste requirements and burdensome extended producer responsibility rules, act as obstacles to trade in goods and increase compliance costs, as reported by businesses.

Targeted measures limit competition, hinder investment and increase price levels. As a result of state interventions, affected firms do not invest enough to maintain or improve the quality of their services. Hungarians experience higher prices in affected sectors, such as construction materials, retail, telecommunication, banking (which account for 3.6% of the inflation basket vs an EU average of 1.2%) and energy (see Section 4).

Public procurement in Hungary remains vulnerable to anticompetitive practices and corruption risks, despite recent policy efforts. The share of tenders receiving a single bid decreased following the introduction of competition-enhancing measures under the recovery and resilience plan (RRP). The number of first-instance public procurement review decisions relative to the number of calls for tenders rose from 21% in 2023 to 28.6% in 2024. This is the second-highest ratio in the EU. Only 28% of businesses perceive the level

establishment and the principles of equal treatment and non-discrimination for economic operators.

([16]) 2025 EU Justice Scoreboard.

([17]) In 2025, the Competition Authority approved 92% of mergers under an accelerated procedure, issuing an official certificate without a substantive investigation.

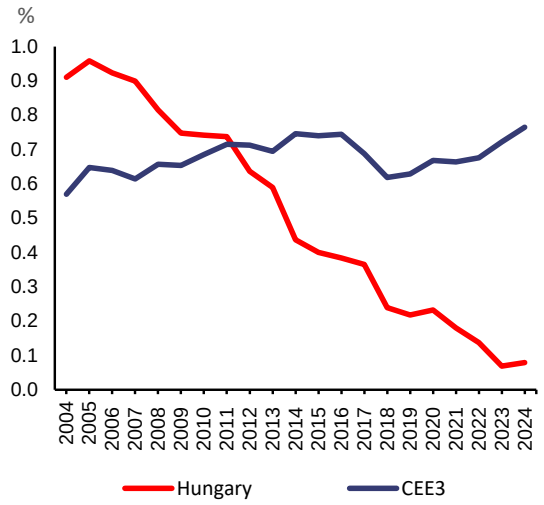
of independence of the Public Procurement Arbitration Board as very or fairly good ([18]).

Persistent challenges continue to affect procurement integrity and market functioning. Structural factors appear to hinder effective competition in procurement procedures, particularly in infrastructure, defence and centralised procurement sectors, where tenders are more likely to receive only one or very few bids and contract values are comparatively high. The Integrity Authority also reports high market concentration, especially linked to companies with the same ownership structure. Companies affiliated with politically connected economic actors are significantly more likely to win public procurement contracts, including in EU-funded tenders, than other market participants. The extensive use of framework agreements may further limit competition by locking in certain firms and reinforcing market concentration, with limited transparency in second-stage call-off procedures. In 2025, their value exceeded that of all other tenders (ca. 60%) and close to 75% of them was concluded with a single bidder. Concerns regarding bid-rigging and collusive practices remain, particularly in sectors with repeated participation by a small pool of firms. While the transparency of the public procurement system is in general good, in practice remains a concern for certain public procurement data and the application of conflict-of-interest rules.

Hungary has relied on multiple-decade-long concession contracts in key sectors, with potential distorting implications for market structure and competition. In 2025, the Commission opened infringement procedures against Hungary concerning the nationwide waste management concession and the motorway concession contract. In both cases, the 35-year duration of the contracts may exceed the maximum period permitted under EU rules. In the motorway case, the contract may have been misclassified as a concession despite insufficient transfer of operational risk, potentially reinforcing dominant market positions and limiting future competitive tendering opportunities in key network industries.

Corruption remains an area of strong concern as systemic weaknesses of the anticorruption framework persist. The Worldwide Governance Indicators along with other indices ([19]) continue to show a decline in Hungary's performance in controlling corruption. The perception of widespread corruption remains very high (88% vs an EU average of 69%) and the vast majority (78% vs an EU average of 66%) consider that high-level corruption cases are not pursued appropriately. Corruption continues to be increasingly perceived as an obstacle to businesses (50% vs an EU average of 35%), and the perception persists that the only way to succeed in business is to have good political connections (78% vs an EU average of 51%) ([20]).

Graph 2.2: **Development of the scores on voice and accountability and control of corruption, EU average=1**



(1) CEE3 = Czechia, Poland and Slovakia
Source: Worldwide Governance Indicators

Some positive steps have been taken to strengthen tax integrity, but high-level corruption is still a challenge. Digitalisation of tax reporting and declaration resulted in a

([18]) Figure 59, 2025 EU Justice Scoreboard.

([19]) WJP Rule of Law Index; TI Corruption Perception Index; BTI Governance Index.

([20]) 2026 Special Eurobarometer on Corruption.

low value added tax gap. Gratuity payments in healthcare have fallen following targeted checks. While the total number of indictments for corruption-related crimes has increased, there is still a lack of determined, systematic action to prosecute high-level corruption. Such investigations can drag on for years and often remain pending. According to the European Anti-Fraud Office (OLAF) report, the prosecution recovered only 18% of the funds linked to corruption and fraud between 2015-2024, a much lower share than in other EU countries (EU average: 71%).

The anticorruption framework needs further strengthening. While asset declaration rules have recently changed, the system still does not fulfil its purpose. There are no systematic checks on the accuracy of declarations, and false declarations carry no consequences. As relatives' declarations are not public, and declarations are not submitted electronically, public oversight is limited. A persistent vulnerability is the fragmentation of the regulatory framework on conflicts of interest, including the lack of a general definition of conflicts of interest and the absence of a central supervisory body. Similarly, the lack of post-employment restrictions for high-level government officials, together with the absence of an effective enforcement mechanism, has remained an outstanding concern for years. The Integrity Authority continues to report obstacles to effectively carrying out its tasks.

New public money management structures lack transparency. In recent years, Hungary has set up an increasing number of funds (public interest asset management foundations, central bank foundations, etc.) to carry out public duties such as education and research. These bodies received substantial public assets (real estate and company shares) worth more than 2% of GDP. The decision-making structures and processes of public interest asset management foundations lack transparency ([21]) and external supervision, and serving politicians play a significant role on their management and control bodies ([22]). The role of private equity funds in the economy is increasing, and public investment is increasingly being channelled into such structures. So far, the government has invested public funds equivalent to 3% of GDP in private equity funds, representing more than 50% of those funds' total assets. However, Hungarian law does not yet ensure transparency regarding the ultimate beneficial owners of private equity funds, preventing the authorities and the public from effectively verifying the absence of conflicts of interest or compliance with anti-money laundering rules.

Public oversight is constrained in its ability to support the fight against corruption. Following reforms in 2022 and early 2023 that increased access to public information, the trend reversed, and new restrictions were introduced on access to information related to the use of public money and decisions made in the public interest ([23]). There are serious limitations on the scope and

([21]) In 2025, two new public interest asset management foundations were created and the transfer of assets to existing ones continued. The information provided on their decisions in annual reports is uneven; some still do not have websites, and they are not covered by the Central Public Data Information Registry.

([22]) Over 20% of places are filled by serving politicians and their aides, close to 10% by former politicians, and over 25% by public officials who are in a dependent relationship with political executives. They sit on these bodies in a personal capacity, by discretionary invitation issued when the bodies were set up. Board members are nominated without transparent and objective selection criteria and without the need to demonstrate asset management experience.

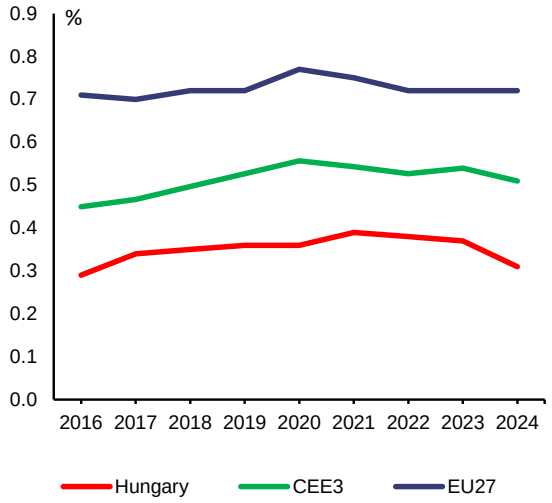
([23]) In addition to the new limits on refusing access to data introduced from 1 January 2024 by Act CI of 2023, since 2023, 'state assets' have been defined as including only corporate shares directly owned by the state. This limits access to information on indirectly owned shares. Public bodies are no longer obliged to comply with requests for information not held directly by them, but by their subordinate entities. State-owned enterprises are also authorised to keep data on their foreign investments confidential for 10 years, and the government may withhold certain decisions for 20 years instead of 10. Furthermore, Act CXXVIII of 2025 introduced a new ground for refusal where there are cybersecurity concerns. Case-law has in effect removed judicial protection where access to documents is refused on foreign policy grounds. The supervisory authority of the Hungarian Development Bank also found problems with the provision of data relating to the bank's reports, including those on private equity funds.

detail of the information that public bodies publish in advance about their activities. The scope for rejecting requests for access to information has broadened in the last few years. Data requesters have to go to court to receive access to the requested information. Despite strict deadlines, procedures tend to become longer due to procedural loopholes or non-compliance with time limits ([24]). In addition, public bodies often do not implement court rulings. The degree of media freedom has also worsened. Hungary ranks among the lowest in the EU for media freedom and its position has deteriorated in recent years. The concentration of media outlets under a single holding company in 2018 heightened the overall risk to media pluralism ([25]).

R&D spending is low in the public sector, and business innovation is limited to a few large firms. In 2025, Hungary received a CSR to strengthen the innovation framework for the sector and business, and to better target existing measures at small to medium-sized enterprises (SMEs). According to the 2025 European Innovation Scoreboard, Hungary has fallen back to the 'emerging innovator' category. Hungary's R&D intensity has stagnated over the past decade, remaining significantly below the EU average (1.31% of GDP in 2024, compared to an EU average of 2.24%). Science-business linkages remain underexploited, and innovation activities continue to be concentrated in a small group of foreign-owned firms, limiting the development of a broader domestic innovation base, in particular of SMEs. In addition, southern and many eastern areas lag behind in the uptake of advanced technologies.

Hungary's persistently low public R&D investment limits scientific progress. Public R&D expenditure has stagnated over the past decade, falling to 0.31% of GDP in 2024, far below the EU average of 0.72% and behind most central and eastern European peers (Graph 2.3). Hungarian universities devote only 10% of their spending to R&D, compared to the EU average of 60%. This underinvestment limits scientific excellence. In 2025, Hungary continued the reorganisation of the research system, aiming to improve efficiency, public private cooperation and strategic prioritisation. At the same time, however, researchers report a growing sense of unpredictability, driven in particular by persistent changes, the creation of parallel institutional structures, concerns about academic freedom, and changes to researchers' employment status, including differing conditions and trade union representation. Furthermore, the lack of a research career model, coupled with low salaries, makes academic research careers significantly less attractive.

Graph 2.3: **Spending on public R&D as a share of GDP**



(1) CEE3 = Czechia, Poland and Slovakia
Source: Eurostat

Public support for business R&D has not delivered the expected results. The government has implemented a range of measures to stimulate business R&D. Direct support, including through cohesion policy and other EU funds, and indirect support, through tax incentive schemes, are also available. However, SMEs' uptake of tax incentives has been lower than anticipated. As a result, there has been no corresponding increase in innovation performance, as measured by patent applications, despite the subsidies' high cost. Many firms are unwilling to disclose research details and therefore do not apply for

([24]) National Authority for Data Protection and Freedom of Information. In addition, public authorities seem to increasingly rely on proceedings before the Kúria, which can delay access to information.

([25]) 2026 Media Pluralism Monitor.

subsidies. The limited awareness of R&D activity and high administrative burdens on SMEs, is also a factor holding back innovation activity. According to the European Investment Bank (2025), Hungary has one of the lowest shares of innovative firms in the EU.

Cooperation between academia and businesses remains limited. Several initiatives have been launched in the past year to boost university-industry collaboration, such as the creation of science and innovation parks, mentoring, entrepreneurial education and support for the commercialisation of university research. Despite these initiatives, Hungary still lags behind in the digitalisation of businesses, entrepreneurship education and innovation performance. Key factors affecting business digitalisation include weak digital skills among the adult working-age population, a limited supply of IT specialists in the labour market, and low uptake of digital solutions, including artificial intelligence. In recent years, entrepreneurial aspects have been added to the vocational and tertiary education curricula, as well as financial support and mentorship programmes to further enhance students' entrepreneurial skills. However, the entrepreneurial mindset remains underdeveloped. Moreover, certain regions are moving more slowly towards knowledge-intensive economic activities, including by investing less in regional innovation ecosystems and business-academia cooperation.

The venture capital ecosystem remains small and is dominated by government funds. Venture capital investment as a percentage of GDP grew steadily until 2021 but then fell sharply, from 0.09% of GDP in 2021 to 0.03% in 2024, well below the EU average of 0.06%. The number of transactions decreased from 247 in 2021 to 56 in 2024. The sector remains heavily dependent on public funding. While it has stimulated the market, it also raises concerns about long-term sustainability once subsidised funding recedes ([26]). However, the main obstacle is the low number of start-ups seeking finance due to an unsupportive regulatory and business environment and the Hungarian economy's prolonged weak performance.

The capital market is underdeveloped. In 2025, Hungary received a CSR to stimulate the development of capital markets. In Q3-2025, the Budapest Stock Exchange (BSE) had a listed equity market capitalisation of 21.9% of GDP (EU average: 70%). The BSE has started a cooperation with regional stock exchanges to exploit synergies. There is a savings and investment account that offers tax benefits if it is held for at least five years.

The regulatory and tax environment could be made more supportive. Government policies channel savings into government bonds and housing rather than into capital markets, which finance productive investment. In 2022, the government began issuing tax-free long-term bonds for retail investors, while increasing the withholding tax on interest income from 15% to 28% (effective from July 2023). From October 2023, banks must inform their clients about the potential loss they may suffer from holding their money in cash instead of investing in government bonds. It is difficult to incentivise retail clients to invest in life insurance or pension funds (pillar III) if they have direct access to liquid, tax-exempt government bonds offering high yields at low risk. Financial transaction tax (FTT) is levied on securities (0.45% on each transaction, with a maximum tax of around EUR 50), which makes capital markets less attractive. Government bond transactions are exempt from FTT. The unpredictable regulatory environment makes business planning difficult for fund managers.

A high presence of subsidy schemes for SMEs makes capital market financing unattractive. SMEs faced an 8.8% interest rate on bank loans in 2025, which was the highest in the EU. Despite the high interest rates, Hungarian firms are among the least constrained in terms of access to finance. In 2025, the debt stock of Hungarian firms (53% of GDP) ([27]) was the highest in the region, and high relative to the country's income level. In

([26]) https://doi.org/10.2478/ceej-2025-0009.

([27]) Total debt excluding foreign direct investment.

autumn 2025, the government launched an untargeted subsidies loan product for SMEs, offering interest rates around 600 basis points below the market rate. SMEs can use it for investments but also to refinance existing loans or to buy low-risk products on capital markets, in particular government bonds. This arbitrage reduces the risk of default and helps the government to finance its debt, but it makes the product ineffective at addressing market failures. In 2025, around 50% of the SME loan stock was subsidised. Hungarian firms benefit from the most generous state subsidies in the EU (1.4% of GDP vs an EU average of 0.86% of GDP in 2024). The abundance of subsidies keeps less productive firms in the market, slowing business dynamics.

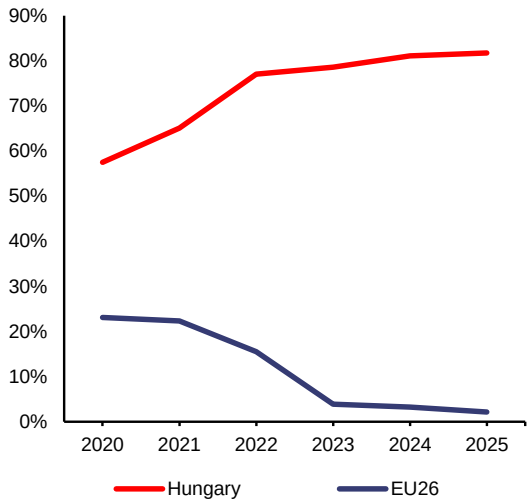
DECARBONISATION, ENERGY AFFORDABILITY AND SUSTAINABILITY

Weaknesses in the energy sector's regulation hinder competition and investments and drive up energy prices for business. At the same time, poorly targeted energy subsidies delay energy efficiency improvements. In 2025, Hungary received country-specific recommendations (CSRs) to diversify its fossil-fuel supply away from Russian sources, phase out fossil-fuel subsidies, improve flexibility and competition in the electricity sector, and improve water resilience and circularity. Hungary continues to depend on Russian fossil-fuel imports, especially for oil, while steps to diversify gas sources are slow. No action has been taken to phase out harmful fossil-fuel subsidies or to improve capacities in waste management. Hungary has taken some steps to improve the balancing market, notably by increasing storage capacity at firm and household level. Hungary has taken some initial steps to move towards a sustainable water management approach, including actions to promote water retention. The decarbonisation of transport in Hungary poses a significant challenge.

Well-functioning energy markets are key for competitiveness

Hungary remained highly dependent on Russian energy sources and took only marginal steps towards addressing the CSR on diversification. Despite geopolitical risks of over-reliance on a single supplier, the share of Russian sources in energy imports continued to increase. In 2025, more than 90% of Hungary's imported oil (up from 86% in 2024) and 74% of its imported gas originated from Russia, making Hungary's reliance on Russian fossil fuels the second highest in the EU (see Annex 9). Overall, fossil-fuel imports from Russia amounted to 2.1% GDP in 2025. Hungary signed three long-term gas purchase agreements in 2025 with US and EU companies, which would cover approximately 12% of annual domestic gas consumption once deliveries have started. Despite steps taken to diversify nuclear fuel supply in the future, Hungary will remain dependent on Russian nuclear fuel for its existing reactors until at least 2028.

Graph 3.1: **Share of oil and gas imports originating in Russia in Hungary and in the rest of the EU**



(1) EU without Hungary, weighted average, in kg
Source: Eurostat

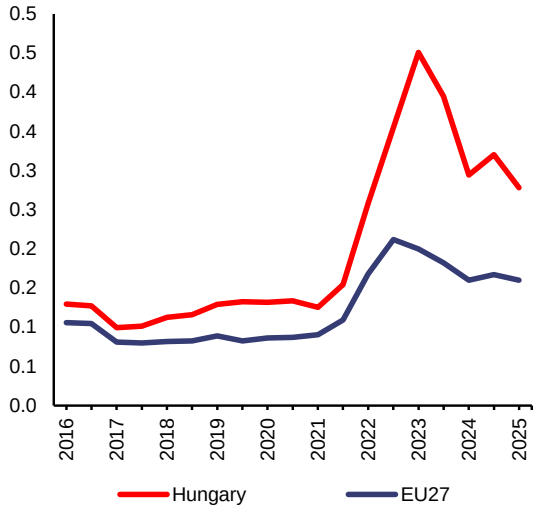
Generous subsidies disincentivise energy savings. Hungary has taken no steps to address the 2025 CSR to phase out fossil-fuel subsidies**.** In 2024, environmentally harmful fossil-fuel subsidies with no planned phase-out before 2030 remained economically significant at 0.7% of Hungary's GDP (above the EU weighted average of 0.32%) (see Annex 9). Since 2022, Hungary has not modified the subsidy regime in place. In 2025, budgetary support for fossil-fuel subsidies – through reduced value added tax rates and tax refunds – increased to EUR 202 million, up from EUR 165 million in 2024. In addition, in

2025, energy providers received EUR 2.5 billion in compensation for losses under the universal service framework; according to government data, 72% of this was spent on subsidising fossil-fuel consumption. In early 2026, the subsidy provided under the universal service framework was increased, with a view to covering 30% of gas consumption in January 2026. Following the conflict in the Middle East, the government decided to temporarily reduce excise duty on petrol and diesel, in parallel with introducing a price cap on petrol. The objectives served by these fossil fuel subsidies could be achieved through alternative forms of support that do not generate harmful environmental externalities.

Despite recent investments, the grid remains under strain. While implementation of grid-related reforms in Hungary has progressed, grid congestion has resulted in substantial connection queues, slowing the uptake of renewables and highlighting the need for significant investment in the electricity grid**.** Furthermore, heavy reliance on gas – which sets the price in 68% of hours – contributes to relatively high electricity prices in Hungary. Moreover, Hungary faces high price spikes during peak-demand hours due to volatile solar output and limited non-fossil flexibility, leading to an average price spread ([28]) of EUR 155/MWh in 2025, significantly above the EU average of EUR 121/MWh. Electricity imports, particularly during peak demand, help stabilise supply and keep domestic prices lower. Wind's share of electricity generation has stagnated at 1.5%, compared with 28% from solar. The low share of wind power generation cannot compensate for the high volatility of solar output.

Initial measures to strengthen the balancing market and cross-border electricity trade have increased the flexibility of the electricity system, but further measures are needed to improve flexibility and competition in the electricity sector in line with the 2025 CSR. In 2025 and early 2026, Hungary significantly increased the roll-out of battery energy storage systems and invested in the grid, including in the development of the smart grid, with support from cohesion policy programmes as well as from the Recovery and Resilience Facility and the Modernisation Fund. Hungary has started the test phase for joining the PICASSO and MARI platforms to enable cross-border balancing. Hungary now ensures that a minimum of 70% of cross-border capacity is available for trading. However, demand-side response is hampered by energy price caps for households, industrial consumers' limited access to consumption data, the slow roll-out of smart meters ([29]), and the limited role of aggregators and energy communities. More ambitious development of non-fossil flexibility solutions could help stabilise the system and better capture the benefits of cheap renewables.

Graph 3.2: **Electricity price for firms, EUR per KWh**



(1) Excluding taxes and levies, in purchasing power standard (PPS), consumption from 500 MWh to 1999 MWh

Source: Eurostat

Electricity prices for industrial users remained higher than the EU average,

([28]) 'Spread' refers to the difference between the highest and lowest hourly day-ahead electricity prices in a single day.

([29]) According to government data, around 12% of connection points are equipped with smart meters, while 6% of energy flows are measured by such devices.

hampering competitiveness. While the utility price cap scheme applies to households and micro-enterprises, electricity prices for other consumers were 74% higher than the EU average in the first half of 2025. Wholesale electricity prices in Hungary were the third highest in the EU. In addition, Hungary's economy is among the most energy-intensive in the EU, alongside Czechia and Slovakia, using 70% more energy to produce a unit of value added than the EU average. Several underlying factors contribute to higher electricity costs for industrial users: low competition between suppliers, burdensome regulations and taxes, and guaranteed compensation for renewables under fixed feed-in tariffs ('KÁT') that falls on industrial consumers – although the latter was reformed to some extent in 2025. High network transmission fees may partly reflect high costs for network operators. In addition, the regulated low energy prices for households continue to put an indirect burden on energy prices for businesses. The cost of the household subsidies is compensated, among other things, by the sector-specific energy tax ('Robin Hood tax'), which further drives up energy prices for businesses and hinders energy companies' investments.

Energy efficiency remains a key challenge, particularly in the residential building sector. The energy intensity of residential buildings was the fifth highest in the EU in 2023. The residential sector accounted for 29% of total final energy consumption in 2023, while 47% of energy consumption was covered by natural gas and 23% by biofuels and waste ([30]), leading to significant emissions of greenhouse gases and particulate matter. Considering that Hungary's housing stock is among the least energy-efficient in the EU ([31]), energy efficiency investments would significantly contribute to decarbonisation, decrease of dependence on fossil fuels, improvement of air quality by reducing pollution stemming from heating, as well as reduction of energy poverty, especially among households at risk of poverty or social exclusion. Data on energy efficiency gains in the business sector suggest that price signals work, while residential energy consumption is not on a clear path to meet the 2030 reduction targets.

Addressing environmental and climate vulnerabilities to ensure sustainable growth

Steps have been taken towards more sustainable water management practices, but implementation remains at an early stage. In 2025, Hungary received a CSR to improve water resilience through natural water retention and strengthened administrative capacities. Hungary continues to face environmental challenges related to water use and management, including an increased risk of drought, poor water quality and illegal water abstraction (see Annex 10). Climate vulnerability is highly uneven across regions in Hungary, with the Great Plain region especially affected by water scarcity. The government launched the 'Water to Landscapes' programme in 2025, aiming to combat the adverse consequences of climate change by promoting water retention and raising awareness among farmers. Implementation is under way, though a third of the properties offered for flooding have been identified as unviable ([32]). Furthermore, the Inter-Ministerial Water Management Committee commenced its work in 2025. Despite these efforts, there is insufficient monitoring and taxation of water abstraction. Furthermore, the successful implementation of sustainable water management practices is impeded by a lack of green skills at the policy and implementation levels.

The governance challenges in water management mirror those in climate adaptation policy. Hungary faces significant climate risks, in particular water scarcity and transport disruptions, necessitating substantial

([30]) Water Governance for Climate Resilience in Hungary, link.

([31]) See OECD country report – to be published.

([32]) Source: terkeptar.vizugy.hu/vizetatajba/.

investments to enhance climate adaptation. Estimated at 0.52% of GDP per year until 2050 (EU average: 0.46%), these investments are crucial for addressing the country's vulnerabilities to climate-change-related risks, including fiscal risks. However, governance issues hinder effective action. In water management, this is reflected in a lack of cooperation across sectors (energy, industry, agriculture and forestry) and between regional and national authorities. The country's ability to adapt to climate change is further hindered by a lack of comprehensive monitoring and evaluation frameworks. The revision process of the second national climate change strategy is under way and updating the climate adaptation strategies remains vital for managing risks.

Hungary's air pollution problem – driven notably by transport, industrial emissions and household heating – causes significant costs and health risks. Air pollution causes around 9 300 deaths per year, resulting in one of the highest per capita death rates in the EU. The annual cost to public health and the economy is at least EUR 6.3 billion, placing Hungary 10th in the EU on a per capita basis ([33]) (see Annex 10). Hungary also ranks 9th in the EU for industrial emissions intensity, driven by the energy, mineral and waste sectors. Household heating worsens winter smog, while transport and agricultural emissions remain high. Hungary's failure to meet the 2020–2029 emission targets for $PM_{2.5}$ and NH_3 highlights systemic policy gaps. Without stricter regulations, targeted taxes, increased cross-policy coordination, and rapid decarbonisation of heating and transport, Hungary faces persistent health crises and high economic and environmental pollution costs.

The transition to a circular economy is not progressing. In 2025, Hungary received a CSR to improve circularity, by strengthening waste treatment capacities. No substantial measures have been adopted to address the recommendation. Hungary's resource productivity is well below the EU average; however, it has improved in recent years. Key recycling rates are lagging behind the EU average and showing worrying trends (see Annex 8). In 2024, 53% of municipal waste was landfilled, more than double the EU average (22% in 2023). The recycling rate of municipal waste has not increased since 2018. The deterioration in these indicators may be linked to limited resources, insufficient treatment capacity and gradually declining competition in the waste management sector. Hungary is also yet to adopt a national circular economy strategy. Economic incentives remain insufficient. Hungary's landfill tax has not changed since 2014 and fails to deter disposal. Additionally, there are no incineration or plastic-specific taxes, despite legal provisions acknowledging the issue. Updating fiscal tools could help reduce inefficiency.

Decarbonisation of the transport sector has been slow

Decarbonising transport is a persistent challenge in Hungary, requiring both a modal shift to rail and the decarbonisation of the rail and road sectors. Transport is the second-largest contributor to Hungary's final energy consumption, accounting for 26% of the total; 81% of this comes from oil products ([34]) (see Annex 8). A further modal shift to rail would require significant investments. From 2018 to 2022, the share of rail in inland rail freight transport decreased in Hungary, and the level of rail infrastructure investments per capita is below the EU average (EUR 73 vs EUR 114 per inhabitant in 2022) ([35]). Hungary is not on track to meet its trans-European transport network (TEN-T) requirements. In 2024, an EU-wide assessment has found that Hungary's transport system is highly

([33]) European Commission: Directorate-General for Environment, IEEP, *Green taxation and other economic instruments – Internalising environmental costs to make the polluter pay* (p. 32-33, Table 3), 2021, Link.

([34]) https://www.iea.org/countries/hungary/efficiency-demand.

([35]) Source: Calculation based on Rail Market Monitoring (RMMS, 2024) for data on 'rail infrastructure investments' and on Eurostat data for 'population'.

vulnerable to climate risks, including a high risk of river flood and heatwave vulnerability on its entire TEN-T rail track network. Furthermore, significant rail infrastructure investments under Hungary's recovery and resilience plan have not been implemented. The decarbonisation of the rail and road sectors is not progressing fast enough, with only 45.3% of Hungary's rail network electrified – below the EU average ([36]). A lack of comprehensive transport infrastructure planning hinders the development of less-developed and peripheral areas and limits equal access to quality public transport services, thereby aggravating transport poverty in these areas (see Annex 12). In road transport, by the end of 2025, Hungary had deployed only around 25% of the electric vehicle charging infrastructure required to meet the 2030 target. For trucks, charging infrastructure is largely absent, and the uptake of zero-emission trucks is not being supported, despite the option to exempt them from the infrastructure-charge component of the road toll.

([36]) European Commission, Statistical Pocketbook 2025: EU Transport in figures, p. 80, link

Education and health outcomes are weak, and social policy does not provide adequate support for those in need. In 2025, Hungary received country-specific recommendations (CSRs) to improve education outcomes, increase access to effective active labour market measures, improve the adequacy of social assistance and unemployment benefits as well as access to essential services, and ensure effective social dialogue and sufficient social housing. Since the adoption of the 2025 CSRs, the government has implemented various measures to address them, but there has been limited progress in addressing the challenges in these policy areas (see Annexes 10, 11 and 12). Preventable diseases and avoidable mortality are more prevalent in Hungary, due to weaker prevention and unequal access to high-quality healthcare and long-term care. The social protection system does not sufficiently cater for children in foster care, young people in independent living, non-standards workers and homeless people. To meet labour market demands and boost productivity and innovation capacity, skill levels and health should be improved across the life course, and job quality should be raised.

Persistent educational inequalities are significant barriers to competitiveness

The education system reinforces existing socio-economic inequalities. In 2025, Hungary received a CSR to improve education outcomes and the tertiary attainment rate. Student performance gaps in basic skills linked to socio-economic background are among the largest in the EU. While there is some support for schools with high shares of disadvantaged students and for underperforming schools, more effort is needed to empower teachers and school leaders to work with the data collected through standardised competence tests and the early warning system. Measures to address Roma segregation are insufficiently targeted and implemented, leaving pupils more exposed to early school leaving and low educational attainment. Educational segregation is further intensified by the early tracking of students by ability and the growing number of church-affiliated and private schools. In many disadvantaged regions, these schools tend to attract and concentrate more advantaged students and experienced teachers, widening existing divides. Hungary could support the lifelong learning and labour market prospects of vocational education and training (VET) students through extended learning time for basic skills in VET, fully qualified teachers and greater permeability between VET and other education pathways.

Despite efforts to reduce early school leaving, significant disparities persist for some territories and vulnerable groups. Early school leaving decreased from 11.6% in 2023 to 9.3% in 2025 but remains above the EU average of 9%. In 2025, young people in rural areas were more than four times as likely as those in cities to leave education and training prematurely, while 4 in 10 persons with disabilities were early leavers in 2024. Hungary continues implementing measures to prevent school dropout, but little is known about their effectiveness. Strengthening systemic evaluation, cross-sectoral cooperation and individualised support for pupils at risk could be considered.

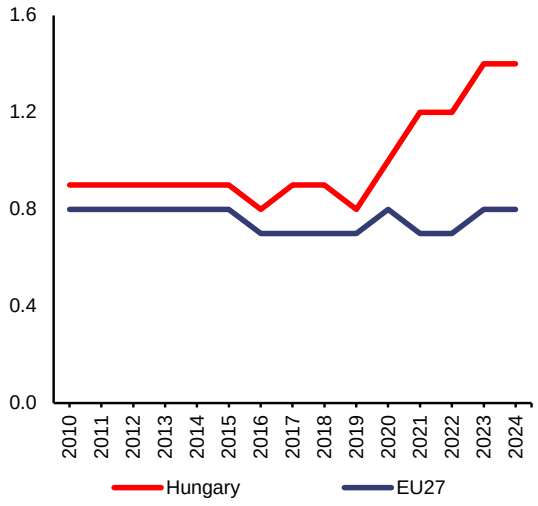
Institutional autonomy of public schools remains limited. Public education institutions are managed top-down by the district offices, which are responsible for key aspects of school operation, including admission, staffing, budgeting and infrastructure. The textbook market is monopolised, and extensive

curriculum requirements limit schools' and teachers' capacity to adapt teaching content and materials to local needs. These financial and governance constraints may have also affected the provision of services supporting inclusive education, including specialised pedagogical services and early diagnostic and developmental support ([37]).

Teacher shortages pose a significant challenge, driven by an ageing workforce. Teacher shortages are greatest in rural areas, and the share of unqualified teachers in disadvantaged schools is two to three times higher than in non-disadvantaged schools ([38]). Hungary's teaching workforce is one of the oldest in the EU, adding concerns to existing shortages, mainly in rural areas. In 2024, Hungary implemented a large-scale salary reform, with significant European Social Fund Plus (ESF+) support. As a result, teacher salaries in general education reached around 80% of the average wage of tertiary graduates. Many teachers face a heavy workload, high stress levels and low social recognition. Induction programmes could be further strengthened to better support novice teachers early in their careers and improve retention. In-service professional development has been strengthened. Reinforcing initial and continuous training on special educational needs could be considered, given the growing number of pupils with special educational needs in mainstream education. At the same time, limited school autonomy may reduce the system's capacity to promote pedagogical innovation, impacting the attractiveness of the teaching profession.

Tertiary education participation is increasing, but attainment remains among the lowest in the EU. Higher education enrolment has increased since 2022, with international students representing a growing share. Tertiary graduates are in high demand, with an employment rate of recent graduates above the EU average. Spending on tertiary education has increased significantly since 2020, and in 2023, it was well above the EU average; however, government-funded places increased at a much slower rate. In addition, at 32.6%, the tertiary attainment rate (among people aged 25-34) remains among the lowest in the EU (EU average: 44.8%), hampering innovation and productivity growth. Young people from disadvantaged backgrounds still face financial barriers to entering higher education, and parental background continues to have a strong influence on access to tertiary education. At the same time, enrolment in secondary education giving access to tertiary education has not increased significantly. Despite some initiatives promoting science, technology, engineering and mathematics (STEM) study fields, the share of students enrolled remains below the EU average.

Graph 4.1: **Public spending on tertiary education, % of GDP**



Source: Eurostat

Low-skilled adults often lack incentives to participate in learning. Adult participation in learning over the past 12 months is among the highest in the EU. However, low-educated people, unemployed people and people outside the labour market participate significantly less. They also have lower basic and digital skills. The ESF+ finances basic digital skills development, also for disadvantaged groups. Additional efforts are needed to improve adults' basic skills and

([37]) Velkey G. (2022). 'The increasing replication of territorial and social inequalities in public education in Hungary-causes, components, practices and mechanisms'. Soc. Sci., 11(3), 95 https://doi.org/10.3390/socsci11030095.

([38]) European Commission. Education and Training Monitor 2025, country report for Hungary.

the competitiveness of the labour force overall. The institutional and legal framework for individual learning accounts, together with strengthened guidance and counselling, could help promote access to learning for all adults.

Inequalities and limited social dialogue also affect the labour market

The labour market remains tight and significant inequalities persist. Low-educated people, Roma and persons with disabilities continue to face barriers to accessing and staying in the labour market. While Hungary performs relatively well on most dimensions of job quality, the gender pay gap is one of the highest in the EU, low-skilled workers experience a high in-work poverty rate, and the duration of unemployment benefits – three months – is inadequate to support unemployed people to find relevant work, as the average job-seeking period has increased, exceeding 12 months in 2025. The net income replacement rate of a single person after six months of unemployment is among the lowest in the EU. Extending unemployment benefits to cover the average job-seeking period could better support skills matching in the labour market.

Active labour market policies are not effective in integrating the most vulnerable people. Hungary received a CSR on increasing access to effective active labour market measures, but only limited progress has been made in this area. As from 2024, the legal framework allows the public employment service (PES) to purchase and oversee the content and quality of labour market trainings. Large-scale ESF+-funded measures have been implemented and some measures have helped reduce the disability employment gap, though it remains above the EU average. Training is still significantly underused, despite some recent increase in the number of participants. The underfunded PES is dependent on EU funding. The fragmented institutional framework impedes coordinated action to address the complex needs of long-term unemployed people. The effectiveness of active labour market policies and skills matching could be enhanced by setting up a one-stop-shop PES as the main point of contact for different actors, and by aligning activation and training services with labour market needs, including at local level.

The effectiveness of social dialogue remains limited, and collective bargaining coverage is low. Hungary received a CSR on improving the effectiveness of social dialogue, but the involvement of social partners in policymaking continues to be limited. There is practically no social dialogue in the public sector. Minimum wage agreements are reached in the tripartite forum of the private sector (VKF), but the government typically uses VKF as an information-sharing forum rather than for cooperation. Social dialogue in Hungary would benefit from reinforced capacity building and a more systematic, meaningful and timely involvement of social partners in policymaking. Introducing specific provisions in the Labour Code and in public-sector statutes to strengthen social dialogue and collective bargaining could address current gaps in the legal framework. Collective bargaining coverage is also among the lowest in the EU, and collective bargaining is prohibited in some sectors. In practice, the 10% representativeness legal threshold makes such agreements impossible. Authorities are working on a collective bargaining action plan, but social partners have not yet been consulted. Enhanced collective bargaining coverage and trade union density could effectively support workers' influence on labour conditions and policymaking.

Social assistance benefits are inadequate and unequal access to services contributes to poverty

Despite improving average living conditions, the social protection system is not able to effectively address deep poverty and severe material and social deprivation. Hungary received a CSR to improve the adequacy of social assistance,

and ensure access to essential services for all, but no action has been taken. While improving, severe material and social deprivation in Hungary remains among the highest in the EU. The impact of social transfers on poverty reduction halved between 2018 and 2025, and is among the lowest in the EU, contributing to increasing income inequalities and above EU average depth of poverty. Poverty is particularly prevalent in northern Hungary and North Great Plain. The adequacy of minimum income benefits remains among the lowest in the EU, with no mechanism in place for periodic adjustment, despite Hungary having one of the highest inflation rates in the EU in recent years. Introducing regular indexation of minimum income benefits to living costs could reduce the depth of poverty and improve the living conditions of the poorest people. This could be complemented by financial and in-kind support targeted at low-income households and by extending social protection to cover non-standard workers. Increasing pension adequacy could help address growing old-age poverty.

Vulnerable groups, especially in rural areas, face challenges in accessing essential and social services. Low-educated people, Roma and persons with disabilities experience significantly higher social exclusion risks, including when in employment. A large share of Roma live in segregated municipalities and neighbourhoods with poor infrastructure, often poorly served by public transport, which limits access to jobs, high-quality education and services. People living in the most disadvantaged regions or in rural areas face challenges in accessing key public services, such as childcare, schools, healthcare, long-term care and social services. In 2023, a major EU-funded project was launched in the 300 most disadvantaged municipalities, but results have fallen short of expectations. In 2025, several municipalities adopted local decrees to restrict settlement by disadvantaged people, citing 'local identity protection'. These decrees risk further worsening the situation of Roma and other vulnerable groups. In addition to stronger desegregation measures, investment is needed in sustainable mainstream essential services (digital, transport, water and energy) and social services (health, education and care) in disadvantaged municipalities, including by ensuring suitably qualified staff.

Children are particularly vulnerable. While the rate of children who are at risk of poverty or social exclusion is decreasing, Roma children and those with low-educated parents are significantly more vulnerable. Affected children often live in overcrowded households and are less likely to attend formal childcare before the age of three. Social and financial pressures are pushing an increasing number of children into professional child protection services, and more are being placed in institutional foster care due to a shortage of foster families. The government remains committed to creating new crèche places, with the Recovery and Resilience Facility and the European Regional Development Fund supporting the creation of over 3 500 across the country. However, there is room for further investment in mainstream services for all children (childcare, education, healthcare and social care), including early intervention and prevention, mental health support, alternative care, and adequately trained professionals.

Steeply rising housing costs underscore the need to improve the social housing stock and provide targeted support to low-income households. In 2025, Hungary received a CSR to target housing support measures at low-income households and increase the social housing supply. Hungarian households need to save more than 15 years of income to buy a 100 m^2 flat, which is one of the highest figures in the EU and almost double the EU average. The share of households that spend over 40% of their disposable income on housing costs decreased to below EU average, after significantly high levels in the past years ([39]). A fifth of people at risk of poverty or social exclusion, and more than a third of tenants, are overburdened by housing costs. Simultaneously, municipalities' social housing stock has been decreasing. Rising housing costs are increasingly forcing children into temporary accommodation, and the number of people in shelters for homeless

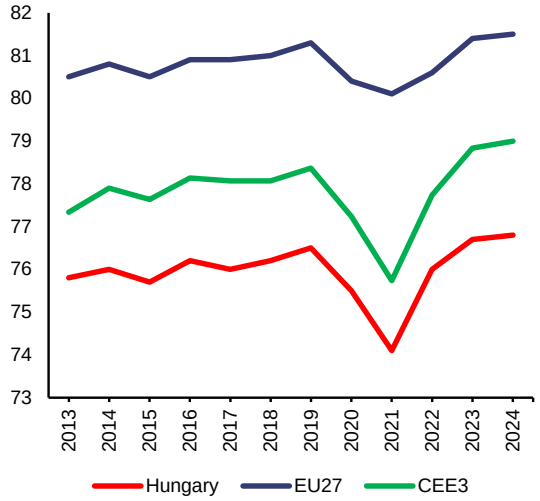
([39]) This indicator should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions

people is growing. Government support for home rental is available for young employees, but there are no larger-scale means-tested measures for people who are renting. The rental market is not regulated, which creates uncertainties for both tenants and landlords, and results in higher prices and lower supply. The launch of a non-targeted, non-means-tested subsidy scheme in September 2025 gave a further impetus to house price increases. Social housing is being developed as part of the 300 most disadvantaged municipalities' project, but there are no targeted measures to eradicate homelessness. There is further room to address residential segregation and to invest in the maintenance and renovation of existing social housing, as well as to increase the overall supply of social housing (see Annex 16).

Access to healthcare and long-term care is challenging

A heavy focus on hospital-centred care leaves primary and preventive care underfunded. In 2023, health spending per inhabitant was among the lowest in the EU, with consistently very low per capita investment in health infrastructure since 2015. The system is reliant on hospital services, which receive the largest share of health funding, thus limiting funds for primary and preventive care. This has resulted in one of the highest numbers of hospital beds per capita in the EU, while unmet needs for primary care are almost double the EU average. Some progress has been made in strengthening the role of general practitioners and increasing the number of patients enrolled in prevention programmes with Recovery and Resilience Facility and ESF+ support. A strategic reallocation of resources towards primary and preventive healthcare could help improve health outcomes.

Graph 4.2: **Life expectancy at birth**



(1) CEE3: Czechia, Poland and Slovakia
Source: Eurostat

Weak prevention undermines population health. Hungary has made some efforts to increase investment in disease prevention, but spending remains comparatively low. Avoidable mortality in Hungary is among the highest in the EU, with behavioural risk factors like smoking, poor diet and limited physical activity being major contributors. Life expectancy is among the lowest in the EU and the gap with the EU average and the average of regional peers has not narrowed over the last decade (Graph 4.2). The suicide rate is still among the highest in the EU, with increasing unmet needs for mental healthcare since the pandemic. Hungary's Activity Prescription Programme 2024 allows general practitioners to prescribe physical activity to combat lifestyle-related diseases. However, more efforts are needed to strengthen preventive care and promote healthy living to address the high prevalence of non-communicable diseases and improve the overall effectiveness of the health system.

Persistent qualified staff shortages and significant geographical disparities hinder equal access to healthcare services. In 2023, the number of practising nurses per inhabitant was among the lowest in the EU, and the high proportion of nurses aged 55 and over underscores the urgent need for attracting young professionals. The number of general practitioners per inhabitant is low

compared with the number of specialists. Rural and remote areas face particular staff shortages, and healthcare workers report significant mental health challenges, including elevated rates of depression. Phased salary increases and performance-based rewards have been implemented, but there is further room for expanding the healthcare labour force and improving retention, especially in underserved areas.

Access to high-quality long-term care is limited, especially in rural areas. Healthy life expectancy at age 65 is relatively low. In 2024, fewer older people in rural areas rated their health as good or very good than those in urban areas. Long-term and specialised care is concentrated in developed urban areas, and is strongly oriented towards residential care, while the availability of qualified staff for home care is limited. There is a shortage of affordable homecare and community-based services. Investing in expanding homecare and community-based care services as well as staff professionalisation could improve care provision and potentially reduce the current high pressure on the healthcare system.

KEY FINDINGS

In areas **covered by existing country-specific recommendations**, Hungary would benefit from:

- **improving the effectiveness of economic policy** by removing distorting and costly state interventions in the credit and product markets;
- **improving the sustainability of public finances**, including by strengthening the medium-term budgetary framework and annual budgeting, and improving the quality and efficiency of public spending through the use of spending reviews, as well as by reforming the pension system and addressing its income inequalities and ensuring adequacy for low-income groups;
- **improving the quality of the business environment and ensuring a consistent application of single market rules** by ensuring a predictable regulatory framework and a level playing field for all companies, avoiding market-distorting state-supported transactions and the use of distorting legislation, applying competition scrutiny systematically to business transactions, and simplifying administrative procedures, particularly in the retail sector;
- **facilitating access to finance for innovative and fast-growing small to medium-sized enterprises** by ensuring a level playing field for capital market development through regulatory measures and improving the effectiveness of existing support measures;
- **fostering innovation** through more predictable and efficient public R&D support and a stronger involvement of small to medium-sized enterprises in knowledge and technology transfer channels, also taking into account regional competitive advantages and specialisation strategies disparities;
- **accelerating the green transition further** by phasing out dependence on Russian energy imports and taking concrete steps to phase out fossil-fuel subsidies, in particular those related to excise duties on diesel and those hindering electrification in the residential sector;
- **improving flexibility and competition in the electricity sector** by increasing grid capacity, accelerating the roll-out of renewable energy sources (in particular wind), strengthening the role of aggregators, supporting the creation of energy communities, and expanding smart-grid and smart-meter infrastructure;
- **managing climate-change-related risks** by adopting nature-based water retention measures and addressing related green skill gaps as well as developing comprehensive cross-sectoral strategies with an integrated approach for less developed regions and those highly exposed to climate change;
- **improving circularity further** by strengthening waste treatment capacities;
- **improving the participation in the jobs market of vulnerable groups**, including low-skilled people, Roma and persons with disabilities, by ensuring effective reskilling and upskilling and strengthening the capacity of the public employment service;
- **ensuring effective social dialogue,** particularly in the public sector, and enhancing collective bargaining coverage and social partners' capacity;
- **promoting human capital development and improving**

educational performance and skills by reducing underachievement in basic skills, increasing the participation of disadvantaged groups, particularly Roma, in -quality mainstream education, further increasing the attractiveness of the teaching profession and improving the tertiary attainment rate;

- **providing more effective social protection** by: (i) improving the adequacy of the minimum income benefits, including by indexing them to living costs; (ii) improving access to quality mainstream essential and social services, including in disadvantaged municipalities, for persons with disabilities and children: (iii) extending the duration of the unemployment benefit; and (iv) ensuring access to social protection for all workers, including those in non-standard forms of employment;

- **increasing access to housing** by better targeting housing and rental subsidies, towards those in greater need, and introducing measures to increase housing supply, including for social housing in non-segregated neighbourhoods and through intermunicipal cooperation.

In **other areas**, Hungary would benefit from:

- **simplifying the tax system** by phasing out distorting taxes imposed on specific sectors, and increasing its fairness;

- **improving the effectiveness of the anti-corruption framework,** including by improving prosecutorial efforts and access to public information;

- **improving the quality and transparency of the decision-making process** through effective engagement with stakeholders, regular impact assessments and limiting the use of emergency legislation to what is strictly necessary;

- **improving competition in public procurement** by removing restrictive tender requirements, reducing the share of tenders receiving only a single bid, in particular for high-value contracts, and increasing the transparency of data on market developments and interests;

- **promoting cleaner transport and addressing transport poverty** by investing in the electrification and addressing climate vulnerabilities of the transport sector, facilitating the modal shift to rail, and improving the quality of affordable public transport, notably in peripheral areas in less developed regions;

- **accelerating decarbonisation and improving air quality** by investing in energy efficiency improvements, including in residential buildings, while adjusting the current system of regulated energy prices;

- **improving access to high-quality healthcare, in particular preventive and primary care services,** by allocating more resources to preventive care, addressing shortages of healthcare staff, and developing affordable homecare and community-based services for long-term care.

ANNEXES

LIST OF ANNEXES

A1. CSR implementation 38

Fiscal 41

A2. Fiscal developments and debt sustainability 41

A3. Taxation 46

Productivity 49

A4. Innovation to business 49

A5. Single market and industry 54

A6. Savings, investment and access to finance 62

A7. Effective institutional framework 70

Sustainability 75

A8. Industry decarbonisation, circularity and climate mitigation 75

A9. Affordable energy transition 82

A10. Climate adaptation, preparedness and environment 89

Fairness 97

A11. Labour market 97

A12. Social policies 101

A13. Education and skills 106

A14. Social scoreboard 111

A15. Health and health systems 112

A16. Housing 116

Horizontal 121

A17. Sustainable development goals 121

A18. Competitive regions 123

A19. Transport 131

LIST OF TABLES

A1.1. CSR Implementation and Commission assessment 38

A2.1. Projected change in age-related expenditure in 2025-2040 and 2025-2070 43

A2.2. Supplementary pension schemes - Scope for expansion 43

A2.3. Fiscal Governance Database indicators and Public Accounting Maturity 45

A3.1. Taxation Indicators 47

A4.1. Key innovation indicators 53

A5.1. Single Market and Industry 61
A6.1. Savings and Investments Union summary diagnostic 62
A6.2. Financial sector indicators 69
A7.1. Hungary. Selected indicators on better regulation practices for primary legislation 71
A7.2. Digital Decade key performance indicators: availability of digital public services 72
A8.1. Key clean industry and climate mitigation indicators: Hungary 81
A10.1. Key Adaptation Indicators 96
A14.1. Social Scoreboard for Hungary 111
A15.1. Key health indicators 113
A18.1. Main development trends, challenges and the concentration of resources 124
A18.2. Key regional indicators (at NUTS 2 level) for Hungary 126
A19.1. ERTMS deployment in Hungary. 132

LIST OF GRAPHS

A2.1. Contribution to the change in the general government balance (% of GDP) 41
A2.2. Public investment evolution and composition (% of GDP) 42
A2.3. Primary spending evolution and compositional change 42
A3.1. Tax revenue by economic function in 2024, HU (outer ring) and EU-27 (inner ring) 46
A3.2. Tax wedge for single and second earners as a % of total labour costs, 2025 48
A4.1. Public expenditure on R&D (GOVERD + HERD) as a percentage of GDP in 2024 49
A4.2. Patent applications to the EPO by country of applicants and inventors in 2024 51
A5.1. GVA by NACE in Hungary (inner circle) and EU27 (outer circle) 54
A5.2. Manufacturing production: total and selected sector, index (2021=100), 2015-2024 60
A6.1. Composition of non-financial corporations' funding 63
A6.2. Capital markets and financial intermediaries 63
A6.3. Composition of households' financial assets 64
A7.1. Trust in the justice system, regional / local authorities and in government 70
A7.2. Most time-consuming aspects of service delivery 72
A8.1. Greenhouse gas emissions in the effort sharing sectors, 2005, 2023, and 2024 77
A9.1. Electricity and gas prices for household and non-household consumers, first half of 2025 83
A9.2. Low-carbon electricity generation vs. electricity wholesale prices, 2025 83
A9.3. Hungary's installed renewable capacity vs electricity generation mix 86
A11.1. Employment rates 97
A12.1. Impact of social transfers (excluding pensions) on poverty reduction 101
A12.2. Regional differences in poverty and social exclusion risks, low educational attainment and unemployment, 2025 104
A13.1. Provision of induction to teachers upon joining school 108
A15.1. Treatable mortality 112
A15.2. Potential gains in working-life years from prevention, between 2022 and 2040 113
A16.1. House prices, rents and price-to-income evolution in HU and EU27 since 2005 116
A16.2. House supply indicators in HU since 2005 117
A16.3. Bank loans to households for house purchase 117
A16.4. Housing affordability selected indicators 120
A17.1. Progress towards the SDGs in Hungary 121
A19.1. Hungary's road fatalities per million, 2024 133

LIST OF MAPS

A18.1. GDP per head compared with the EU average. 123
A18.2. Labour productivity (2023), Hungary (NUTS 2 regions) 124
A18.3. Average annual population change at NUTS 3 level (2015-2024) 128
A18.4. House purchase capacity relative to income (2024) 129
A18.5. Economic impact of climate change (2024) 130

Table A1.1: **CSR Implementation and Commission assessment**

Hungary faces challenges in a wide range of policy areas, as identified in the country-specific recommendations (CSRs). Hungary was recommended, among other things, to reinforce overall defence and security spending, improve the regulatory framework, stimulate the development of capital markets, strengthen the innovation framework for the public sector and businesses, accelerate the diversification of fossil fuel supply, improve education outcomes and tertiary attainment rate, increase access to effective active labour market measures, the adequacy of social assistance and unemployment benefits, and ensure access to essential services for all.

The Commission has assessed the degree of implementation of the 2025 CSRs considering the policy action taken by Hungary to date*. To do so, the Commission has taken into account the information provided by Hungary in its Annual Progress Report as well as other information sources. This annex provides summary information on the policy actions taken or planned by Hungary for each CSR. More detailed information on these actions is included in the relevant chapters and other annexes of the report.

**CSR 2 is not assessed in CeSaR. RRP implementation is monitored through the assessment of RRP payment requests and analysis of the bi-annual reporting on the achievement of the milestones and targets, to be reflected in the country reports. Progress with the cohesion policy is monitored in the context of the Cohesion Policy of the European Union.*

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
1.1: Reinforce overall defence and security spending and readiness while ensuring debt sustainability in line with the European Council conclusions of 6 March 2025.	Total general government defence expenditure in 2026 is projected at 2.1% of GDP, corresponding to an increase of 0.1 ppt. compared to 2024.	Total general government defence expenditure in 2027 is projected at 2.0% of GDP, unchanged compared to 2024.	Substantial Progress
1.2: Adhere to the maximum growth rates of net expenditure recommended by the Council on 18 February 2025, with a view to bringing an end to the situation of an excessive deficit while making use of the allowance under the national escape clause for higher defence expenditure.	Cumulated deviation in 2025 amounted to 0.8% of GDP but is fully explained by the NEC flexibility (0.8 pps. of GDP). Cumulated deviation in 2026 projected at 3.0% of GDP and is only partially explained by the NEC flexibility (1.1 pps. of GDP). The EDP is held in abeyance.		Limited Progress
1.3: Wind down the emergency energy support measures.	The net budgetary cost of energy support measures is estimated at 1.6% of GDP in 2023 and at 1.7% in 2024, and 1.1% in 2025. In particular, subsidies to utility companies for the losses incurred due to caps on residential energy prices are assumed to remain in force in 2026 and beyond. The energy support measures were not wound down as soon as possible in 2023, 2024 and 2025.		Limited Progress
1.4: Pursue effective coordination and clear demarcation of macroeconomic policies to ensure fiscal and external sustainability.	No measures.		No Progress
1.5: Phase out price and interest-rate caps, and equivalent measures, to reduce distortive effects and facilitate the smooth transmission of monetary policy.	No measures.		No Progress
1.6: Strengthen the medium-term budgetary framework,	A new regulation broadened the tasks of the Fiscal Council.		Limited Progress

(Continued on the next page)

Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
align the preparation of annual budgets with the budgetary year and limit discretion in the implementation of annual budgets.			
1.7: Improve the long-term sustainability of the pension system, while preserving adequacy, in particular by addressing income inequalities.	No measures.		No Progress
3.1 Improve the regulatory framework and enhance competition in product markets and services, in particular in retail, by avoiding arbitrary administrative interventions, tailor-made legislation providing undue advantage or disadvantage to specific companies and market-distorting state-supported transactions and by reducing the use of emergency measures to what is strictly necessary, in line with the principles of the single market and the rule of law.	No measures.		No Progress
3.2 Stimulate the development of capital markets by increasing tax and regulatory incentives.	No measures.		No Progress
3.3 Strengthen the innovation framework for the public sector and businesses by improving the predictability of public R&D spending and better targeting existing measures towards SMEs	The public science and innovation framework has been modified without the involvement of stakeholders		No Progress
4.1 Accelerate the diversification of fossil fuel supply to phase out dependence on Russian sources and	Hungary signed three long-term gas purchase agreements in 2025 with US and EU companies, which would cover approximately 12% of annual domestic gas consumption once the deliveries will have started.		No Progress
4.2 take concrete steps to phase out fossil-fuel subsidies, in particular those related to excise duties on diesel and those hindering electrification in the residential sector.	No measures.		No Progress
4.3 Improve flexibility and competition in the electricity sector, by strengthening the balancing market and boosting cross-border electricity trading.	Some progress related to the balancing market: -70% minimum transmission capacity reached by 31/12/2025 on all TSO network elements - increased storage capacity - amended rules to facilitate colocation	-test period to join MARI and PICASSO started in April 2026	Some Progress
4.4 Improve water resilience through natural water retention and strengthened administrative capacities, and	- Government launched the “Water to Landscape” programme to enhance water retention. - Act on Water Management was		Limited Progress

(Continued on the next page)

Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
	amended, establishing drought mitigation and water retention as core water-management responsibilities. - An inter-ministerial committee on water management commenced its work to coordinate water policy across sector with a focus on climate resilience and drought/flood risks.		
4.5 improve circularity, in particular by strengthening waste treatment capacities.		Some investments are included in the EEEOP+ and in the waste management's rolling development plan.	No Progress
5.1 Improve education outcomes and tertiary attainment rate and increase the participation of disadvantaged groups, particularly Roma, in quality mainstream education by further increasing the attractiveness of the teaching profession and the share of pupils obtaining an upper-secondary qualification that gives access to tertiary education.	- Pilot project ongoing to improve VET permeability. - Progress on reducing ESL rates through the roll out of an early warning monitoring system.		Limited Progress
6.1 Increase access to effective active labour market measures, in particular by providing upskilling and reskilling opportunities to the most disadvantaged groups, and	Due to a legislative change the Public Employment Service can procure trainings.		Limited Progress
6.2 ensure effective social dialogue.	No measures.		Limited Progress
6.3 Improve the adequacy of social assistance and unemployment benefits, and ensure access to essential services for all.	No measures.		No Progress
6.4 Target support measures in the housing sector to low-income households and increase housing supply, including for social housing.	No measures.		No Progress

Source: Commission's Assessment

ANNEX 2: FISCAL DEVELOPMENTS AND DEBT SUSTAINABILITY

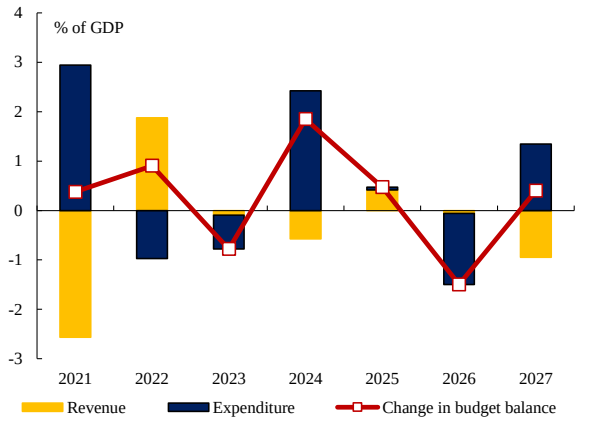
This annex discusses selected topics in public finances and developments on fiscal-structural country-specific recommendations (CSRs) addressed to Hungary in July 2025. These include a call to increase defence spending and readiness while implementing a fiscal strategy in line with the Council Recommendation of 18 February 2025. Hungary was also called on to take decisive action to safeguard the sustainability of public finances, by measures such as i) winding down emergency energy support measures, ii) pursuing effective coordination and clear demarcation of macroeconomic policies, iii) strengthening the medium-term budgetary framework and iv) improving the long-term sustainability of the pension system.

On 18 February 2025, the Council adopted the recommendation endorsing Hungary's medium-term fiscal-structural plan ([40]), which includes a fiscal adjustment over four years. The Council also adopted a recommendation under Article 126(7) TFEU to correct the excessive deficit in Hungary ([41]). On 8 July 2025, the Council activated the national escape clause for defence spending for Hungary to facilitate the transition to higher levels of defence spending ([42])([43]).

Developments in government balance, debt and public expenditure ([44])

Hungary had a government deficit of 5.0% of GDP and a government debt-to-GDP ratio of 73.5% at the end of 2024. According to the Commission's autumn 2025 forecast, Hungary's government deficit is projected to increase to 5.1% of GDP in 2025 and remain at 5.1% of GDP in 2026. The projected increase in the deficit in 2025 is driven by strong growth in primary expenditure outweighing a fall in interest expenditure and in the cost of household energy subsidies. Hungary's debt-to-GDP ratio is forecast to increase to 74.9% by 2027 driven by the high deficit.

Graph A2.1: **Contribution to the change in the general government balance (% of GDP)**



Source: Commission autumn 2025 forecast

Public investment has been declining as a proportion of GDP since 2019. Efforts at fiscal consolidation have often targeted investment, which has been hindered by Hungary's access to some EU funds (under the Recovery and Resilience Facility and cohesion policy) being blocked policy due to rule-of-law issues. In 2026 public investment was projected to remain similar to the 2025 figure of 4.2%, still below the 6.2% it reached in 2019.

([40]) OJ C, C/2025/1707, ELI: http://data.europa.eu/eli/C/2025/1707/oj

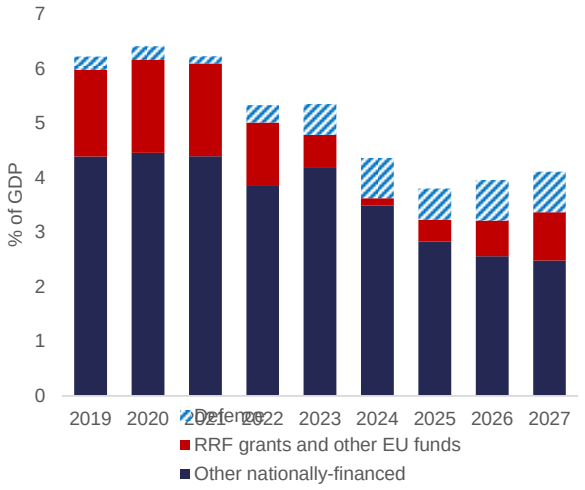
([41]) Council Recommendation with a view to bringing an end to the situation of an excessive deficit in Hungary, as adopted on 18 February 2025. The corrective net expenditure path recommended by the Council under the excessive deficit procedure is consistent with the maximum growth rates of net expenditure set out in the plan.

([42]) OJ C, C/2025/3968, ELI: http://data.europa.eu/eli/C/2025/3968/oj

([43]) Compliance by Hungary with the maximum growth rates of net expenditure recommended by the Council is assessed in COM(2026)200.

([44]) Figures underpinning fiscal surveillance (net expenditure growth) are provided in the Fiscal Statistical Tables SWD(2026)200 providing background data relevant for the assessment of the budgetary policies of the Member States.

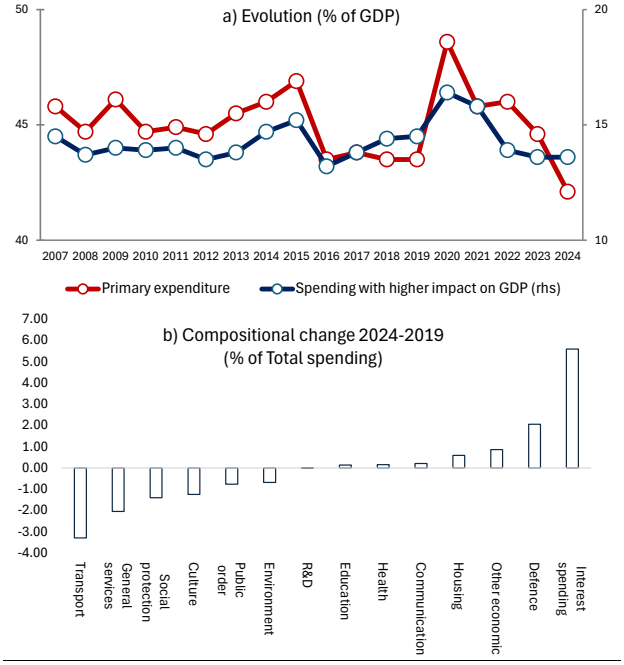
Graph A2.2: **Public investment evolution and composition (% of GDP)**



Source: Commission Autumn 2025 Forecast

Expenditures with a higher impact on GDP began rising in the pre-COVID-19 period but have since reverted to previous lower levels. As regards the composition of spending, social protection and general public services account for the largest proportion of total expenditure (above 20%), followed by economic affairs ([45]) and education (above 10% of total spending). Since 2019, public expenditure on interest and defence has increased significantly (See Graph A2.3), the latter rise due to recent security developments. Spending on housing, communication, other economic affairs, health and education has risen more modestly. By contrast, spending on research and development has remained broadly stable while spending transport expenditure has declined. This trend deserves attention, as these categories are generally considered to be conducive to growth.

Graph A2.3: **Primary spending evolution and compositional change**



Source: Eurostat

Note: Based on economic literature, the categories considered to have the higher growth impact include education, research and development, health, transport and communication (See Barbiero and Cournede (2013), Gemmel et al. (2016), Lupu et al (2018), Cepparulo and Mourre (2020) and OECD (2025)).

Hungary's tax revenue as a proportion of GDP is below the EU average and relies on consumption taxes. In 2024, Hungary's total tax revenues as a percentage of GDP (including compulsory social-security contributions) amounted to 35.3% compared to the EU average of 39.4%. Total tax revenues are projected to be unchanged as a percentage of GDP in 2025 and are set to slip to 34.8% of GDP in 2026, according to the autumn 2025 forecast ([46]). Growth-friendly taxes are underused, with Hungary's tax mix relying relatively heavily on consumption taxation and less on labour taxation. Nevertheless, the tax burden on low earners is relatively high for the EU because of the flat income-tax structure. Sector-specific taxes remain in the energy, retail and finance sectors, which has a detrimental effect on the business environment (see Annex 3).

([45]) This refers to the set of government activities, policies, and expenditures aimed at regulating, supporting, and developing economic activity across major sectors, including general economic and labour policies, agriculture and natural resources, energy, industry, construction, and other economic functions not elsewhere classified. Although transport and communication, as well as research and development activities, are normally considered part of this function, they are treated separately in the graph presented.

([46]) Data retrieved from the AMECO database (https://economy-finance.ec.europa.eu/economic-research-and-databases/economic-databases/ameco-database_en)

Table A2.1: **Projected change in age-related expenditure in 2025-2040 and 2025-2070**

	ageing-related expenditure	change in 2025-2040 (pps GDP) due to:					ageing-related expenditure	
		pensions	*healthcare*	*long-term care*	*education*	*total*		
HU	16.0	*1.3*	*0.3*	*0.1*	*0.1*	***1.7***	17.7	**HU**
EU	24.3	*0.5*	*0.3*	*0.4*	*-0.3*	***0.9***	25.2	EU

	ageing-related expenditure	change in 2025-2070 (pps GDP) due to:					ageing-related expenditure	
		pensions	*healthcare*	*long-term care*	*education*	*total*		
HU	16.0	*4.2*	*0.5*	*0.3*	*0.2*	***5.2***	21.3	**HU**
EU	24.3	*0.2*	*0.6*	*0.8*	*-0.3*	***1.3***	25.6	EU

Source: 2024 Ageing Report (EC/EPC).

Table A2.2: **Supplementary pension schemes – Scope for expansion**

	Assets in 2024 (% GDP)	**Gross replacement rate at retirement:** (pps change 2025-2040)	**Participation in 2024** (% working-age population)	
HU	4.8	*1.6*	18.4	**HU**
EU	32.4	*-2.8*	55.9	EU

Source: European Commission.

Cost of ageing

Total ageing-related spending in Hungary is projected to rise by about 1.5 percentage points (pps) of GDP by 2040, to around 18% of GDP, with a further increase of 3.5 pps by 2070 (see Table A1.12). The overall increase is the result of a projected rise in pension expenditure, with smaller increases for healthcare and long-term care. Total spending on ageing-related items is set to remain below the EU average.

Public pension spending as a proportion of GDP is projected to increase by around 1.5 pps over the next decades and by around 4 pps by 2070. At 12% of GDP in 2070, gross spending on public pension benefits would be in line with the projected EU average. In 2025, the Council called on to Hungary to improve the long-term sustainability of the pension system, while preserving adequacy. No measures to address this matter have been adopted recently, though a 14th month pension benefit has been introduced, which will add to the projected spending pressures.

Supplementary pension schemes can boost the resilience of the pension system by diversifying sources of retirement income. In Hungary, however, their uptake remains limited: at the end of 2024, private pension assets amounted to around 5% of GDP while around 18% of the working-age population participated ([47]). This coincides with rising spending pressures on medium-term public pensions and a projected increase in the replacement rate of 1.6 pps between 2025 and 2040 (Table A2.2 and A2.3) ([48]).

Public healthcare and long-term care expenditure are projected to increase by 2070 but remain below the EU average. Public healthcare expenditure is projected at 4.3% of GDP in 2025 (below the EU average of 6.6%) and is expected to increase by 0.3 pps by 2040 and by a further 0.2 pps by 2070. Public expenditure on long-term care is projected at 0.6% of GDP in 2025 (below the EU average of 1.7%) and is expected to increase by 0.1 pp of GDP by 2040 and by a further 0.2 pps of GDP by 2070.

([47]) Source: OECD Pension Market in Focus 2025. The highest participation rate in at least one supplementary pension plan is reported.

([48]) The (gross) replacement rate refers, depending on data availability, to both public and private pensions. It is based on projections from the 2024 Ageing Report.

National fiscal frameworks

The CSRs addressed to Hungary in 2025 include a call to strengthen the medium-term budgetary framework, align the preparation of annual budgets with the budget year and limit discretion in the implementation of annual budgets. The 'state of danger' law ([49]) in force since 2020 has lifted the requirement to publish a multiannual budgetary plan and therefore limits the ability of the fiscal framework to ensure medium-term orientation and accountability. Hungary tends to adopt its budget early and the 2026 budget was no exception – it was adopted in June 2025. Frequent revisions of budgetary targets reduce their credibility.

The Fiscal Council of Hungary (FCH) is a small independent fiscal institution (IFI) with a narrow mandate: to assess the macroeconomic forecast underlying the government's annual budgetary plan and to monitor compliance with national fiscal rules. It produces medium-term forecasts but no long-term macroeconomic or budgetary projections. It also does no policy costing. The President of Hungary appoints the head of the FCH without any nomination procedure. Two of three board members are heads of other institutions at the same time (the Central Bank and Audit Office), which could affect the FCH's independence and make it harder to develop a proper identity as an IFI. It also relies heavily on staff from these two other institutions to perform its regular tasks. It maintains a relatively low media profile and has never undergone an independent external evaluation.

The state of play on spending reviews is heavily intertwined with broader governance concerns: institutional strength, fiscal transparency, medium-term budgetary anchoring and the independence of public financial management bodies from political interference. Hungary conducted two spending reviews in 2023-24 but the results were not published or reflected in budgetary planning.

Accrual accounting improves the transparency of a public body's financial position and performance, and can support sustainability and intergenerational equity. Most Member States (14) have implemented accrual accounting across the general government sector and five are set to do so by 2030 ([50]). Hungary is close to the EU average in terms of public-accounting maturity (see Table …) but has not yet implemented accrual accounting and has no plans to do so in the medium term ([51]).

Climate change is increasingly impacting public finances. The Commission's scenario analyses show that the long-term costs of inaction significantly exceed those of climate action ([52]). Hungary's climate insurance protection gap, estimated at 95%, highlights potential fiscal risks (see EEA data ([53])). Meeting Hungary's mitigation and adaptation priorities will require additional resources (see Chapter 3).

([49]) Under the state of danger, the government may issue decrees by which it can suspend the application of certain laws, deviate from legal provisions and take other extraordinary measures, which can be adopted by the parliament as laws *ex post*. The state of danger under the Article 53 of the Fundamental Law was introduced during COVID-19 pandemic and has been repeatedly extended. It is currently in force until 13 May 2026.

([50]) Report on public accounting in the EU (COM(2025)746 and accompanying Staff Working Document SWD(2025)396). Countries with an accounting maturity of 70% or more in relation to International Public Accounting Standards are deemed to apply accrual accounting.

([51]) Annexes 3.1 and 3.4 of SWD(2025)396

([52]) See European Commission (2026), Debt Sustainability Monitor 2025, Institutional Paper No 332, 12 February.

([53]) European Environment Agency: Economic losses from weather- and climate-related extremes in Europe

Table A2.3: **Fiscal Governance Database indicators and Public Accounting Maturity**

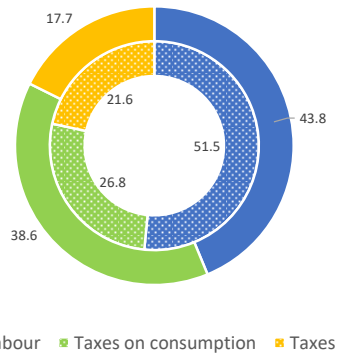
2024	Hungary	EU Average
Country Fiscal Rule Strength Index (C-FRSI)	10.39	14.81
Medium-Term Budgetary Framework Index (MTBFI)	0.33	0.72
2025 Public accounting maturity of general government	64%	65%

(1) "The Country Fiscal Rule Strength Index (C-FRSI) shows the strength of national fiscal rules aggregated at the country level based on i) the legal base, ii) how binding the rule is, iii) monitoring bodies, iv) correction mechanisms, and v) resilience to shocks. The Medium-Term Budgetary Framework Index (MTBFI) shows the strength of the national MTBF based on i) coverage of the targets/ceilings included in the national medium-term fiscal plans; ii) connectedness between these targets/ceilings and the annual budgets; iii) involvement of the national parliament in the preparation of the plans; iv) involvement of independent fiscal institutions in their preparation; and v) their level of detail. A higher score is associated with higher rule and MTBF strength.
The score for public accounting reflects the degree of maturity in relation to the International Public Sector Accounting Standards (IPSAS). Countries with an accounting maturity of 70% or more in relation to IPSAS are deemed to apply accrual accounting. For more information, see the report on public accounting in the EU (COM(2025)746 and accompanying Staff Working Document SWD(2025)396)."
Source: Fiscal Governance Database, European Commission

This annex provides an indicator-based overview of Hungary's tax system. It includes information on the tax mix, on competitiveness and fairness aspects of the tax system, and on tax collection and compliance. It also provides information on the risks of aggressive tax planning activity. In the area of taxation, the 2025 CSRs for Hungary highlighted challenges in stimulating the development of capital markets by increasing tax and regulatory incentives.

Hungary's tax revenues as a percentage of GDP remain below the EU average, with a relatively heavy reliance on consumption taxes and a relatively low reliance on labour taxes. Table A3.1 shows that Hungary's annual tax revenues as a percentage of GDP increased from 35.0% in 2023 to 35.3% in 2024, although this figure remained below the EU average of 39.4%. Labour taxation (15.4% of GDP in 2024) is still the largest tax base, although its relative importance has declined since 2019. The tax system relies heavily on consumption taxes (13.6% of GDP in 2024, above the EU average of 10.6%). Capital taxation as a percentage of GDP was 6.2% in 2024 (against an EU average of 8.5%). Revenue from environmental taxation is close to the EU average (2.0% of GDP in 2024 as compared with 2.1% in the EU), but recurrent property taxation remains relatively low (0.3% of GDP in 2024 compared with the EU average of 0.9%). Revenues from property taxes were relatively low (0.8% GDP), remaining below the EU average (1.8%).

Graph A3.1: **Tax revenue by economic function in 2024, HU (outer ring) and EU-27 (inner ring)**



Source: Taxation Trends Data, DG TAXUD

The corporate income tax (CIT) rate, at 9%, is the lowest in the EU (the EU average is around 21%). In addition to CIT, Hungarian resident companies are subject to a local business tax, which is deductible for CIT purposes. The forward-looking average effective tax rate was 11.1% in 2022 (third lowest among EU Member States; EU average around 19%). The low statutory tax rates, combined with a limited tax base due to various tax incentives and exemptions, reduces the tax revenue generated from CIT. Companies can avail of an energy efficiency tax incentive to support clean investment. This allows them to deduct up to 70% of their CIT liability (the total tax benefit is capped by state aid intensity rules at 30% of eligible investment costs for large enterprises, which may increase to 40% for medium-sized enterprises and 50% for small enterprises, with an overall ceiling of EUR 15 million per investment), if they meet certain energy savings targets.

Hungary has increased the threshold that requires companies to submit monthly tax filings. From 2026, companies with an annual tax liability below HUF 20 million (previously HUF 5 million) will be eligible to submit quarterly advances. The main aim of this reform is to reduce the administrative burden on SMEs and allow higher short-term cash flow.

Hungary's labour tax burden is significantly higher than the EU average for low-wage earners. Hungary's flat 15% personal income tax (PIT) rate is one of the lowest top income tax rates in the EU. As a result, the tax wedge ([54]) is the same across different income levels, meaning it is relatively high for low-income earners and relatively low for high-income earners. As shown in Table A3.1, Hungary's labour tax wedge for single people earning 50% of the average wage was 41.2% in 2025, which is higher than the EU average (31.6%). For workers earning the average wage, Hungary's tax wedge was close to the EU average, while it was below the EU average for

([54]) The tax wedge is an indicator of the tax burden on labour that can be assessed at various levels of earnings. It is defined as the sum of personal income taxes and employee, employer social-security contributions, and other mandatory contributions, expressed as a percentage of total labour costs (the sum of the gross wage and social-security contributions paid by the employer). Tax wedge data in the 2026 country reports are based on the EUROMOD model, calculated by the Joint Research Centre of the European Commission, while past country reports were based on the OECD tax and benefit model. While the underlying methodology is very similar, differences in the assumptions can lead to different results between both models.

Table A3.1: **Taxation Indicators**

		Hungary					EU-27				
		2019	2022	2023	2024	2025	2019	2022	2023	2024	2025
Tax structure	Total taxes (including compulsory actual social contributions) (% of GDP)	36.1	35.1	35.0	35.3		39.9	39.7	39.0	39.4	
By tax base	Taxes on labour (% of GDP)	16.5	14.6	14.7	15.4		20.6	20.1	19.9	20.3	
	of which, social security contributions (SSC, % of GDP)	11.6	9.9	10.0	10.4		13.0	12.7	12.7	13.0	
	Taxes on consumption (% of GDP)	13.7	14.2	13.5	13.6		11.2	10.9	10.5	10.6	
	of which, value added taxes (VAT, % of GDP)	9.4	10.1	9.4	9.2		7.1	7.4	7.1	7.1	
	Taxes on capital (% of GDP)	5.8	6.3	6.8	6.2		8.1	8.7	8.5	8.5	
Some tax types	Personal income taxes (PIT, % of GDP)	5.1	5.3	5.4	5.6		9.6	9.4	9.3	9.6	
	Corporate income taxes (CIT, % of GDP)	1.1	1.3	1.7	1.6		2.6	3.2	3.2	3.1	
	Total property taxes (% of GDP)	1.0	1.0	0.8	0.8		2.2	2.1	1.9	1.8	
	Recurrent taxes on immovable property (% of GDP)	0.4	0.3	0.3	0.3		1.2	1.0	0.9	0.9	
	Environmental taxes (% of GDP)	2.3	1.9	2.2	2.0		2.6	2.1	2.1	2.1	
	Effective carbon rate in EUR per tonne of CO_2 equivalents	na	na	50.6	na		na	na	84.8	na	
Progressivity & fairness	Tax wedge at 50% of average wage (single person) (*)	44.4	41.2	41.2	41.2	41.2	32.4	31.6	31.5	31.5	31.6
	Tax wedge at 100% of average wage (single person) (*)	44.4	41.2	41.2	41.2	41.2	40.1	39.7	39.9	39.9	40.0
	Corporate income tax - effective average tax rates (1) (*)	10.2	10.2	10.2	10.2		20.0	19.2	19.0	19.3	
	Difference in Gini coefficient before and after taxes and cash social transfers (pensions excluded from social transfers) (2) (*)	na	na	na	na		7.8	8.0	7.9	7.8	
Tax administration & compliance	Outstanding tax arrears: total year-end tax debt (including debt considered not collectable) / total revenue (in %) (*)	12.3	10.6	9.5	na		31.8	32.6	30.7	na	
	VAT gap (% of VAT total tax liability, VTTL) (**)	10.4	2.5	7.4	na		10.5	7.3	8.2	na	

(1) Forward-looking effective tax rate (KPMG).
(2) A higher value indicates a stronger redistributive impact of taxation. This indicator is calculated based on microdata from the EU statistics on income and living conditions survey. Data for Hungary were not available in the EU SILC microdata at the time of the preparation of this Annex.
(*) EU-27 simple average.
(**) Forecast value for 2024. EU-27 refers to the median value. For more data on tax revenues as well as the methodology applied, see the Data on Taxation Trends webpage.
Source: European Commission, OECD, ISORA.

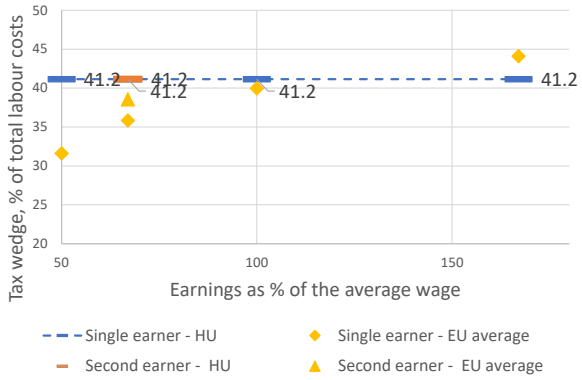
higher earners (at 167% of the average wage, see Graph A3.2). This means that the tax system places a disproportionate burden on lower-paid workers, which could have negative implications for the employment of low-skilled workers (see also Annex 11). In addition, they are also disproportionately burdened by high consumption taxes, as poorer households consume a higher proportion of their income than richer ones.

The inequality-reducing impact of the tax and benefit system is limited. The effectiveness of the tax and benefit system in reducing inequality has declined over time, falling below the EU average ([55]). Hungary is one of the few EU countries that imposes a flat rate tax on labour income, combined with high flat-rate social security contributions. Tax expenditures the personal income tax amount to about 11% of total PIT revenues, and around 98% of these tax expenditures are dedicated to family-related measures ([56]). By 2026, tax allowances for mothers have been extended to those with three children, as well as mothers under 40 years of age with two children. However, tax allowances and tax credits have not proved effective in reducing monetary poverty as low-income households and those with low work intensity cannot fully benefit from them for having a low tax base (see also Annex 12).

([55]) See European Commission: '2025 Country Report – Hungary', Commission Staff Working Document COM(2025) 217 final, p. 41; see also Annex 12.

([56]) See Turrini et al. (2024): 'Tax Expenditures in the EU: Recent Trends and New Policy Challenges', European Commission, European Economy Discussion Paper 212.

Graph A3.2: **Tax wedge for single and second earners as a % of total labour costs, 2025**



(1) The second earner tax wedge assumes a first earner at 100% of the average wage and no children. For the methodology of the tax wedge for second earners, see OECD, 2016, Taxing Wages 2014-2015.
Source: European Commission

Hungary publishes an annual tax expenditure (TE), but there is scope to strengthen the evaluation. The report discusses and quantifies the most important provisions. It also provides aggregate information on revenue foregone for specific types of taxes. Overall, Hungarian TEs were estimated at about 2.1% of GDP in 2022. However, the Global Tax Expenditure Transparency Index ranks Hungary in 105th position with regards to the regularity, scope and quality of its TE reports. Hungary scores particularly poorly on dimension 4 (descriptive TE data) and dimension 5 (TE assessments), which would be the most crucial dimensions to identify whether TEs are meeting their policy objectives. Increasing accountability and quality of the evaluations would help identify and reduce inefficient or ineffective tax expenditures.

There are a high number of exemptions, tax incentives and sector-specific taxes, making the tax system complex and distortive. In its recovery and resilience plan, Hungary committed to simplifying the system by reducing several sector-specific taxes, although sector-specific taxes remain in the energy, retail and finance sectors. These taxes place a higher burden on certain firms, possibly undermining the concept of the single market.

Overall, Hungary performs relatively well in terms of tax collection. Although the VAT compliance gap rose to over 7% of the VAT total tax liability in 2023 after a steep decrease registered from 2019 to 2022, it remained below the EU average. The observed increase - one of the highest increases among EU Member States - was likely influenced by higher non-compliance in the service sectors and a rise in bankruptcy declarations ([57]). At the same time, Hungary's VAT administration practices have several strengths ([58]). At 9.5% in 2023, the level of outstanding tax arrears is significantly low and has remained below the EU average in recent years. However, Hungary does not report figures for on-time payment rates.

Hungary's digitalisation efforts have been reducing the compliance burden for taxpayers. Hungary has full or high e-filing rates for VAT (100%), PIT (99.5%), and CIT (100%) returns. In line with its commitments under the recovery and resilience plan, Hungary is continuing to digitalise its tax administration. The Hungarian tax authority provides for advanced data analytics and risk-based compliance management, coupled with nudging tools to boost voluntary compliance. Hungary has been further rolling out the use of AI from data governance processes to data analytics. In addition, it provides various online tools and services to taxpayers reducing compliance cost ([59]).

The changes introduced aimed at tackling aggressive tax planning, appear to have had a positive impact. Inward flows of foreign direct investment (FDI) as a percentage of GDP have decreased to 116% in 2024, from 194% in 2023. While the percentage of inward FDI stocks, held through special purpose entities, relative to GDP fell to 55% in 2024 (from 65% in 2023). As in previous years, these figures suggest that Hungary may be used in aggressive tax planning structures, although to a lesser extent in 2024 than before. At the same time, Hungary still does not levy a withholding tax on interest, dividend and royalty payments. This may facilitate low tax cost repatriation of invested funds and raises the risk of aggressive tax planning.

([57]) European Commission, Directorate-General for Taxation and Customs Union, *VAT gap in the EU - 2025 report*.

([58]) European Commission, Directorate-General for Taxation and Customs Union, *Mind the gap - 2025 report*.

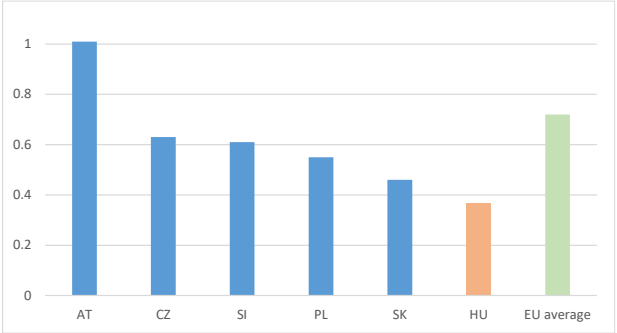
([59]) European Commission, Directorate-General for Taxation and Customs Union, *Mind the gap - 2025 report*.

Insufficient R&D investment and a narrow innovation base continue to constrain Hungary's advancements in science and innovation, hindering competitiveness. According to the 2025 European Innovation Scoreboard ([60]), Hungary has fallen from the category of moderate innovator to that of emerging innovator, despite gradual improvements in performance over time. Hungary's research and development (R&D) intensity has stagnated over the past decade, remaining significantly below the EU average (1.31% of GDP in 2021 compared to 2.24% for the EU average). Low public R&D investment affects the quality of the science base, undermining Hungary's innovative potential. Science-business linkages remain underexploited, and innovation activities continue to be concentrated in a small group of foreign-owned firms, limiting the development of a broader domestic innovation base and underscoring the need to involve more companies in R&I activities, particularly SMEs. Hungarian enterprises, particularly SMEs, continue to lag behind their EU counterparts in the field of advanced technologies (e.g. AI). To tackle these persistent challenges, the 2025 country-specific recommendations (CSRs) called for strengthening the innovation framework for the public sector and business, improving the predictability of public R&D spending as well as better targeting existing measures to SMEs ([61]).

Excellent science

Hungary's persistently low public R&D investment limits scientific progress and delays its long-term economic transformation. Public R&D expenditure has stagnated over the past years, falling to 0.31% of GDP in 2024, far below the EU average of 0.72% and behind most of its Central and Eastern European peers ([62]). As a result, Hungary is not on track to meet its national target of investing 3% of GDP in R&D by 2030 ([63]). This persistent underinvestment limits scientific excellence. In 2022, only 5.8% of the country's publications ranked among the top 10% most-cited worldwide, well below the EU average of 9.4%. To tackle this issue, the National Research Excellence Council was tasked with strengthening excellence-based research funding through the national research excellence programme ([64]). However, this measure does not address the issues identified in the 2025 CSR *on* improving the predictability of public R&D spending and falls short of tackling Hungary's systemic underfunding of public research, which is exacerbated by weak monitoring and evaluation of science policies.

Graph A4.1: **Public expenditure on R&D (GOVERD + HERD) as a percentage of GDP in 2024**



Source: Eurostat

Fragmentation, institutional instability and inefficient funding mechanisms erode Hungary's research system, leaving scientists with precarious careers, outdated infrastructure and slim chances of competing internationally. The reorganisation of the research institutes of the Hungarian Research Network (HUN-REN), begun in 2019, continued in 2025 with the detachment of the four research institutes dealing with humanities and human sciences to the Eötvös Loránd University. The creation of parallel institutional structures ([65]) as

([60]) 2025 European Innovation Scoreboard (EIS), country profile Hungary, country profile - Hungary The EIS provides a comparative analysis of innovation performance in EU countries, including the relative strengths and weaknesses of their national innovation systems (also compared to the EU average).

([61]) Council recommendations on the economic, social, employment, structural and budgetary policies in Hungary

([62]) For example, public R&D investment accounts for 0.64% of GDP in Czechia, 0.51% in Poland, and 0.64% in Slovenia.

([63]) National research, development and innovation strategy 2021-2030.

([64]) Nemzeti Kutatási Kiválósági Program (NKKP)

([65]) Parallel structures were created at the same institutions with the transfer of the four research institutes to ELTE but also

well as changes in the employment status of researchers and trade union representation as well as remaining concerns over academic freedom increased researchers' sense of unpredictability ([66]). Furthermore, the lack of research career pathway, coupled with low salaries, significantly affects the attractiveness of academic research careers ([67]). This further weakens the skills supply that is key for knowledge diffusion as well as society and the market uptake of innovation. With the goal of strengthening Hungary's knowledge-based economy to become one of the top innovators in Europe by 2030, the John von Neumann programme ([68]) provides the framework for the country's research and innovation strategy. The programme's mission-oriented approach is an important step toward aligning research and innovation efforts with strategic objectives. However, its monitoring and evaluation components remain underdeveloped.

Business innovation

Hungary's innovation capacity remains concentrated within a small group of large, predominantly foreign-owned firms and a limited number of domestic manufacturers. Business enterprise expenditure on R&D peaked at 1.23% of GDP in 2021 and subsequently declined to 0.99% in 2024, well below the EU average of 1.49%. The Hungarian economy is largely dependent on large foreign direct investment (FDI) net flows ([69]) from big medium-high-tech and high-tech manufacturers. Domestic firms are predominantly engaged in assembly-focused, low value-added roles within international production networks, while relatively few multinational companies locate their core innovation activities in Hungary ([70]). Employment in high-growth enterprises accounted for 0.38% of total employment in 2023, compared with 0.87% in the EU and with much higher levels in regional peers such as Slovakia (0.85%) or Poland (0.91%). Small and medium-sized enterprises (SMEs) remain insufficiently engaged in R&I activities ([71]), despite a high proportion of non-innovators with potential to innovate ([72]). Since the end of 2024, several calls for proposals have been launched for developing the innovation activity of SMEs under cohesion policy, amounting to more than EUR 660 million. The uptake and eventual impact of these calls remain to be seen.

High levels of public support for business R&D have not delivered the expected results, pointing to shortcomings in the effectiveness of existing instruments. The government implements multiple measures to stimulate business R&D, including indirect support through tax incentive schemes ([73]). However, the uptake of these measures by firms has been lower than anticipated ([74]), and despite high levels of support, there has been no corresponding increase in innovation performance as measured by patent applications. Rather, patenting activity has steadily declined over the last decade, with patent applications filed under the Patent Cooperation Treaty per billion GDP (in PPS EUR falling to 1.62 in 2022, significantly below the EU average of 2.8.

at system level with the creation of the research institutes favoured by the government with higher institutional funding like the Mathias Corvinus Collegium (MCC) or Veritas.

([66]) Tézisek a tudományért

([67]) The situation of researchers in Hungary and those connected to the country - Main findings of the research

([68]) https://kormany.hu/dokumentumtar/neumann-janos-program.

([69]) Inward FDI flows in 2023 reached 194% of GDP, nearly three times the EU average (84%) (Source: 2025 country report – Hungary).

([70]) Enhancing labour market relevance and outcomes of doctoral education: Country note Hungary | OECD.

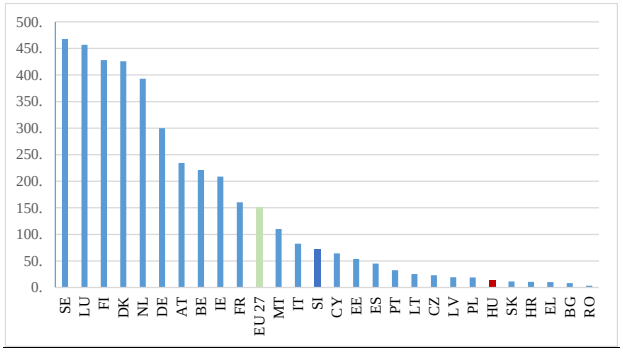
([71]) Business enterprise expenditure on R&D (BERD) performed by SMEs as % of GDP has been decreasing over the last decade, from 0.47 % in 2013 to 0.34 % in 2023, below the EU average.

([72]) Non-innovators with a potential to innovate account for 39.6%, against the EU average of 17.8% (source: EIS, Hungary country profile).

([73]) Hungary - Details | INNOTAX Portal.

([74]) Enhancing labour market relevance and outcomes of doctoral education: Country note Hungary | OECD.

Graph A4.2: **Patent applications to the EPO by country of applicants and inventors in 2024**



Source: Eurostat

To achieve the country's strategic goals of enhancing innovation and competitiveness, the 2026 programme strategy ([75]) of the National Research, Development and Innovation (RDI) Fund places greater emphasis on research excellence and life sciences in the health industry and international collaboration. Because of the 2025 CSR *on strengthening Hungary's innovation framework,* it is essential to improve policy effectiveness through regular evaluation and monitoring of the country's innovation support mechanisms, aligned with international best practices. This includes assessing R&D tax incentives and other fiscal measures to ensure efficient public spending and broader participation in the innovation ecosystem, particularly among SMEs.

The lack of structured public-private partnerships, combined with insufficient policies and entrepreneurial culture, impedes research commercialisation. Cooperation between academia and businesses is largely concentrated in hubs around incumbent firms with links to universities, notably in the automotive, electronics or pharmaceutical sectors, resulting in an above-EU-average proportion of public-private scientific co-publications ([76]). By contrast, public expenditure on R&D financed by businesses as a proportion of total public expenditure on R&D has steadily declined over the last decade, from 8.42% in 2014 to 1.94% in 2024, far below the EU average of 7.51%. This points to a very low propensity of firms to contract with public research labs. The National Research, Development and Innovation Office (NRDI) has launched major programmes and calls to encourage university-industry collaboration, such as the Technology Transfer Company Network Development programme. To complement these funding efforts, various non-financial support programmes have been launched by the Hungarian National Innovation Agency in recent years, aimed at fostering mentoring activities, entrepreneurial education and the commercialisation of research results from universities. The planned science and innovation parks ([77]) are also expected to foster knowledge valorisation. Nonetheless, collaboration and communication between universities and industries remain insufficient, and SMEs have limited incentives to engage in R&D and technology transfer activities ([78]). To maximise impact, and in line with the CSR on *strengthening the innovation framework as well as better targeting existing measures towards SMEs,* the effective implementation and monitoring of newly introduced measures will be crucial, alongside a rigorous evaluation and, when necessary, realignment of existing programmes supporting science-industry collaboration.

Despite the continued increase in the take-up of advanced technologies, most businesses, in particular SMEs, are not yet fully reaping the benefits due to a lack of digital skills. The low level of digital skills and the proportion of IT specialists in employment (see Annex 13) are also barriers to the digitalisation of SMEs. In Hungary, 59.8% of SMEs had at least a basic level of digital intensity, well below the EU average of 71.4%. The digitalisation of Hungarian SMEs is showing a positive trend but still lagging behind EU peers. Only 5.5% of SMEs in Hungary reached a very high level of digital intensity, against the EU average of 9.1%. With 10.4% for AI adoption, Hungarian enterprises perform significantly below the EU average of 20%.

([75]) NKFIH | Programstratégia 2026

([76]) 9.97% of total publications in 2024, compared with the EU average of 7.62.

([77]) Neumann János Programme.

([78]) Comparative analysis of technology transfer models of Hungary and Israel (Korányi, Fülöp, 2025)

Entrepreneurial dynamism

The startup ecosystem is expanding, but venture capital availability remains unstable, hindering further growth. In 2024, Hungary was home to over 1600 startups ([79]) and the startup sector has been growing steadily, with an annual growth rate of around 10-15% in the number of new ventures and funding received ([80]). Venture capital investment as a percentage of GDP progressed well until 2021, but then fell sharply, from 0.09% of GDP in 2021 to 0.03% in 2024, well below the EU average of 0.06%. Financing at seed, startup and later stages have been decreasing over recent years, remaining below the EU average. In terms of deals volume, a substantial number is financed by public sources that crowd out private market dynamism. Heavy reliance on public funding, which can be inconsistent, adds to the uncertainty. Low startup creation volume remains the ecosystem's biggest challenge. This is also due to long and complicated administrative processes, the lack of a risk-taking culture and talent retention and development combined with weak entrepreneurship education ([81]).

Entrepreneurship education is underdeveloped in Hungary and systemic changes are needed to strengthen it. While there are several state and private initiatives supporting the development of entrepreneurial skills, Hungary has no national strategy for entrepreneurship education. The school curriculum is limited to economic financial literacy, integrated in primary school mathematics teaching ([82]). According to the latest Global Entrepreneurship Monitor report, entrepreneurship education at school level remains weak, with only 21.6% of people aged 18-64 reporting that they acquired entrepreneurship knowledge in secondary school ([83]). However, in recent years, the ecosystem conditions of entrepreneurship education have improved in vocational and tertiary education ([84]). Hungary participated in the Visegrad Fund project 'Development of Entrepreneurship competencies among Generation Alpha in primary and secondary schools, which fosters entrepreneurial skills through collaborative activities ([85]). Hungary promotes entrepreneurship among graduates in vocational education and training (VET), by providing them with a lump sum grant to help with their transition to the labour market. Several universities offer training programmes supporting young entrepreneurs. For example, the Corvinus University of Budapest collaborates with the Ministry of Culture and Innovation and the Hungarian Chamber of Commerce and Industry on an entrepreneurship roadshow offering mentorship opportunities for secondary education students and graduates ([86]).

Addressing labour and skills shortages is essential for driving innovation and sustaining competitiveness. The proportion of the population aged 25-34 who have successfully completed tertiary education has been stagnating over the past decade and stood at 32.3% in 2025, among the lowest rates in the EU (see Annex 13). In 2024 the number of new graduates in science and engineering per thousand population aged 25-34 was well below the EU average, at 9.13 vs 16.82. While 6.8% of students studied abroad in 2024/25, 49% of students planned to live abroad ([87]). As in 2025, 52% of Hungarian firms cited lack of access to skilled staff as a barrier to investment (55% of firms in the manufacturing and construction sector) in contrast to the EU average of 79% ([88]). Targeted structural reforms to increase the supply of STEM graduates and upskill workers for technology-driven industries and emerging fields like artificial intelligence will be vital for future labour market needs.

([79]) Source: Dealroom.

([80]) The Hungarian Start-up Ecosystem: A Comprehensive Overview

([81]) Idem

([82]) European Commission: European Education and Culture Executive Agency, Baïdak, N., Kocanova, D., Pierantoni, L. and Riiheläinen, J. M., *Entrepreneurship education at school in Europe – 2025 – Eurydice report*, Publications Office of the European Union, 2025,

([83]) Csákné Filep, J., Szennay, Á., Timár, G. (2025). Facing Traditional and Digital Disruptions: Entrepreneurship in Hungary. Global Entrepreneurship Monitor National Report – Hungary, 2024-2025.

([84]) Idem.

([85]) https://alphaentrepreneurs.eu/about/#key-activities-section

([86]) https://www.uni-corvinus.hu/post/hir/a-fiatalok-vallalkozova-valasat-segito-kim-mkik-kepzes-indul-a-corvinus-szakmai-tamogatasaval/

([87]) Gyorsjelentes_20240711.pdf

([88]) EIB Investment Survey 2025: Hungary overview

Table A4.1: **Key innovation indicators**

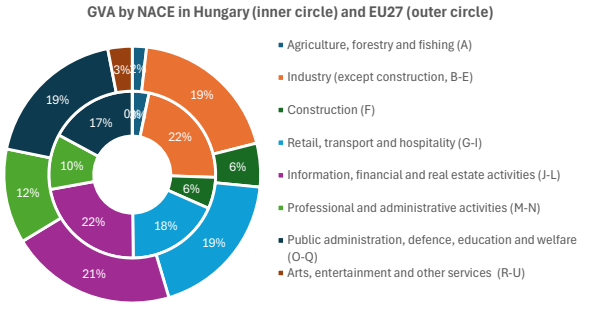
Hungary	2010	2015	2020	2022	2023	2024	2025	EU average (1)	US
Headline indicator									
R&D intensity (gross domestic expenditure on R&D as % of GDP)	1.13	1.34	1.58	1.39	1.38	1.31	:	2.24	3.44
Science and innovative ecosystems									
Public expenditure on R&D as % of GDP	0.44	0.34	0.36	0.38	0.37	0.31	:	0.72	0.64
Scientific publications of the country within the top 10% most-cited publications worldwide as % of total publications of the country	5.45	4.84	5.95	5.79	:	:	:	9.44	12.31
Researchers (FTEs) employed by public sector (Gov+HEI) per thousand active population	2.6	2.2	3.8	3.8	3.5	3.2	:	4.3	:
International co-publications as % of total number of publications	44.52	48.56	50.67	50.51	50.86	52.19	:	57.24	:
R&D investment & researchers employed in businesses									
Business enterprise expenditure on R&D (BERD) as % of GDP	0.68	0.98	1.21	1	1.01	0.99	:	1.49	2.70
Business enterprise expenditure on R&D (BERD) performed by SMEs as % of GDP	0.29	0.45	0.47	0.38	0.34	:	:	0.43	0.30
Researchers employed by business per thousand active population	2.4	3.3	5.3	5.8	5.8	6.1	:	5.9	:
Innovation outputs									
Patent applications filed under the Patent Cooperation Treaty per billion GDP (in PPS €)	2.46	2.45	1.85	1.62	:	:	:	2.81	2.20
Employment share of high-growth enterprises measured in employment (%)	:	:	:	0.43	0.38	:	:	0.87	:
Digitalisation of businesses									
SMEs with at least a basic level of digital intensity % SMEs (EU Digital Decade target by 2030: 90%)	:	:	:	:	53.16	:	59.81	71.39	:
Data analytics adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	53.21	:	40.56	39.85	:
Cloud adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	37.12	39.80	40.82	46.69	:
Artificial intelligence adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	3.68	7.41	10.37	19.95	:
Academia-business collaboration									
Public-private scientific co-publications as % of total number of publications	9.32	9.66	10.66	10.78	10.72	9.97	:	7.62	:
Public expenditure on R&D financed by business enterprises (national) as % of GDP	0.06	0.03	0.01	0.01	0	:	:	0.06	0.02
Public support for business innovation									
Total public sector support for BERD as % of GDP	0.26	0.35	0.24	0.19	0.14	:	:	0.21	:
R&D tax incentives: foregone revenues as % of GDP	0.16	0.15	0.04	0.0	0.0	:	:	0.10	0.16
BERD financed by the public sector (national and abroad) as % of GDP	0.10	0.20	0.20	0.150	0.10		:	0.11	:
Financing innovation									
Venture capital (market statistics) as % of GDP (calculated as a 3-year moving average)	0.01	0.04	0.08	0.08	0.05	0.03	:	0.06	:
Seed stage funding share (% of GDP)	0	0	0.02	0.02	0.01	0	:	0.01	:
Start-up stage funding share (% of GDP)	0	0.03	0.04	0.03	0.03	0.02	:	0.03	:
Later stage funding share (as % of GDP)	0.01	0.01	0.01	0.02	0.02	0	:	0.03	:
Innovative talent									
New graduates in science & engineering per thousand population aged 25-34	6.86	10.75	17.7	8.41	10.4	9.1	:	16.8	:
Graduates in the field of computing per thousand population aged 25-34	1.48	1.29	4.5	3.3	4.12	4.04	:	3.84	:

(1) EU average for the last available year or the year with the highest number of country data.

Source: Eurostat, DG JRC, OECD, Science-Metrix (Scopus database), Invest Europe, European Innovation Scoreboard.

Hungarian businesses continue to be confronted with a tough business environment, despite several features making the country an attractive location for investment, in particular its central geographical location and the lowest corporate income tax in the EU (9%). The 2025 CSRs called for measures to improve the regulatory framework and enhance competition in product markets and services, in particular in retail, by avoiding arbitrary administrative interventions, tailor-made legislation providing undue advantage or disadvantage to specific companies and market-distorting state-supported transactions, and by reducing the use of emergency measures to what is strictly necessary, in line with the principles of the Single Market and the rule of law. Business perception of the future is downbeat, entry rates are low and exits high, and existing firms face constraints like high energy prices, access to the right skilled labour, and increasingly late payments. The share of Hungarian firms investing (76%) is below the EU average (86%), according to the European Investment Bank Investment Survey (EIBIS) 2025. Hungarian businesses have not expected an increase in investment since EIBIS 2022 and are pessimistic about the political or regulatory environment, the economic climate and business prospects in their sector. Regulation, use of ad hoc taxation and an unstable business climate continue to hinder competition and innovation.

Graph A5.1: **GVA by NACE in Hungary (inner circle) and EU27 (outer circle)**



Source: Eurostat

Business dynamics

Hungary has a strong industrial base, representing 22% of gross value added. Economic performance is closely tied to the stability of international supply chains and trading relationships, particularly with the EU (80% of all exports). The automotive industry, with over 21% of all exports and 5% of GDP, plays a crucial role alongside electric vehicle battery production and IT electronics. The Hungarian economy is very reliant on battery and car manufacturing, which makes up over 30% of the manufacturing sector. SMEs represent 99.9% of all firms, 70% of the workforce and are responsible for 56.8% of all gross value added in the economy.

Business environment

The Hungarian business environment is a relatively attractive place to do business but faces several challenges. IMD World Competitiveness Rankings show Hungary in 46th place, up 6 places from 2024 but still below its performance in 2020-2022. This is largely due to its relatively good performance in the categories of price competitiveness and international trade. Challenges persist in enhancing the transparency, predictability and accountability of public decision making; decreasing state intervention and bureaucracy in the economy and improving access to state-sponsored innovation and development funds for SMEs.

Hungarian labour productivity remains well below the EU average. In 2025, it was roughly 71% of the EU weighted average, ranking Hungary 20th among EU Member States ([89]). Productivity varies significantly by sector, with industry and construction lagging; most likely a reflection of a lack of exposure to international markets. Internationally oriented (large) firms perform well and domestic SMEs less so.

Business entry rates are low, especially in sectors dominated by public ownership. Business registrations throughout 2025 and the five-year average remain stubbornly well below the EU average ([90]). Bankruptcy declarations throughout 2025 were the second highest in the EU. Lower-than-average entry rates are exacerbated by below-average survival rates for

([89]) Productivity trends using key national accounts indicators - Statistics Explained - Eurostat

([90]) Business registration and bankruptcy index by NACE

new businesses over the first five years, influenced by the strong presence of a few state-owned enterprises limiting competition, innovation and research.

The top barrier to investment is uncertainty about the future (74% vs EU average 83%). Although Hungarian firms tend to see fewer barriers to investment than the EU average, other barriers remain. While the cost of energy is a barrier for 57% of firms in 2025, this is 18 percentage points lower than the EU average (75%) and declining from previous years (for a regional picture please see the Competitive Regions annex). 52% of Hungarian firms cite access to qualified staff as a barrier, compared with the EU average of 79% ([91]).

Businesses increasingly face problems with late payments. Business to business and public sector payment gaps are both on the increase and above the EU average (see Table A2.1). The share of SMEs experiencing late payments is below the EU average (44% vs 48%). However, the ECB/EC SAFE survey indicates that payment performance deteriorated markedly in 2024, with 53% of surveyed companies reporting problems with late payments from private or public clients, representing an increase of nine percentage points compared with the previous year. This has grown steadily from a low of 35% in 2021, a rise of nearly 20 percentage points. The Intrum survey also reports an increase in average payment times, both for B2B and G2B transactions. B2B transactions in Hungary took an average of 60 days to settle in 2024 – 5 days longer than in 2023 – while G2B invoices were paid, on average, within 70 days, representing an increase of 6 days compared with the previous year.

Excessive regulation, ad hoc taxation and an unstable business climate continue to hinder market entry, competition, innovation and productivity. With respect to Hungary's CSR3 on avoiding arbitrary administrative interventions, the government continues to restrict market competition directly in certain sectors (e.g. motorway maintenance and development, retail sales), or when it announces the exclusion of foreign-controlled companies from certain sectors. Among the negative consequences of this lack of competition are low innovation, slow digitalisation and inflationary pressures.

Several changes were introduced in 2025 which impact the business environment. Legislation raised several provisions previously regulated in emergency decrees to the level of law, including the banking extra-profit tax, the special tax for petroleum product producers, the insurance surcharge and the retail tax.

Changes in 2025 in retail taxes rules could further punish foreign companies. Hungary's retail tax system imposes steeply progressive turnover-based taxes on foreign controlled retail companies operating as integrated groups or linked undertakings. Domestic retailers operating through franchise systems are taxed less heavily, as their turnover is not consolidated. This structure prevents foreign business restructuring their operations to reduce tax burdens and restricts their right of establishment. Alongside the establishment in law of the emergency decree, changes in the method of determining the tax base for retail traders (both online and offline) will have an important impac9t, especially for foreign companies engaging with retail activities in Hungary without having a branch. Not only the net revenue from sales in Hungary, but also the total revenue (sales realised both in Hungary and abroad) serve as the basis of the tax calculation. This means the portion of sales attributable to Hungary will be taxed at an effective tax rate that is higher than before and imposes significant administrative and financial burdens on platform operators. Platform operators are now included as taxable entities. A platform operator is an entity that provides a platform (such as a website or application) for sellers, enabling them to sell goods.

Conditions for establishing or making changes to stores larger than 400 m² are unpredictable and lack transparency. Rules regulating product prices (regulated in 2022-2023), promotion requirements (2023-2024), and price margins (as of 2025) affect the viability of foreign retailers. On 12 September 2024, the Court of Justice of the European Union ruled in case C-557/23 that Hungarian measures fixing a maximum price for the sale of certain agricultural products and the obligation to offer for sale a specific quantity of such products violated Regulation (EU) No 1308/2013 establishing a common organisation of the markets in

([91]) EIB Investment Survey 2025: Hungary overview

agricultural products, as amended by Regulation (EU) 2021/2117. With respect to Hungary's CSR3 on enhancing competition in product markets and services, in particular in retail, in 2025 the government further tightened the 'plaza stop' law, meaning that not only the opening of a retail outlet requires the permission of the authorities, but also the rental or changing of the interior layout of the outlet.

A lower tax base for self-employed entrepreneurs and an easing of the tax burden on SMEs support small enterprises: Self-employed taxpayers now benefit from a reduced portion of income subject to tax and the social contribution base has been simplified, improving predictability and transparency. Eligibility for Hungary's small business tax regime is also extended. Higher thresholds for revenue, balance sheet totals and employee numbers will allow more companies to opt into or remain within the regime as they grow. This should ease the tax burden on expanding SMEs.

Hungary performs strongly in the deployment and use of digital connectivity infrastructure. Fibre-to-the-premises (FTTP) coverage reached 79.9% in 2024, well above the EU average (69.2%). Coverage exceeded the EU average in rural areas (68.54%, EU: 58.78%). On 5G Hungary reached 85.6% in 2024, but staying below the EU average of 94.3%. For households in rural areas, Hungary's 5G coverage was 57.9% in 2024, below the EU's 79.57%. Hungary is also below the EU average in mid-band 5G coverage (HU: 53.4%, EU: 67.72%) and demonstrates strong momentum in 5G adoption.

Fixed broadband take-up indicators are excellent, but for mobile below the EU average. 88.4% of fixed broadband subscriptions in Hungary were at speeds of 100 Mbps or higher in 2024, surpassing the EU's 71.9%. For speeds of 1 Gbps or higher, subscriptions in Hungary are also above the EU average (HU: 39.8%, EU: 22.25%). The copper switch-off process is progressing, based on batches of municipalities already covered with fibre, but the country has no target date for completion. Significant migration to fibre can be observed across the country, made possible by widespread availability of the service. The share of the population using 5G SIM cards was 20.8% in 2024, lower than the EU's 35.6%.

Single Market

Hungary is an open economy, highly integrated into the Single Market. The index of EU trade integration (intra-EU imports + intra EU exports/GDP) was 51.5% in 2025, significantly above the EU average (40.7%). Hungary relies heavily on EU sources. 27.3% of value added is sourced from the rest of the EU, compared to an EU average of 19.7%. Only 19% of exporting SMEs exported outside the EU (EU average of 41%).

Regulatory and administrative barriers to the Single Market affect goods and services trade and the freedom of establishment. Businesses report that packaging, labelling and waste, rules such as discriminatory food waste requirements ([92]) and burdensome EPR rules, create compliance barriers and differentiate between food retailers based on size – disproportionately affecting foreign operators. Progress in addressing barriers in the field of business services has been limited. Restrictions on foreign entry to provide legal services are significant ([93]). Hungary has not replied to the survey carried out by the Commission between December 2025 and February 2026 regarding the implementation of reform recommendations issued by the Commission in 2021 ([94]). Recognition of professional qualifications is long and excessively bureaucratic. In addition, Hungary has one of the largest numbers of regulated professions.

Compliance of products circulating on the Single Market ([95]) is key to ensure level-playing field of law-abiding companies and safety of consumers. In Hungary, the number of market surveillance investigations has increased compared with 2019. In 2025, national authorities reported in the EU system for market surveillance

([92]) EuroCommerce report

([93]) OECD Services Trade Restrictiveness Index

([94]) European Commission, 2021, *Communication on updating the reform recommendations for regulation in professional services, COM(2021)385. 9/7/2021*, Eur-lex.europa.eu.

([95]) *Part of the barriers highlighted in the Single market strategy ('Terrible Ten') and the 2026 Annual Single Market and Competitiveness Report.*

(ICSMS) a total of 117.8 investigations per one million inhabitants, lower than the EU median of 136.2. Notifications remain limited in absolute terms, which may also be the result of insufficient IT national interoperability to the ICSMS system. The upcoming revision of the Market Surveillance Regulation will upgrade ICSMS to a fully interoperable EU digital platform.

National Standardisation Bodies (NSBs) ensure the European Standardisation System operates effectively and helps remove structural barriers such as the "Terrible Ten". Evidence suggests that the Hungarian Standards Institution (MSZT) faces persistent resource constraints, risking slowing down standardisation processes and limiting stakeholder participation. There is a need to strengthen the financial and human capacity of the MSZT. Without targeted investment Hungary risks falling behind in standardisation, ultimately weakening industrial competitiveness and an ability to fully benefit from the opportunities of the Single Market.

Further powers for state intervention impact on investment. With respect to Hungary's CSR 3 on market-distorting state-supported transactions, a government decree from June 2025 empowers the state with the ability to block transactions in which foreign investors sought shares or ownership in Hungarian companies, and to purchase the assets the foreign buyer intended to acquire. The state can intervene when it deems that national interest is at stake. The new decree extends the state's pre-emption right to all sectors, meaning the government can acquire any Hungarian company targeted by foreign investors. The government recently blocked the acquisition of a large milk wholesale company by a Greek firm. Market interference continues in many sectors, undermining the business environment and discouraging investment from the EU and further abroad. This results in the acquisition of companies by less efficient state-owned enterprises or private firms with government ties.

Firms and industries experience discriminatory treatment through tailor-made taxes, price caps and regulations imposed at short notice, implemented with little notice and no prior consultation. Restrictions such as retail price interventions, targeted levies (the Milk Board levy for non-Hungarian milk), combined with minimum mandatory product stocks place disproportionate financial and operational burdens on foreign traders that discourage market participation ([96]). With respect to Hungary's CSR 3 on abiding by the principles of the Single Market, price caps and related mining fees violating the freedom of establishment as ruled by the Court of Justice of the European Union in case C-144/24, and export restrictions in violation of the free movement of goods as ruled by the Court in case C-499/23 affecting the production and export of construction products continue, as well as increased taxes for insurance and pharmaceutical companies. In the mining sector, further anti-competitive practices can be observed, particularly by non-transparent and discriminatory tender procedures for sand and gravel mining sites ([97]).

For the 4th consecutive year, Hungary performed below average in terms of implementing Single Market legislation. At 1.1%, the transposition deficit (the % of all directives not transposed) was in line with the EU average but above the 1% target set by the EU Council. The conformity deficit (the percentage of all directives transposed incorrectly) stood at 2.8% at the end of 2025 (EU average of 1.1%) compared with 0.4% ten years ago. Hungary is now the worst performer in the EU in this respect. There were forty-one ongoing infringement procedures, well above the EU average of 25, a figure that has remained stable over the last 3 years. Only the average duration of the infringement proceedings (39.7 months) is better than the EU average of 44.5 months). In 2025 Hungary resolved 83.7% of the SOLVIT cases it managed as lead centre, slightly below the EU average of 84.6%. Hungary does not actively take part in EU tools such as the Single Market Enforcement Taskforce, designed to improve the functioning of the single market.

Hungary has not signed the Unified Patent Court Agreement, nor, as a first step, joined the enhanced cooperation framework. Firms established in Hungary can freely use inventions protected by European patents which are not validated in Hungary. At the same time, Hungarian firms can request unitary effects for their European patents. By not signing the agreement, Hungary gives an unfair advantage to its firms, harming competition in the Single Market,

([96]) EuroCommerce report

([97]) Infringement procedure INFR(2025)2051

weakening the European unitary patent system (unitary patents are not protected in Hungary) and reducing incentives to innovate (firms must pay for their patent to be protected in Hungary or risk their patent being used for free). This is detrimental to competitiveness, innovation and growth.

Hungary's public procurement market is bustling, with an annual value exceeding EUR 10.8 billion in 2025, equivalent to more than 5% of GDP**.** Over 40,000 tenders are issued each year, with construction, healthcare, IT and public services leading the way.

Hungary has consistently improved the recorded rate of single bids, reducing its share from 40% in 2021 to 24% in 2025 ([98]). However, an assessment of public procurement performance shows that single bidding remains a persistent issue in several key markets. When considering long-term trends, the sectors most affected are transport services, IT services, and medical equipment, pharmaceuticals and personal care products where limited competition appears to be structural rather than episodic. In addition, the share of framework agreements concluded with companies belonging to the same beneficial owners also increased. Given that framework agreements tend to be concluded for longer durations, this approach has a particularly strong impact on fair ([99]) competition, as it limits market access for other potential bidders over an extended period, consolidating market concentration in high-value segments. Lengthy decision-making procedures further undermine the efficiency and attractiveness of the procurement system. On average, the time between the deadline for receipt of offers (or requests to participate) and the award of the contract amounts to 109 days.

While the above findings point to structural challenges, some developments in 2024–2025 indicate some efforts to improve the competition. Particularly in the above identified sectors (transport services, IT services and medical equipment, pharmaceuticals and personal care products), as two of the sectors were selected by Hungary for targeted sector inquiries under Government Decision No. 1082/2024 (28 March 2024) into the causes of single-bid public procurement ([100]).These aim to diagnose why competition is low and provide recommendations to correct underlying issues, signalling recognition at institutional level that single bidding is a risk for efficiency and value for public money. The report for the medical equipment concluded that the share of single-bid public procurements decreased in the market for diagnostic medical imaging equipment between 2021 and 2023 and put forward recommendations for addressing this. In March 2025, the Action Plan to enhance competition in public procurement was amended to introduce six additional measures, including strengthened oversight of contracting authorities that frequently use simplified, more flexible procedures for procurements below the EU threshold. Another key measure is the commitment to develop a strategy for the professionalisation of public procurement.

Businesses' views on corruption risks in public procurement are above the EU average. In Hungary, 74% of companies (EU average: 58%) consider tailor-made specifications for particular companies in public procurement procedures, and 66% (EU average: 51%) collusive bidding, 'very' or 'fairly widespread' practice. Among companies that have experience in and participated in a public procurement procedure, 36% think that corruption has prevented them from winning a public tender or a public procurement contract in practice (EU average: 25%). Only 28% of businesses perceive the level of independence of the public procurement review body (Public Procurement Arbitration Board) as 'very' or 'fairly good' when reviewing public procurement cases. Corruption risk sectors remain largely the same, with high risks in construction, health, IT, and communication services. Stakeholders report increased corruption risks due to an excessive use of concession contracts and report that many framework agreements were concluded with a single bidder ([101]). Framework agreements concluded by central purchasing bodies have allowed certain economic operators to become market leaders or acquire a dominant

([98]) Typical (mid-ranking) EU country.

([99]) evaluation_of_transparency_and_integrity-et0125155enn_2.pdf

([100]) The GVH is launching accelerated sectoral inquiries to investigate the causes of single-bid public procurements - GVH

([101]) 2026_crcb_statistical_flash_report_en_01_050226_03.pdf

position at the expense of their competitors, potentially crowding out SME bids. Concerns remain regarding favouritism in tender processes and selective awarding to political affiliates, increasing corruption risks.

Legislative changes constrain efforts to strengthen the professionalisation of public procurement practitioners. Through training, certification, and incentive measures, this was one of the objectives of the National Strategy for Public Procurement 2021–2025. However, progress is constrained by regulatory fragmentation and capacity gaps. Recent legislative changes have limited the role of accredited public procurement consultants, reducing continuity between procedure design and dispute resolution and increasing legal uncertainty, particularly in a context of staff shortages. While training and certification systems are in place, they do not fully offset the declining availability of experienced practitioners, highlighting the need for clearer professional roles and more coherent capacity-building support.([102]) A new, more integrated and user-friendly e-procurement system is currently under development (including through the RRP) to address the challenges and accelerate the digitalisation of public procurement.

Hungary's e-procurement system (EKR) has improved transparency, particularly through machine-readable contract award notices. However, it still does not provide full, comprehensive, and consistently machine-readable public procurement data, notably for centralised procurements and framework agreements. Government Decision 1086/2025 (31 March 2025) explicitly requires improvements to the EKR user interface and information access, with deadlines set for deploying system changes by mid-2025 under the national competition action plan. These developments tie into the wider digitalisation and transparency objectives in Hungary's Recovery and Resilience Plan, that have not been fully implemented.

Green public procurement is moving in a positive direction. Whilst there is a policy framework and tools are being developed, sustainability-oriented, strategic procurement remains modest and uneven. Environmental criteria are rarely used. According to recent performance data, fewer than 10 % of public procurement procedures included environmental considerations from 2019 to 2023, and life-cycle costing (LCC) was applied in only about 0.6 % of procedures in 2023. This is despite national targets and guidance designed to promote them ([103]), highlighting a gap between policy and practice. Even though Hungary now has a Green Public Procurement Strategy (2022–2027) and government requirements for environmental criteria in certain tenders from 2025, contracting authorities face challenges applying these rules due to limited expertise, methodological complexity, and concerns about cost and audits. Capacity-building events are organised as authorities struggle with implementation in practice ([104]). The Public Procurement Authority acts as a green procurement competence centre and has developed guidelines and practical toolkits for specific product categories, while recent government regulations (e.g. Government Decree 235/2024) introduce mandatory environmental requirements in certain procurement areas from 2025.

Hungary's eProcurement landscape and data quality issues highlight the need for interoperable systems, common standards and stronger data governance. Hungary's centralised eProcurement service allows economic operators to use a single system to access all national public procurement procedures. However, cross-border procurement issues create complexity and barriers to participation for firms of other Member States. The once-only principle is only partially implemented (see Annex 7), with Hungary relying on PDFs and Excel documents for complex public procurement procedures. Buyers across the EU still lack digital access to relevant evidence. The establishment of a dedicated public procurement data collection and analysis service within the government would enable more effective data-driven oversight of the procurement lifecycle ([105]).

([102]) Integrity-Risk-Assessment-Report-of-the-Hungarian-Public-Procurement-System-2023.pdf

([103]) "Sustainable public procurement: current status and environmental impacts" European Commission 2024

([104]) Improving contracting authorities' competences in life-cycle costing and green public procurement through the use of digital tools in Hungary | OECD

([105]) *European Court of Auditors, Special Report 28/2023: Public Procurement in the EU. Less competition for contracts awarded for works, goods and services in the 10 years up to*

Industry and economic security

Industry relies on imported critical raw materials. Hungary's material import dependency (27.8%) was above the EU average in 2023 (22%) making the country vulnerable to supply chain disruption. An import concentration index of 0.2 between 2018 and 2023 is slightly higher than the EU average (0.18). While it is a leading producer of perlite (2nd in the EU and 6th worldwide), it lacks domestic production of many essential materials. Large imports include aluminium, coking coal and fluorspar. Recycling may offer potential to reduce imported raw materials. At 7.3%, the circular material use rate in Hungary is below the EU average (12.2%).

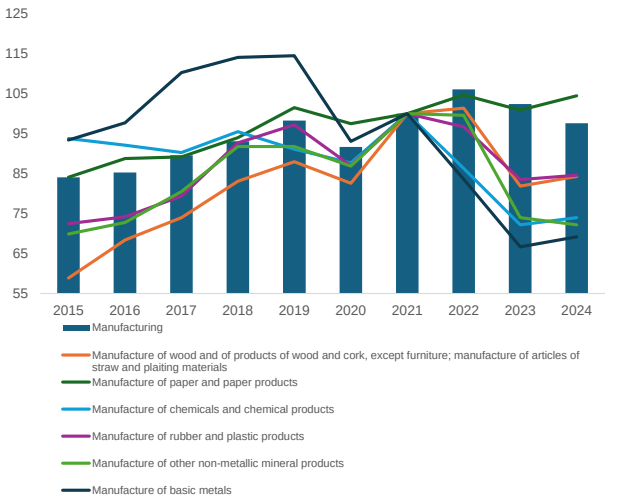
Energy-intensive Industries (EEIs) have come under pressure. EEIs account for 11% of manufacturing gross value added. Hungary has seen increased electricity prices for large consumers to very high levels, putting EEIs under pressure. By 2024, production in the chemical industry and the manufacture of basic metals and non-metallic mineral products declined by up to one third (see graph 2).

Energy prices for industrial consumers have declined from 2022-23 highs but remain well above the EU average. Non-household consumers pay 26% more for electricity and 16% more for gas than the EU average, in part due to interconnectivity issues with several Central and Easter EU countries. Renewable energy generation as a share of overall energy consumption, at 18.3%, is increasing but still below the EU average (24.6%). (see also Annex 9 Affordable Energy Transition).

Government policy aims to position Hungary as Europe's manufacturing destination for foreign electric car companies. Corporate tax rates are low within designated economic zones. Infrastructure development grants provide capital support, targeting eastern regions. Costs remain lower compared to Western European facilities, despite rising labour costs.

Hungary's largest industrial sector, the automotive industry, faces several challenges. The industry contributes 25% of the country's total exports. This is driven by investments from Asian companies. CATL (Debrecen), the Chinese battery giant is launching mass production in 2026 at its €7.3 billion facility. However, a challenging international economic climate for the sector, and recent domestic scandals are having an impact**.** Rising labour costs, technological change and global supply chain constraints are a challenge. Competition for skilled workers drives wage inflation and supply chain disruptions can affect production schedules. Because of lower international demand, major players like Audi, Mercedes and BYD are cutting back production or staffing. Revelations of serious occupational safety deficiencies in Samsung's battery factory in Göd could have a profound impact on the domestic industry.

Graph A5.2: **Manufacturing production: total and selected sector, index (2021=100), 2015-2024**



Source: Eurostat

Hungary has yet to designate a single point of contact for the Net-Zero Industry Act (NZIA). This is crucial for streamlining communication and coordination among stakeholders, to administer applications, and facilitate Net-Zero Strategic Projects. Hungary has one Net-Zero Strategic Project, on recycled green steel.

2021, 2023, Special report 28/2023: Public procurement in the EU

Table A5.1: **Single Market and Industry**

Hungary								
POLICY AREA	**INDICATOR NAME**		**2021**	**2022**	**2023**	**2024**	**2025**	**EU-27 average**
Business environment and investment								
Productivity and investment	Labour productivity (GDP per hour worked in PPP terms), % of EU27[1]		68.5	69.4	70.6	71.2	70.6	100.0
	Business investment (share of GDP)[1]		16.2	16.5	15.1	14.8	-	12.6
	Public investment (share of GDP)[1]		6.2	5.3	5.4	4.4	-	3.9
Business environment and simplification	Impact of regulation on long-term investment, % of firms reporting business regulation as a major obstacle[2]		7.6	7.9	10.9	8.5	13.0	34.0
SME liquidity	EIF Access to Finance for SMEs index - loans[3]		0.13	0.27	0.22	0.16	-	0.43
	EIF Access to Finance for SMEs index - equity[3]		0.08	0.08	0.08	0.07	-	0.19
Late payments	Payment gap - corporates B2B, difference in days between offered and actual payment[4]		11.9	10.9	14.8	14.6	18.3	17.4
	Payment gap - public sector, difference in days between offered and actual payment[4]		8.7	14.0	14.0	10.9	15.1	13.6
	Share of SMEs experiencing late payments, %[5]	from private entities in the previous or current quarter	-	-	-	45.4	48.1	47.1
		from public entities in the previous or current quarter	-	-	-	17.6	17.8	15.9
Single Market								
Integration	EU trade integration, average(intra-EU imports + intra EU exports)/GDP, %[1]		58.4	66.5	57.7	53.1	51.5	40.7
	EEA Services Trade Restrictiveness index[6]		0.052	0.052	0.052	0.054	0.054	0.050
Public procurement	Single bids, % of total contractors[7*]		40	33	31	34	24	27
	Direct awards, % of negotiated procedures[7*]		5	5	5	4	3	6
Compliance	Transposition deficit, % of all directives not transposed[8]		0.7	1.5	0.2	0.5	1.1	1
	Conformity deficit, % of all directives transposed incorrectly[8]		1.8	1.9	2.3	3	2.8	1.1
	SOLVIT, resolution rate per country, %[8]		91.18	93.5	75	78.3	83.7	84.6
	Number of pending infringement proceedings[8]		30	32	41	41	41	25
Industry and economic security								
Energy-intensive industries	Electricity prices for non-household consumers[1]		0.1412	0.3435	0.3765	0.2710	0.2474	0.1462
	Electrification (electricity as a share of total energy consumption in industry)[1]		34.1	36.3	37.7	-	-	32.7
	Share of energy from renewable sources (renewable energy generation as a share of overall energy consumption)[1]		14.1	15.1	17.1	18.3	-	25.2
Critical raw materials	Material import dependency, %[1]		27.9	29.7	27.6	27.8	-	22.4
	Circular material use rate[1]		5.0	4.9	6.8	7.3	-	12.2
Operational cleantech manufacturing capacity in 2025[9]	- Solar PV (c: cell, w: wafer, M:module), GW		-		- Electrolyzer, GW		-	
	- Heat pump assembly		1		- Battery, GW		71.3	

Source: (1) Eurostat, (2) EIB Investment Survey, (3) EIF SME Access to Finance Index, (4) Intrum Payment Report, (5) SAFE survey, (6) OECD, (7) data up to 2024: Single Market and Competitiveness Scoreboard, 2025: Commission calculation based on TED data, accessible at the Public Procurement Data Space (PPDS) (*) the value represented here under EU average is the median, (8) Single Market and Competitiveness Scoreboard, (9) European Commission calculations.

Table A6.1: **Savings and Investments Union summary diagnostic**

Hungary		
Topic	***Main features***	***Relative EU positioning***
Asset-backed pension schemes	Assets at 4.8% of GDP (32.3% in the EU) 10-year real return of 0.0 (1.4% in the EU)	The very low level of pension assets yield a very low real return.
Households' financial assets	EUR 25 646 per capita (EUR 85 090 in the EU) o/w 18.7% in listed shares and bonds (7.6% in the EU) o/w 13.6% in investment funds (11.0% in the EU) o/w 2.9% in life insurance (13.4% in the EU) o/w 2.9% in pension claims (13.6% in the EU)	A modest share of households' assets is invested in equity and in capital markets. A tax-exempt long-term savings and investment account (SIA) known as Tartós Befektetési Számla (TBSZ) is available.
Venture capital (VC) **Private equity (PE)**	VC at 0.030% of GDP (0.064% in the EU) PE at 0.170% of GDP (0.487% in the EU)	Modest venture capital and private equity investments.
Capital taxation	For individuals, stock related capital gains and dividends and interest income are taxed at 15% (PIT) with additional 13% social tax (Szocho) on these incomes but only up to an annual cap - thus 28%. For corporations, capital gains are taxed at 9%, while dividends are tax exempt.	No preferential tax treatment for equity investments, very high rates of capital taxation.
1-3 **4-10** **11-17** **18-24** **25-27**	Colours indicate the country's relative ranking based on five groups, ranging from the three best to the three worst performers. The relative ranking as regards an SIU diagnostic topic derives from a consistent cross-country comparison, the starting point of which is the average of the underlying main features.	

Source: OECD (pensions), Eurostat (households' financial wealth), FISMA CMU dashboard (VC and PE), national sources (capital taxation).

Hungary is making modest progress towards the policy goals of the Savings and Investment Union (see Table A6.1). The 2025 Country Specific Recommendations (CSRs) highlighted the challenges in Hungary to 'stimulate the development of capital markets by increasing tax and regulatory incentives' and to 'improve the long-term sustainability of the pension system' ([106]). Hungarian companies rely on internal funding or traditional bank funding. The domestic capital market remains under-developed, while debt markets channel savings mostly to the government and financial institutions. Hungarian households are increasingly investing in government bonds due to tax exemptions, and investment funds (in particular bond funds). The Hungarian banking sector remains robust. Bank lending to households has been more dynamic than lending to companies. Non-bank financial intermediaries, which have both the funds and the capacity to drive capital market progress, exhibit a conservative asset allocation. The insurance sector is small, profitable and solvent with a conservative investment portfolio tilted towards bond holdings. The pension funds sector is small with an investment focus on bonds. The fund management sector has nearly half of its assets in bond funds and real estate funds. The venture capital ecosystem remains small and is dominated by public funds.

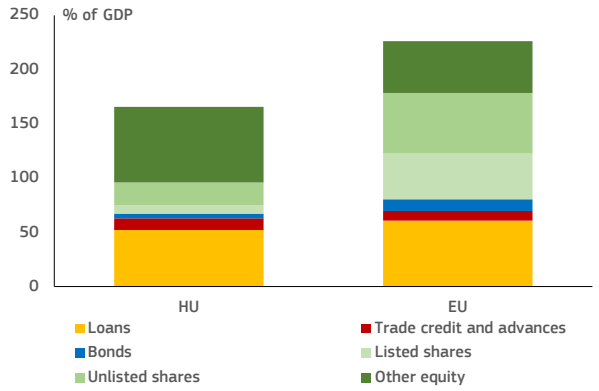
Business landscape and company funding

Hungarian companies rely on internal financing or traditional bank funding. The size and structure of local non-financial corporations (NFCs) is tilted towards micro-firms and SMEs (see also Annex 5). This has implications for the funding breakdown of the corporate sector. According to the 2024 EIB Investment Survey, internal financing is a dominant engine of investment with 67% of Hungarian firms financing their capital spending from retained earnings (EU average: 67%) ([107]). While owners' equity accounted for 42.1% of total corporate funding, bank loans accounted for 31.5% of all financing (EU average: 26.9%) at end-2024. Market based instruments, e.g. listed shares and/or corporate bonds accounted for only 7.2% (EU average: 23.5%) at end-2024, underscoring the fact that Hungary's capital market is less developed. The overall level of NFC funding in Hungary was equivalent to 165.6% of GDP, which is lower than the EU average of 226.2% of GDP at end-2024 (see Graph A6.1).

([106])European Commission, 2025. Country Specific Recommendation. CSR.2025.3.2 *'stimulate the development of capital markets by increasing tax and regulatory incentives'* and CSR 2025.1.7 *'improve the long-term sustainability of the pension system.'*

([107])EIB, 2024, 2024 EIB Investment Survey, p.29.

Graph A6.1: **Composition of non-financial corporations' funding**



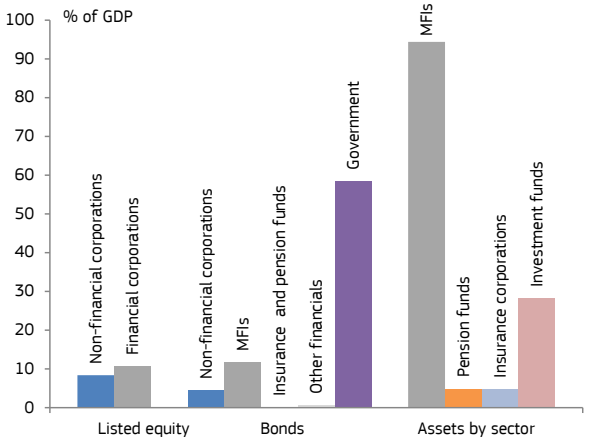
Source: Eurostat, End-2024.

Size and structure of the financial sector

Hungary's financial sector remains predominantly bank-driven, and there is scope for future development of all non-bank financial intermediaries. The banking sector's assets were equivalent to 95.9% of GDP in Q3-2025, far below the EU average of 246.1% but well above any other part of the domestic financial system. The Hungarian banking sector is highly concentrated with the top five lenders owning 59.4% of total assets at end-2024 (EU average: 50.9%), while 65.7% of the sector is domestically owned (Q2-2025). The value of the investment fund sector stood at 30.9% of GDP in Q3-2025. The insurance sector, with assets worth under 5.3% of GDP in Q3-2025 is small (EU average: 53.9%). Pension fund assets were worth around 4.8% of GDP ([108]) (see Graph A6.2).

The domestic capital market in Hungary is under-developed. The Budapest Stock Exchange (BSE) ([109]) has a market capitalisation of listed equity at 21.9% of the GDP as of Q3-2025 (EU average: 69.9%). NFCs accounted for 44% of that capitalisation at end-2024. The initial public offering (IPO) activity of the BSE remains rather subdued. For example, there was a successful IPO in 2023 for Shopper Park Plus (which manages a significant retail real estate portfolio), which was the first euro-based share issuance on the BSE. In the regulated market, Gloster (furniture) and Gránit Bank were new entrants at the end of 2024 ([110]). The BSE also operates a multilateral trading facility (MTF) for SMEs called BSE Xtend; and a new market segment for secondary bond trading called BSE Xbond. There was also a move by STRT Holding (a tech/startup investor) from the Xtend market to the regulated standard market in late 2025.

Graph A6.2: **Capital markets and financial intermediaries**



Source: ECB, EIOPA, AMECO, End-2024.

While there is no comprehensive government strategy on promoting capital markets, some sector-specific strategies were introduced by important national players in the financial sector. For instance, in line with CSR 3.2 ([111]), the Hungarian Central Bank (MNB) adopted a seven-point strategy report to promote the insurance sector in Hungary, and the BSE developed a new strategy for 2021-2025 (a follow-up to former 2016-2020 strategy) ([112]). In a bid to stimulate regional markets, in November 2024 eight central and eastern European (CEE) stock exchanges (Bratislava, Bucharest, Budapest, Ljubljana, Skopje, Sofia, Warsaw, and Zagreb), together with the EBRD, signed a memorandum of understanding (MoU) to foster joint development of national capital markets through closer cooperation, regulatory alignment, and increased market

([108])OECD, 2025, Pension Markets in Focus-2024, p. 11.

([109])BSE, 2025, Annual Report 2024, p. 7.

([110])BSE, 2024. Annual Report 2024, p. 13.

([111])CSR.2025.3.2 *'stimulate the development of capital markets by increasing tax and regulatory incentives.'*

([112])BSE, 2015, BSE Strategy 2016-2020; BSE, 2020. BSE Strategy 2021-2025.

integration. This initiative was endorsed by the respective finance ministers with a further MoU signed in August 2025. In April 2026, the respective regulators also signed a MoU, thereby bringing all key institutions to this project.

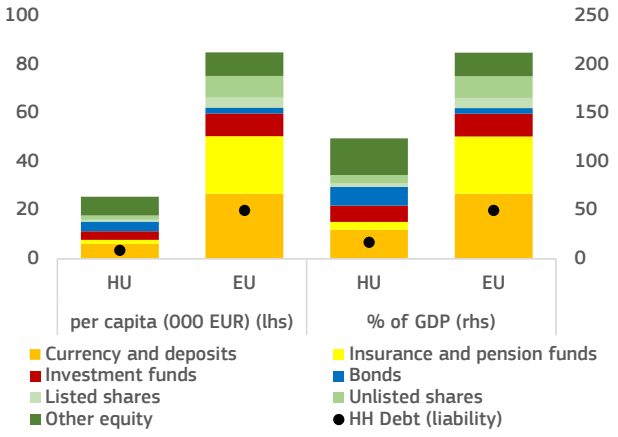
Financing through debt securities is the domain of the sovereign and local monetary financial institutions. The outstanding volume of debt securities reached 83.9% of GDP at end-2024. The domestic bond market in Hungary is dominated by government securities, which accounted for 69.5% of total bonds as of end-2024, driven by the worsening budgetary pressures. Financial institutions, whether banks or not, accounted for 13.8% of the total debt securities, while NFCs accounted for only 5.2% of the total bonds.

Households' participation in capital markets

Hungarian households are increasingly investing in government bonds and investment funds (in particular, bond funds), while the share of cash and bank deposits has decreased. On aggregate, Hungarian households have financial assets equivalent to 124.2% of GDP (EU average: 212.2%). Hungarian households, with one of the highest savings-rate in the EU (18.6% vs 14.5% in 2024), had lower-than-average holdings of cash and deposits, representing nearly a quarter (24.2%) of household assets (EU average: 31.6%) at end-2024. Strikingly, bonds that are incentivised by tax advantages (see below) account for a relatively high proportion of the total household assets while insurance and pension funds account for a very low proportion. More specifically, Hungarian households have about 15.5% of their financial wealth invested in **bonds** (EU average: 2.8%), 13.5% in **investment funds** (EU average: 11.0%), only 6.5% in **insurance and pension funds** (EU average: 27.8%), and 3.1% in listed shares (EU average: 4.9%) (see Graph A6.3).

The level of financial literacy in Hungary is close to the EU average yet more could be done to help retail-investor participation in capital markets. In 2017, the Ministry of Finance ([113]) adopted a strategy and an action plan (2017-2023) for improving the population's financial awareness (there has not been an updated national strategy on financial literacy ([114])). Other public bodies (such as the MNB, as it is required to do so) and non-public bodies (such as the Hungarian Banking Association) operating in the financial market have a range of programmes and activities to improve financial awareness. Financial knowledge is also taught in primary and secondary schools ([115]). Nevertheless, the July 2023 Eurobarometer survey showed that only 16% of Hungarians had a high level of financial literacy, 72% a medium level, and the remaining 12% a low level, compared with the EU average of 18% for high financial literacy, 64% for medium, and 18% for low ([116]). This leads to an overall financial literacy indicator (the average of the financial knowledge and financial behaviour indicators) of 44% vs an EU average score of 45.5% ([117]).

Graph A6.3: **Composition of households' financial assets**



Source: Eurostat, End-2024.

Government regulation and tax incentives appear to favour certain investment options for retail investors (in reference to

([113])In January 2023, the task of improving financial awareness was transferred to the Ministry of Economic Development.

([114])Commission Communication on Financial Literacy Strategy for the EU, COM(2025) 681 final.

([115])Hergár, Kovács, Németh, (2024), Status and development of Financial Literacy in Hungary.

([116])European Commission, 2023, Flash Eurobarometer Survey - Monitoring the level of financial literacy in the EU, p. 17.

([117])European Commission, 2025, Overview of CMU Indicators, Indicator 27.

2025.CSR.3.2). Since 2022 the Hungarian government has been issuing tax-exempt **long-term bonds** for retail investors to finance the state budget, while raising the withholding tax on funds and deposits from 15% to 28% (starting in July 2023) ([118]). Under a new regulation, as from October 2023, banks must inform their clients about the potential loss they may suffer from holding their money in cash instead of investing in government bonds. Moreover, the elimination of the pillar 2 pension segment in 2011 has not been helpful in building retail investors' confidence in capital markets. At the same time, it is difficult to incentivise retail clients to invest in life insurance or pension funds (pillar 3), if direct access to liquid government bonds is tax exempt, and offer high yields at low risk ([119]). Meanwhile, the Hungarian government has introduced in the past the tax-exempt long-term savings and investment account (SIA) known as *Tartós Befektetési Számla* (TBSZs) which, according to MNB, led to a shift from investment funds shares to TBSZs ([120]). The account is designed for long-term investment (deposits, fund units and other securities held in a special savings account), typically requiring retail investors to hold investments of a minimum deposit of HUF 25 000 (EUR 63) for at least five years (split into a three-year and two-year period) to receive the maximum tax benefits. After three years, personal income tax on returns is reduced from 15% to 10%, and after five years it becomes 0%. Multiple TBSZs can be opened annually, but only with one per provider per year, which will be linked to an individual trading account. If an individual holds more than one account, fund transfers between accounts are not permitted. During this lock-in period, no new deposits are allowed, but trading is permitted, allowing investors to manage their portfolios. TBSZ assets account for 6% of GDP (end-2024) with over 385 000 TBSZ accounts (4% of population) (overall, the SIA is in the spirit of the 2025 EU Recommendation) ([121]). Furthermore, the Financial Transaction Tax (SFTT) on securities, which was increased in 2024, may act as a deterrent to capital market activity by increasing transaction costs for investment service providers and, by extension, for retail users ([122]).

The banking sector: resilience and financing of the economy

The Hungarian banking sector is resilient, and well capitalised and is not therefore constrained in its role of funding the economy. The key capital ratios for the Hungarian banking sector are solid and above the EU average, underlining the robustness of the banking sector (see Table A6.2). As of Q3-2025, the aggregate MREL (Minimum Requirement for Own Funds and Eligible Liabilities) level stood at 27.6%, which was above the required level ([123]). Profitability, asset quality and liquidity indicators are also above EU average. However, the banks' asset quality outlook is subject to increased uncertainty due to the current conflict in the Middle East and its impact on energy prices and economic growth. Despite the continuation of the bank levy ([124]), return on equity stood at 18.8% at Q3-2025. The aggregate non-performing loans (NPL) ratio was historically low at 2.1% at Q3-2025. In terms of liquidity indicators, the net stable funds ratio (NSFR) has been consistently above 130% on average for years (exceeding the 100% regulatory minimum), while the liquidity coverage ratio (LCR) stood at 168% at end-September 2025 ([125]).

Banking sector's lending capacity in Hungary is driven by loans to households. In H1-2025, **household loans** outstanding grew by 11.7% year-on-year due to strong demand for loans, while the housing loan portfolio expanded by nearly 15%. The latest subsidised housing loan programme (Home Start) launched by the government in September 2025 will lead to

([118])EFAMA, 2024, Household Participation in Capital Markets, Jan. 2024, p. 42.

([119])MNB, 2025. Savings Report, p.17.

([120])MNB, 2025. Savings Report, p. 25.

([121])COMMISSION RECOMMENDATION of 30.9.2025 on Increasing the Availability of SIAs with Simplified and Advantageous Tax Treatment and EC SWD 2025, p.17.

([122])Effective as of 1 August 2024, the Hungarian government increased the SFTT rate from 0.3% to 0.45% per transaction, with the maximum cap per transaction rising from HUF 10 000 (around EUR 25) to HUF 20 000 (around EUR 50).

([123])EBA, 2025. MREL Dashboard – Q2 2025, p.13.

([124])The government announced that the tax amount payable could be reduced in line with an increase in banks' holdings of government securities.

([125])MNB, 2025, Financial Stability Report, Nov. 2025, p.60 &62.

significant demand growth in both the credit and housing markets. Demand for **corporate loans** continued to weaken, and thus the corporate loan portfolio grew only by 2% year-on-year. The uncertain economic situation is also reflected in investment activity, and the annual growth rate of the corporate loan portfolio is expected to remain at around 3 to 4% in 2025 and 2026 ([126]).

Role of non-bank financial intermediaries

Given their limited size, the pension and insurance fund sector currently play a limited role in driving capital market development. With a small life insurance sector and limited asset-backed pension funds, the scope for investing into the economy is limited. The asset management segment is more dynamic.

The Hungarian asset management industry continues to grow, while it invests nearly half of its assets in bond funds and real estate funds. The assets managed by investment fund managers increased by 21.8% at end-2024 year-on-year. This dynamic growth is mainly explained by the surge in the net asset value of investment funds, mainly due to capital inflows into absolute return funds, equity funds, bond funds, and money market funds. The after-tax profit of investment fund managers increased by nearly 51% for the same period in line with the increase in asset management ([127]). In Q3-2025, the largest share of investment fund assets was allocated to **bond funds** (26.9%), followed by **real estate funds** (16.3%), fund of funds (13%), absolute return funds (11.4%), private equity funds (10.4%), mixed securities funds (7.9%), equity funds (7.4%), money market funds (1.9%), and venture capital (VC) funds (0.1%) ([128]). In 2023 and 2024, the Hungarian government introduced new asset allocation rules for investment funds, including a mandatory quota for investment funds to allocate at least 5% of their portfolio to government securities (and an additional 3% in short term government securities for certain types of funds) ([129]).

Hungary's insurance sector is small, profitable, solvent, and non-life insurance focused. In terms of total premium income, non-life is the dominant insurance segment accounting for 62.1% while life accounted for 37.9% of the sector in Q3-2025. Regardless of the windfall taxes that the insurance sector had to pay (like the banking sector) ([130]), insurers' return on equity (ROE) was at 11.1% in 2024 ([131]). The Solvency Capital Requirement (SCR) ratio was solid at 197.1% in Q2-2025 (EU average: 246.6%). Among natural catastrophe risks, flood and windstorm are the most common in Hungary. Nevertheless, the European Insurance and Occupational Pension Authority's (EIOPA) protection gap assessment indicates that Hungary had a comparatively low aggregated insurance protection gap score for natural catastrophes ([132]).

Given the high share of non-life business and its specific liability structure, the Hungarian insurance sector exhibits conservative investment strategies. The insurance sector's portfolio is dominated by lower-risk fixed-income securities, with government bonds accounting for 45.8% of total assets by Q2-2025 (EEA: 19%) ([133]). This may be a result of government's decision to allow insurance companies (like banks) to significantly reduce their 'windfall' tax liabilities by investing in Hungarian government bonds, with these provisions extended into 2025 and 2026. **Investment funds** accounted for 40.5% (of which 64.2% was in equity funds and 0.1% in private equity funds). **Equities** accounted for 6.1% of

([126])MNB, 2025, Financial Stability Report, Nov. 2025, p.5.

([127])MNB, 2025. Report on Insurance, Funds, Capital Market Risk and Consumer Protection,

([128])MNB, 2025, Time series of investment fund managers, Q3-2025; Government Decree No 55/2024 entered into force on 1 July 2024, laying down that there would be four main types of funds based on their primary asset categories: securities funds, real estate funds, venture capital funds and mixed funds (there are a total of 14 categories of investment funds within the four types).

([129])Government Decree No 208/2023 on investment rules for each investment fund and Government Decree No 55/2024.

([130])NAV, 2025. Key Rules on Insurance Tax. According to the rules, some tax can be reduced if the insurance company purchases Hungarian government bonds, maturing after 1 January 2030.

([131])MNB, 2025. Report on Insurance, Funds, Capital Market Risk and Consumer Protection. p.17.

([132])EIOPA, 2025. Dashboard on Insurance Protection for Natural Catastrophes in a Nutshell.

([133])EIOPA, 2025. Insurance Statistics (under asset exposures).

insurers' investment portfolio, corporate bonds for 1.7%, and property for 1.3% of the total assets. Cash and deposits, held mostly for liquidity management accounted for only 4.2% of the allocation. Overall, 76% of investments are made up of domestic assets ([134]).

Asset-backed funded pensions remain small and fail to deliver a significant real return. Since the 2010 reform, Hungary has a two-pillar pension system: the state pension pay-as-as-you-go (PAYG) system (pillar 1) and the supplementary voluntary private pension funds (pillar 3) ([135]). In January 2011, the mandatory privately managed pension fund (pillar 2) was eliminated, and savings were transferred to the state pension system ([136]). Hungary's pension system is facing significant long-term sustainability issues (CSR.2025.1.7). While asset-backed pension funds schemes exist, they remain limited (around only 4.5% of GDP) and unattractive (the 10-year real return average earned on pension funds is 0% compared with the EU average of 1.7%).

The voluntary pension scheme includes several types of pension funds ([137]), and their performance is monitored by the MNB. Hungary's voluntary third-pillar pension funds (VPFs) offer some tax benefits if kept for a certain duration (early withdrawal may incur penalties) and generally incur low fees. According to the Ministry of National Economy, about 30% of the working population has a voluntary pension fund membership. MNB publishes the performance of voluntary pension funds on its website on a regular basis in order to promote their attractiveness ([138]). Although some VPFs offer online customer service platform to monitor investment returns, there is no centralised tracking system of pension funds in Hungary ([139]). Furthermore, the government allowed the tax-free use of full amount of savings from VPFs for housing purposes (renovations, equity for new mortgages or repayments for existing mortgages) as a one-off measure in 2025. These initiatives do not help the sustainability of the pension system, nor support the development of the capital market. This was on top of the gradual introduction of a '14th pension month' in 2026 by the Hungarian government ([140]).

The pension fund industry has a conservative investment profile, with a greater focus on bonds. In Q3-2025 debt securities accounted for slightly over half (51.3%) of the total assets held by pension funds (out of which around 80% where government bonds), while investment funds accounted for 34.1%, shares for 11.6%, and bank deposits for 1.4% ([141]). A Government Decree ([142]) provides rules on limits given for each asset category (e.g. VC up to 5% (but up to 2% of shares of one VC fund may be held). The decree also provides for geographical distribution (e.g. proportion of investments in non-OECD or non-EEA Member States securities may not exceed 20% of total foreign investments). Overall, a better developed pensions sector could help develop the domestic capital market. A 2024 paper by CEPS ([143]) showed that Hungarian pension funds accounted for close to 0% of PE and VC funds raised annually over the timeframe 2007-2023, a figure that falls substantially short of the 19% for the Baltic states or 20% shares for the Nordic Member States.

([134])MNB, 2025. Report on Insurance, Funds, Capital Market Risk and Consumer Protection, p. 24.

([135])OECD, 2025. Annual Survey on Investment Regulation of Pension Providers. P. 26, 27; 153; 249-250; 390-391; 498.

([136])Unless declared otherwise, members were mandated to transfer their accumulated capital to the public scheme. Only 3% of the members chose to keep the accumulated capital in the private scheme. OECD, 2024. Strengthening the Hungarian Pension System, p 70.

([137])Voluntary pension funds (*önkéntes nyugdíjpénztar, ÖNYP*); Voluntary privately managed pension funds (*Magánnyugdíjpénztár*) (ex-mandatory); Pension insurance products *Nyugdíjbiztosítás* (a.k.a. NYB); Retirement savings account (*Nyugdíj előtakarékossági számla* (NYESZ); Voluntary occupational pension institutions through employers (*foglalkoztatói nyugdíj*). The latter occupational pension fund is not widely used in Hungary.

([138])MNB, 2025. Voluntary Pension Fund Returns.

([139])Commission Recommendation of 20.11.2025 on Pension tracking systems, pension dashboards and auto-enrolment C(2025) 9300 final; Commission Communication of 20.11.2025 on Enhancing the capacity of the EU supplementary pension sector to improve retirement income and supply long-term capital to the EU economy, COM(2025) 839 final (also SWD(2025) 367 final)

([140])A full 13th pension month was re-introduced since 2022 for all pensioners.

([141])MNB, 2025, Time series of pension funds, Q3-2025.

([142])Government Decree No 281/2001 (XII.26), on rules pertaining investments and operation of voluntary mutual pension funds, Annex 2.

([143])CEPS, 2024, Closing the gaping hole in the capital market for EU start-ups – the role of pension funds, p. 2.

Venture capital ecosystem

The Hungarian domestic venture and growth capital market is not developed enough to meet the potential financing needs of innovative firms. Venture Capital (VC) investments in Hungary averaged 0.030% of GDP in 2022-2024, significantly below the EU average of 0.064% ([144]). Private equity (PE) investments averaged 0.170% in 2022-2024, well below the EU average of 0.487% ([145]) (see Annex 4 for more details). While Hungary ranks ahead of the CEE region in terms of investment volume in VC/PE ([146]), it lags behind the EU average – highlighting the remaining potential of the domestic VC/PE ecosystem.

Over the last decade, the VC/PE ecosystem has been marked by significant government involvement. According to the Ministry of Culture and Innovation, state-sponsored financing schemes in Hungary (notably through the **Joint European Resources for Micro to Medium Enterprises (JEREMIE)** fund and state-backed funds like Hiventures) have accounted for more than half of total VC investment, while the PE segment remained largely privately funded. According to the Ministry of National Economy, in October 2025 the VC/PE ecosystem comprised around 150 funds domiciled in Hungary, out of which 61 were state-backed funds (registered capital EUR 7.29 bn).

The Hungarian VC/PE market has domestic dominance in early-stage financing and foreign dominance at later-stage financing. According to conservative estimates by the National Ministry of Economy, domestic Hungarian VC/PE investors have contributed to around 20-30% of the total capital invested into Hungarian start-ups. Domestic VC funds are generally smaller in size (average size of state-backed funds is EUR 119 million), which enables them to effectively finance early-stage investments. Indeed, early-stage financing rounds (e.g. incubation, pre-seed, and seed) are predominantly led by domestic investors. Later-stage financing (Series A, B, growth) is typically led by foreign investors (e.g. European or US investors). Hungarian start-ups tend to relocate abroad as they scale, particularly at more advanced stages of growth (e.g. especially when pursuing listing or IPOs as these typically require access to deeper and more liquid capital markets). Although the Hungarian government has various measures and funding programmes to support growth and innovation for SMEs ([147]), it may benefit from further measures to meet the potential financing needs of innovative firms (e.g. through improving the attractiveness of domestic listing options, enhancing incentives for scale-ups through co-investment schemes).

([144])European Commission, 2025, Overview of CMU Indicators, Indicator 16.

([145])European Commission, 2025, Overview of CMU Indicators, Indicator 11.

([146])Invest Europe, 2024. CEE Private Equity Statistics.

([147])For instance, the Demján Sándor Capital programme (a strategic alliance between the Ministry of National Economy, the Hungarian Chamber of Commerce and Industry, and the National Capital Holding) is designed to strengthen the competitiveness of Hungary's micro enterprises and SMEs.

Table A6.2: **Financial sector indicators**

		2018	2019	2020	2021	2022	2023	2024	2025-Q3	EU
Banking sector	Total assets of MFIs, % of GDP	92.3	90.4	106.5	109.0	108.6	99.9	94.4	95.9	246.1
	Common equity Tier 1 ratio	16.7	15.8	15.9	17.7	16.9	17.6	18.7	18.6	16.8
	Total capital adequacy ratio	18.5	18.0	18.3	19.7	18.9	20.1	20.9	21.0	20.2
	Overall NPL ratio, % of all loans	5.4	4.2	3.6	3.2	3.1	2.4	2.2	2.1	1.9
	NPL ratio, loans to NFCs	4.4	3.8	4.1	3.3	3.6	3.4	3.3	2.8	3.5
	NPL ratio, loans to HHs	9.8	6.8	6.1	6.0	5.7	3.9	3.0	2.9	2.1
	Return on equity ratio[1]	14.7	14.3	7.6	12.7	12.1	21.2	19.4	18.8	9.6
	Loans to NFCs, % of GDP	17.0	17.0	18.5	18.1	17.8	16.6	15.5	15.4	29.3
	Loans to HHs, % of GDP	14.1	14.6	16.1	16.3	14.7	13.5	13.1	14.2	43.6
	NFC credit growth rate, %	13.6	14.1	8.9	10.7	15.2	6.2	1.2	4.4	2.5
	HH credit growth rate, %	7.3	16.6	14.3	15.1	8.0	2.7	9.6	11.8	2.6
Non-banking sector	Stock market capitalisation, % of GDP	-	-	16.4	17.5	13.0	17.5	19.0	21.9	69.9
	Initial public offerings, % of GDP	0.00	0.00	0.01	0.00	0.00	0.00	0.00	-	0.06
	Market funding ratio	33.1	32.5	35.7	40.1	39.8	37.8	39.4	-	49.7
	Private equity, % of GDP	0.159	0.165	0.179	0.147	0.157	0.124	0.170	-	0.487
	Venture capital, % of GDP	0.045	0.062	0.080	0.092	0.077	0.054	0.030	-	0.064
	Financial literacy, composite index	-	-	-	-	-	44.0	-	-	45.5
	Bonds, % of HHs' financial assets	12.7	15.3	15.1	14.5	13.8	15.8	15.6	-	2.8
	Listed shares, % of HHs' financial assets	1.5	1.7	1.8	2.5	2.5	2.8	3.1	-	4.8
	Investment funds, % of HHs' financial assets	9.2	8.2	7.8	8.7	9.4	11.8	13.6	-	11.0
	Insurance/pension funds, % of HHs' financial assets	8.4	8.1	7.6	7.0	5.9	6.2	6.3	-	27.8
	Total assets of insurers, % of GDP	6.3	6.3	6.5	5.8	4.6	4.8	4.8	5.3	53.9
	Pension assets, bn EUR	-	-	-	8.0	7.2	8.8	9.8	-	5813.8
	Pension assets, % of GDP	-	-	-	5.2	4.2	4.4	4.8	-	32.3
	10y real return average of pension assets, %	-	-	-	-	-	0.2	0.0	-	1.4
	Pension funds assets, ECB (% of GDP)	-	-	-	-	-	-	-	-	-
	1-3 / 4-10 / 11-17 / 18-24 / 25-27	Colours indicate performance ranking among the 27 EU Member States.								

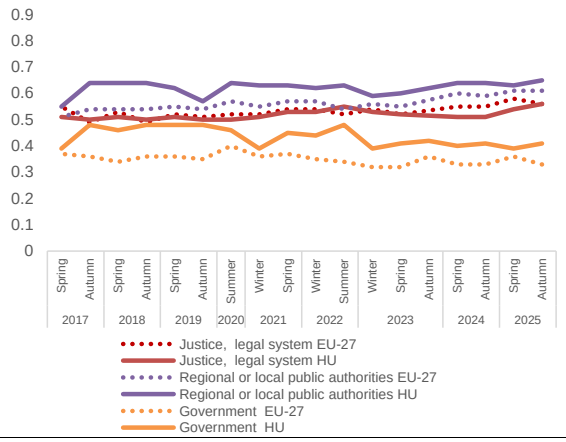
(1) Annualised data. EU data for credit growth and pension funds refer to the EA average.

Source: ECB, Eurostat, European Insurance and Occupational Pensions Authority, DG FISMA CMU dashboard, AMECO.

An effective institutional framework is essential for competitiveness. This requires public trust built on integrity, high-quality legislation, regulatory simplification and efficient services for people and businesses. The 2025 country specific recommendations (CSRs) ([148]) highlighted challenges for Hungary in the following areas: improving the regulatory framework, enhancing competition in product markets and services by avoiding arbitrary administrative interventions, tailor-made legislation to prevent bias in favour of certain companies and market-distorting state-supported transactions and reducing the use of emergency measures to what is strictly necessary, in line with the principles of the single market and the rule of law.

Public trust

Graph A7.1: **Trust in the justice system, regional / local authorities and in government**



(1) EU-27 since 2019; EU-28 before
Source: European Commission, Standard Eurobarometer surveys

Public trust in government in Hungary increased slightly (41%), remaining above the EU average (33%) (Graph A7.1). Trust in the justice system fluctuates around the EU average. Trust in regional and local authorities remains stable and above the EU average. Although both businesses (76%) and people (68%) have confidence in the ability of public administration to handle their data securely and responsibly, these figures remain moderate in the EU context (79% and 72% respectively). The public would like more transparent information on access to their personal data (Hungary 66%; EU: 54%) ([149]) while 32% say they find public administration complex and burdensome (EU: 38%) an improvement of over 15% compared to 2023 ([150]).

Quality of lawmaking and implementation

Hungary's processes for developing and evaluating legislation remains below the EU average. There is scope to introduce consistent *ex post* and in-depth reviews of costs and benefits in the case of primary and secondary legislation. The performance of regulatory tools such as public consultation, *ex ante* impact assessment and reviews of existing regulations is broadly similar for primary laws and secondary regulations. This improved slightly between 2021 and2024 following the implementation of one of the measures in Hungary's recovery and resilience plan.

The impact of all primary and secondary legislation on competition and on small and medium-sized businesses remains to be assessed. However, there is no impact assessment as regards innovation, certain social groups, regions or the public sector (e.g. costs to central and local government). There is no obligation to take consultation comments into account, to publicly respond to them or even to refer to them in the regulatory impact assessment. Consequently, stakeholders' suggestions are seldom considered, thereby defeating the purpose of the consultation process.

There is little oversight of compliance with consultation mandates and exemptions are under-used. Regulatory enforcement remains ineffective. Moreover, the continual, extensive use of emergency powers undermines legal certainty, which affects businesses operating in the single market. This raises concerns, as important pieces

([148])European Commission, 2025, COUNCIL RECOMMENDATION on the economic, social, employment, structural and budgetary policies of Hungary.

([149])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([150])Trend 2025-2023 (comparison with Flash Eurobarometer 526, April 2023).

Table A7.1: **Hungary. Selected indicators on better regulation practices for primary legislation**

Tools for smart legislation:	
Share of possible impacts assessed for all primary laws when developing legislation	●
Regulators are required to identify and quantify the benefits of a new primary law	●
Regulators are required to identify and assess the impacts of alternative non-regulatory options	●
Tools for effective implementation: when developing laws, regulators are required to:	
Assess the level of compliance	●
Identify and assess potential enforcement mechanisms	●
Specify the methodology of measuring progress in achieving the law's goals	●
Oversight of better regulation:	
There is an external body responsible for reviewing the quality of RIAs and of ex post evacuations	●
There are publicly available assessments of the effectiveness of RIA in modifying regulatory proposals	●
There are reports on the level of compliance by government department with the requirements of RIA	●
There are indicators on the percentage of ex post evaluations that comply with guidelines	●
The effectiveness of ex post evaluations in improving the regulatory stock has been assessed in the last five years	●

● High / yes / for all primary laws ● Medium / in part / for major primary laws ● Low / for some primary laws ● Very low / no / never

Source: OECD, 2025, Regulatory Policy Outlook 2025 and Better Regulation across the European Union 2025

of legislation circumvent public consultation requirements. *Ex post* evaluations have a very limited scope, and in-depth reviews of specific regulatory areas are non-existent. Moreover, there is no external body responsible for reviewing the quality of the impact assessment undertaken by the ministry concerned (Table A7.1).

Public service delivery and digitalisation

Hungary's availability of applicable digital public services for both businesses and the public is among the lowest in the EU (Table A7.2), mainly due to the low level of cross-border service provision; however, on the domestic level the availability of services is high. The country is 21st out of 27 in terms of digital public services available to people, and 20th out of 27 in the case of businesses ([151]). At regional level, local governments face shrinking fiscal autonomy, while cooperation across municipal boundaries and between central and local government remains limited. This has a detrimental effect on the quality of public services at local level (see Annex 18).

Hungary has made good progress in the digitalisation and user-friendliness of its public services. The proportion of members of the public who are satisfied with administrative services (55%) is above the EU average (42%) whereas satisfaction among companies is lower at 40% (EU: 45%). As of January 15, 2025, people can log into the electronic government portal authenticating themselves by using the new Digital Citizenship (DÁP) app introduced in September 2024 or by the client gate+ (*Ügyfélkapu+*) available since 2022 – both of which provide secure two-factor authentication. The DÁP mobile app has been downloaded by more than 3 million Hungarian citizens to their smartphones and its features are continuously expanding ([152]). Only 19% of people find that they need to interact with the administration to obtain services more often than expected (Figure 1).

People stated that time spent on processing or waiting for responses was the most time-consuming aspect of administrative-service delivery (Graph A7.2). Moreover, 50% of people found that their interactions with institutions could be improved by having more channels to contact the public administration directly, including in-person contact. As far as the public is concerned, digital administration could be made more attractive by user-friendly design (80%), the possibility of obtaining quick help (76%) and mobile access (70%).

([151])European Commission, 2025, Digital Decade 2025: Country reports.

([152])European Commission, forthcoming, Simplification of key life events.

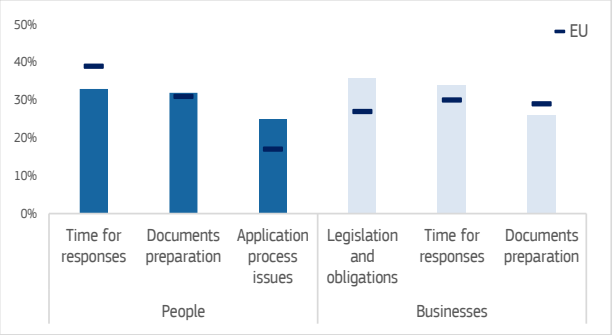
Table A7.2: **Digital Decade key performance indicators: availability of digital public services**

	Hungary			EU-27
	2023	2024	2025	2025
Digital public services for citizens (0 to 100)	68	73	78	82
Digital public services for businesses (0 to 100)	76	75	80	86
Access to electronic health records (0 to 100)	80	86	86	83

(1) Digital Decade target by 2030: 100. (2) Publishing year, data was collected in the previous year
Source: European Commission, State of the Digital Decade report 2025

For businesses, the biggest challenges are understanding the applicable legislation and obligations, processing time and waiting for responses. A higher proportion than the EU average (Hungary 46%; EU 32%) of small and very small companies felt that increased operational costs were a major obstacle. Administrative challenges lead to delays in business operations slightly less frequently than the EU average (Hungary 34%; EU 36%). Among businesses, 73% preferred online services and 80% stated that digital services saved time and effort. Nevertheless, 24% said that they rarely or never used digital services, despite considering their workforce to be mostly or very highly digitally skilled. Both people and businesses find it important for public-administration services to be fast and accessible through different channels, and for information to be transparent and clear.

Graph A7.2: **Most time-consuming aspects of service delivery**



Source: European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

The Digital Hungary Agency implements the Hungarian Digital Renewal Operational Programme Plus. This is an EUR 1.6 billion cohesion policy programme financed by the ERDF and the ESF+, supporting measures such as digitalisation reforms, a pilot initiative focusing on 10 prioritised key life events. These will be selected on the basis of criteria such as system complexity, emotional intensity, and impact. Looking ahead, next year will focus on four key life events. The objective is to establish an interactive and iterative process with feedback loops, including topic definition, exploration, solution design, testing and implementation. The Hungarian RRP contains measures aimed at improving the efficiency of public services, facilitating data-driven decision making, developing the electronic public procurement system, and driving the digital transformation of health and tax administration ([153]).

Hungary is not yet ready to enable the cross-border exchange of data and documents between authorities through the EU once-only technical system([154]). When services ([155]) become accessible, people and businesses will no longer have to search, download, and upload information across e-government portals in different Member States. Hungary has yet to identify the types of document and data to exchange through the system and explore ways to shift from the submission of documents to exchange of structured data.

Progress has been made in tackling the challenges facing permitting legislation and digitalisation. There is a paradox: Hungary has a

([153])HU-C[C9]-R[R30] Strengthening the national IT equipment management system to increase efficiency of public services; HU-C[C9]-R[R11] Development of the Electronic Public Procurement System (EPS) to increase transparency; HU-C[C8]-I[I2] Supporting the digital transformation of health; HU-C[C9]-R[R34] Digital transformation of tax compliance procedures;

([154])European Commission, *Once-Only Technical System Acceleratormeter*, Ec.europa.eu.

([155])Procedure types under Annex II of the SDGR (2018/1724/EU) and directives 2005/36/EC, 2006/123/EC, 2014/24/EU and 2014/25/EU.

digitally advanced construction-permitting system but faces governance challenges that have put EUR 18 billion in EU funds on hold. Renewable-energy permitting reforms hinge on rule-of-law milestones that have not yet been met. However, Hungary ranks among the top performers in the World Bank's B-READY 2025 scores for regulatory framework quality ([156]).

The Hungarian Architecture Act of 2023 replaced decades-old legislation, consolidating provisions on professional chambers and laying down rules on the protection of townscapes, monuments, and architecture. The implementation phases are set to continue until July 2027. Hungary's *ÉTDR* system is a leading electronic construction-administration model, enabled by EU ERDF funding, whereby all permit applications must be submitted to *e-epites.hu*. Hungary was the subject of infringement proceedings for delaying transposition of the Renewable Energy Directive III (RED III) in 2024 ([157]) but is not among the states facing further legal action. Business registration in Hungary is entirely electronic, efficient and user friendly. Its processes are streamlined, and registration can be completed in a single day by means of electronic filing using standardised templates.

Civil service

Hungary has a lower proportion of civil servants aged 50+ (37%) than the EU average ([158]). Hungary continues to have a lower percentage of employees with post-secondary education (45%) compared to the EU average (55%). The proportion of civil-service employees participating in education and training is above the EU average ([159]). There is room for improvement in terms of taking action to improve the gender parity, which is one of the lowest in the EU, with only 26% of women working in the civil service.

The Hungarian civil service could benefit from targeted measures to improve its attractiveness and retention rates. The pay gap between public and private sectors remains a big challenge and a key factor in high turnover, which is running at 20-30% per year. Allowing more homeworking could be one measure to improve the attractiveness of the profession.

Integrity

While the perception of corruption when doing business in Hungary remains very high, the reported level of experienced corruption is low. The fact that 83% of companies view corruption as widespread (EU: 63%) and 78% state that overly close links between business and politics leads to corruption (EU: 76%), there are systemic concerns. Half of businesses also see corruption as a problem when operating (Hungary 50%; EU 35%) ([160]), which suggests that these concerns are real obstacles for firms. Sectors particularly vulnerable to corruption in Hungary are public procurement, construction, health, IT, and communication services ([161]) (see Annex 5). Relatively few firms have reported direct requests for bribes (Hungary 5%; EU 10%). Just 19% of Hungarian companies believe that those caught bribing senior officials are appropriately punished, well below the EU average (33%) ([162]). This gap suggests that limited reported exposure to bribery coexists with low confidence in law enforcement.

Few steps were taken to improve the prevention and detection of corruption. Some measures were taken as part of Hungary's 2024-2025 national anti-corruption strategy, including soft measures such as codes of conduct for low and mid-level officials. However, major measures involving i) asset declarations, ii) establishing codes of ethics for top executives and Members of

([156])European Commission, 2025, World Bank Business Ready 2025.

([157])European Commission - Infringements decisions_260924.pdf

([158])European Commission, Eurostat, 2026, European Union Labour Force Survey, Employed persons by economic activity (NACE Rev. 2) (2008-2026).

([159])European Commission, Eurostat, 2026, European Union Labour Force Survey, Participation rate of employees in education and training (last 4 weeks) by NACE Rev. 2 activity (2008-2026).

([160])European Commission, 2025, Flash Eurobarometer survey 557 on Businesses' attitudes towards corruption in the EU.

([161])European Commission, 2025 Rule of Law Report.

([162])European Commission, 2025, Flash Eurobarometer survey 557 on Businesses' attitudes towards corruption in the EU.

Parliament, iii) political party financing and iv) reviewing the 'motion for revision' procedure have yet to be taken. Similarly, no steps have been taken to adopt comprehensive reforms on regulating lobbying and revolving doors. The Integrity Authority continues to report obstacles to fulfilling its oversight tasks effectively ([163]), and the practical impact of the proposals made by the anti-corruption task force has so far been limited. Among the tools applied for detecting and deterring corruption, and for strengthening integrity in the public sector, are integrity tests and lifestyle checks, though their effectiveness specifically in detecting high-level corruption is limited.

Hungary faces challenges in terms of enforcement and establishing a track record for corruption cases. Regarding the investigation and prosecution of corruption, the number of convictions for corruption crimes has decreased and there no progress has been made in establishing a robust track record on high-level corruption. The lack of enforcement to tackle bribery of foreign public officials is a persistent concern: there are no new investigations or convictions. Recent legislative amendments have strengthened the framework for liability of legal persons, in line with international recommendations related to foreign bribery. The amendments eliminate the regulatory gap between active bribery in the public and private sectors, strengthen corporate liability and introduce a new three-tiered time limit system for investigations. The number of motions submitted for revision, which resulted in the continuation of investigations in 2025, has not increased compared to the previous year.

Justice

Overall, the justice system continues to perform efficiently. The time taken to reach a decision in civil and commercial cases in first-instance courts has increased slightly, but at 140 days (compared to 135 days in 2023) it remains one of the lowest in the EU. The estimated time taken to resolve administrative cases at first instance increased slightly (from 125 days in 2023 to 131 days in 2024) yet remains among the shortest in the EU. The quality of the justice system is good overall.

In terms of digitalisation, Hungary performs very well. Digital solutions are in place to initiate and follow proceedings in civil/commercial and administrative cases, and the public has online access to published judgments. However, there is room for improvement in arrangements for producing machine-readable judicial decisions. The general public has wide online access to judgments, which contributes to transparency. The Commission is monitoring the implementation of the 2023 reform aimed at strengthening judicial independence ([164]).

([163])Through the Technical Support Instrument, the European Commission supports the Hungarian Integrity Authority in developing an AI tool to strengthen corruption risk assessments of public datasets (e.g., procurement and EU-funds data) and take a data-driven approach to plan investigations.

([164])For a more detailed analysis of the performance of the justice system in Hungary, see the upcoming 2026 EU Justice Scoreboard and the 2025 Rule of Law Report.

Hungary faces challenges in progressing with the transition to sustainable net-zero industry. Hungary's industry decarbonisation faces hurdles related to funding, grid access, and expertise. Transport decarbonisation lags critically, also in the context of underinvestment in rail infrastructure, and underdeveloped EV charging infrastructure. Hungary performs below average on the circular economy and on waste management. Air pollution remains a persistent issue, with significant economic, environmental, and health impacts. The energy, transport, agriculture and waste management sectors contribute heavily to industrial emissions, impairing air and water quality. Hungary would benefit from action to better integrate measures on air pollution in these key policies. Given the wide investment gaps in the circular economy and in pollution prevention and control, Hungary has scope to further develop its economic incentives, fiscal measures and the polluter pays principle. In 2025 Hungary has received a country-specific recommendation to improve circularity and strengthen waste treatment capacities. Although several reforms were adopted before 2025, including the reform to bring in a single waste management operator, it is unclear how these reforms address the recommendation. There is a lack of clear information on how the authorities will monitor action by the operator to meet the EU waste targets. Further action is also needed to improve the processing of waste streams, in particular bio and hazardous waste, and to tackle illegal landfilling.

Industry decarbonisation

Greenhouse gas emissions from industry

Hungary's manufacturing emissions intensity has declined by one fifth in the past five years ([165]). Hungary's manufacturing sector accounts for 13% of its total greenhouse gas (GHG) emissions, (without the manufacture of coke and refined petroleum products, that add another 3 percentage points) below the EU average of 21% ([166]). With about 340 g per euro of gross value added in 2024, its emissions intensity of manufacturing production is around the EU average, having declined by 23% since 2019. With about 42%, the share of energy-related emissions in Hungary's GHG emissions from manufacturing is significantly lower than the EU's 52%, with the rest being process-related emissions. Between 2018 and 2023, the energy-related GHG emissions intensity of manufacturing improved by about 20%. In this time, Hungary also increased the share of electricity and renewables in final energy use in manufacturing by about 6 percentage points, to 46.4%.

Policies to promote industry decarbonisation

Hungary's green industry transition faces challenges related to high investment needs and constraints of grid capacity among others ([167]). Apart from broader competitiveness issues, the weather dependency of renewable energy utilisation poses challenges. Funding for energy efficiency, energy storage, and new or upgraded technologies, along with the knowledge needed to manage energy use and the transition of existing assets towards decarbonisation pose difficulties to companies. Hungary supports the establishment of energy storage systems for companies – also in view to promote energy self-sufficiency and thereby reduce pressure on the grid –, the exploitation of geothermal energy and bioenergy, energy efficiency renovations, and energy innovation research and development.

([165])This Annex discusses the transition of Hungary's manufacturing industry, specifically its energy-intensive industries, to low-carbon and net-zero modes of production, which is key to preserving competitiveness on the path towards climate neutrality as mandated by the European Climate Law. A broader perspective on the current competitiveness challenges facing Hungary's manufacturing industry is provided in Annex 5. For a more detailed description of greenhouse gas emissions from industry, see European Commission (2025), 2025 Country Report - Hungary, Commission staff working document, SWD (2025) 205 final, Brussels, 4.6.2025, Annex A7. Clean industry and climate mitigation.

([166])Data on the manufacturing sector exclude the NACE division C19 – manufacture of coke and refined petroleum products, for better match of the sectoral data from Eurostat (gross value added) with those from the UNFCCC under the Common Reporting Format. Also see further indicators on industry decarbonisation, as well as the annotation for further information, in table A8.1 at the end of this Annex.

([167])Source: exchange in writing (questionnaire) with national authorities as part of the fact-finding for the European Semester analysis.

Hungary supports the development of renewable energy for industrial users' needs. In 2025, it has initiated the simplification of permitting procedures for hydrogen and biogas. Carbon capture and storage plans are also being developed, notably targeting the metal and mineral industries along with petroleum and energy production.

Reduction of effort sharing emissions

Compliance with effort sharing limits through domestic measures

Hungary is projected to overachieve its 2030 effort sharing target ([168]). In 2024, greenhouse gas emissions from Hungary's effort sharing sectors are expected to have been 13.8% below 2005 levels. By 2030, the current and planned policies and measures are expected to reduce these emissions by 26.5%, resulting in a surplus of 7.8 percentage points relative to the 2030 target, a 18.7% reduction. Hungary is projected to exceed its effort sharing emissions limits temporarily over the 2021-2030 period but could cover the gap with unused annual emission allocations from other years to achieve compliance with the Effort Sharing Regulation ([169]).

Sustainable transport

The transition to decarbonise road transport is a challenge in Hungary; achieving a shift to rail would require significant investment. In 2024, road transport generated 34% of Hungary's effort sharing emissions, a 15% increase on 2005 levels ([170]). From 2018 to 2022, the share of inland freight in Hungary carried by rail decreased by 0.4%, instead of increasing to enable a modal shift to rail transport ([171]). This is linked to the low level of investment in rail infrastructure per capita (EUR 73.4 per inhabitant in 2022; EU average: EUR 114.3) ([172]), and Hungary's preference to develop road transport infrastructure instead of rail. At 45.3%, the share of Hungary's rail tracks that is electrified was below the EU average of 57.4% in 2023 ([173]). According to current government estimates, rebuilding its TEN-T core network and extended core network railway lines would require EUR 17 billion, far above available funding levels. The significant rail infrastructure investments tabled in Hungary's recovery and resilience plan have not been carried out either. Hungary is therefore off track in terms of compliance with its TEN-T requirements ([174]) by 2030 and 2040.

The process to decarbonise road transport is not advancing sufficiently either. For cars, by the end of 2025 Hungary had only installed around 25% of the electric charging infrastructure mandated for 2030. For trucks, electric charging infrastructure is largely absent. This creates the risk of significant bottlenecks in the uptake of electric trucks and the ability of truck manufacturers to meet their legally binding sales target ([175]). Hungary does not promote the uptake of zero-emission trucks by providing an exemption from the infrastructure charge component of a toll, a demand-side economic incentive that is allowed under EU law until 30 June 2031([176]).

([168]) On the decarbonisation of buildings, the other key subsector covered by the Effort Sharing Regulation, see Annex 9.

([169]) The national GHG emission reduction target is set out in Regulation (EU) 2018/842 (the Effort Sharing Regulation). It applies jointly to buildings (heating and cooling), road transport, agriculture, waste and small industry (known as the effort sharing sectors). The emissions from effort sharing sectors for 2024 are based on approximated inventory data. The final data will be calculated in 2027 after a comprehensive review. Projections about the impact of current policies ('with existing measures', WEM) and additional policies ('with additional measures', WAM) as per Hungary's 2025 reporting under Article 17 of Regulation (EU) 2018/1999 (the Governance Regulation). Also see European Commission (EC) (2025), Climate Action Progress Report 2025 – Technical Information, Commission staff working document, Brussels, Chapter 9 (pp. 111ff.), and in particular Tables 25 and 26.

([170]) See Graph A8.1, and Table A8.1 at the end of this Annex.

([171]) EC, Directorate-General for Mobility and Transport, EU transport in figures – Statistical pocketbook 2025, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2832/2584130.

([172]) Calculation based on Rail Market Monitoring (RMMS, 2024) for data on 'rail infrastructure investments' and on Eurostat data for 'population'.

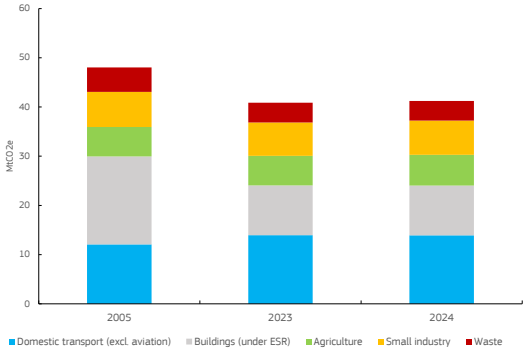
([173]) Eurostat: rail_if_line_tr.

([174]) As per Regulation (EU)2024/1679.

([175]) Infrastructure | European Alternative Fuels Observatory.

([176]) Pricing | Hungarian Public Roads Nonprofit PLC – Toll Division.

Graph A8.1: **Greenhouse gas emissions in the effort sharing sectors, 2005, 2023, and 2024**



Source: European Environment Agency.

Sustainable industry

Circular economy industry

Hungary is still far from achieving its transition to a circular economy. A national circular economy strategy is under preparation but yet to be adopted. Hungary's recycling rates lag behind the EU average: only 33.6% of municipal waste was recycled (EU average: 48.1%) in 2024, and 23% of plastic packaging in 2023 (EU average: 42%) ([177]). Only 22.24% of construction and demolition waste was recycled in 2022 (EU average: 79.72%) ([178]). Hungary has missed the 2020 EU recycling targets and significant efforts are needed to reach the next targets. No patents related to recycling or secondary raw materials were filed in 2021 in Hungary ([179]). Moving forward with the transition to a circular economy would require additional economic incentives for the separate collection of municipal bio-waste. This could include promoting 'pay-as-you-throw'-based household waste charges, increasing landfill taxes ([180]), and providing dedicated support for research and innovation initiatives.

Although Hungary's level of reliance on primary resources is below the EU average, the country also takes fewer steps to tap the potential gains in the circular economy. Waste generation has increased from 387 kg/capita in 2017 to 414 kg in 2024, still below the EU average of 517 kg ([181]). The country's level of dependency on imports of materials remained at 27.6% in 2023, slightly above the EU average of 22.4% ([182]), and raw material consumption per capita, a measure of Hungary's material footprint, fell by 18.5% since 2019, reaching 13.234 tonnes/capita in 2024 ([183]). Resource productivity has increased significantly, nearly doubling from 0.91 EUR/kg in 2019 to 1.75 EUR/kg in 2024 ([184]). However, Hungary could stand to gain from action to develop its circular economy. Employment in the circular economy rose by 12% ([185]), accounting for 2.3% of total employment in 2023, slightly above the EU average of 2%. The use rate of secondary materials remains limited, with a circular material rate of 7.7% against the EU average of 12.2% in 2024, indicating a higher level of landfilling of primary resources.

Hungary has implemented some fiscal tools, but its framework could be updated to boost environmental revenue, promote circular practices and reduce waste. Total environmental taxes amounted to EUR 4.25 billion in 2023, representing 2.16% of Hungary's GDP, slightly above the EU average of 2.03% ([186]). Most environmental tax revenue came from energy taxes, and to a lesser extent, transport taxes, with taxes on pollution and resources accounting for only 0.11%. The landfilling tax adopted in 2012 has remained unchanged since 2014, which means it is rather low in 2023 prices. The mining royalty system created in 1993 lacks transparency and revenue is not earmarked for environmental

([177])Eurostat, *Plastic packaging recycling rate,* 2025. Link.

([178])Joint Research Center (JRC), *Techno-economic and environmental assessment of CDW management, A report on sustainable management of construction and demolition waste*, 2024, Link.

([179])Eurostat, *Patents related to recycling and secondary raw materials*, 2025. Link.

([180])Organisation for Economic Co-operation and Development, *Towards a National Circular Economy Strategy for Hungary*, 2023, Link.

([181])Eurostat, *Municipal Waste by waste management operations*, 2026. Link.

([182])Eurostat, *Circular material use rate,* 2025. Link.

([183])Eurostat, *Material footprints,* 2025. Link.

([184])Eurostat, *Resource productivity,* 2025. Link.

([185])Eurostat, *Persons employed in circular economy sectors,* 2025. Link.

([186])EC, *Environmental Implementation Review, Hungary country report (EIR)*, 2025, Link.

purposes ([187]). Updating these fiscal tools and bringing in new measures such as an incineration tax could encourage circularity. Given Hungary's high landfilling rate, revising the landfilling tax fee would be particularly beneficial. In addition, levying incineration and new air pollution taxes could help mitigate air pollution and reach the emission reduction targets. Applying product charges on specific goods and user charges could also aid Hungary in achieving waste management and circular economy goals, while reducing pollution and enhancing nature protection.

Hungary's performance on waste management is deteriorating despite recent reforms. Although the municipal waste incineration rate, at 13.2% in 2024, is lower than the EU average of 26.1%, it has increased from 10% in 2010. The landfilling rate fell significantly from 70% in 2010 to 48% in 2017 but recent data show a worrying rise to 53.2% in 2024, well above the EU average of 22% in 2023 ([188]). This trend puts Hungary at risk of missing the 2035 target to landfill no more than 10% of municipal waste. In 2023, Hungary adopted a series of reforms in the waste management sector, but the impact has yet to be assessed. The reforms include the extended producer responsibility system ([189]) designed to improve waste prevention, re-use, recycling and recovery, and it covers several waste streams ([190]).

Hungary would need more targeted investment in the circular economy, as it faces an annual investment gap of EUR 316 million to achieve its circular economy objectives ([191]).

Bioeconomy industry

Hungary's bioeconomy is growing steadily but not as quickly as the overall economy ([192]), representing only 0.88% of the country's GDP in 2023. Between 2018 and 2023, the value added annually by the bioeconomy industry in Hungary increased by an average of 4.4%, driven by the wood products and furniture and the food and beverages sectors, but still below the annual EU-27 average growth of 5.1% ([193])([194]). On average annually, over the same period, employment in the bio-based chemicals and plastics and wood products and furniture also recorded modest employment growth of 1.9% and 0.9% respectively, partially offsetting a slight overall decline in bioeconomy employment. Labour productivity stood at 101.4% of the national average in 2023, making Hungary one of the few countries where the bioeconomy operates at or above economy-wide productivity levels ([195]). However, R&D remains an area of concern, with bioeconomy-relevant sub-sectors growing at just 1.3% compared with 4.2% for overall national R&D expenditure ([196]), despite Hungary's untapped potential. Given its productive agricultural base, well-established pharmaceutical and biotech sector, and fertile SME ecosystem in food processing ([197]), Hungary holds significant potential to scale its bioeconomy well beyond its current trajectory.

Zero-pollution industry

Air pollution in Hungary remains a major concern as it has an impact on public health, the environment and the economy. While several air pollutant emissions have decreased since 2005 ([198]), Hungary still ranks ninth in the EU on industrial emission intensity ([199]). The main industrial contributors include the energy and the mineral sectors for nitrogen oxides (NO_x), waste management for dust, the energy sector for sulfur dioxides (SO_2) and the energy and metal sectors for heavy metal emissions. Though NO_x, non-

([187])EC, Directorate-General for Environment, Camboni, M., Markandya, A., Tyrer, D., Goonesekera, S. et al., *Greening the European Semester – Resource and pollution taxes*, *Annex 6, Country factsheets*, 2026, Link.

([188])Eurostat, *Municipal Waste by waste management operations,* 2026. Link.

([189])EEA, *Circular economy country profile – Hungary,* 2024. Link.

([190])Namely, packaging, electrical and electronic equipment, certain single-use plastic products, batteries, vehicles, tyres, office paper, advertising paper, cooking oil and grease, textile products and wooden furniture.

([191])EC, *EIR, Hungary country report*, 2025, Link.

([192])JRC, *Jobs and wealth in the EU bioeconomy*, 2025. Link

([193])Bioeconomy sub-sectors: food and beverages; bio-based textiles; wood products and furniture; bio-based chemicals and plastics.

([194])JRC, *Jobs and wealth in the EU bioeconomy*, 2025. Link

([195])Ibid. Link.

([196])JRC, *Business expenditure in Research and Development in the EU bioeconomy*, 2025. Link.

([197])Ibid. Link,.

([198])EC, *EIR, Hungary country report*, 2025, Link.

([199])Ibid., Link.

methane volatile organic compounds (NMVOC), particulate matters (PM 2.5 and 10), and sulfur oxides (SO_x) fell between 2010 and 2022 ([200]), industrial air emissions of PM_{10} and ammonia (NH_3) rose by 56% and 35% respectively between 2014 and 2023 ([201]). NH_3 and $PM_{2.5}$ pollution remains high. Hungary missed its emission reduction commitments for 2020-2029 and is projected to miss the 2030 and subsequent commitments for NO_x, NMVOC, NH_3 and $PM_{2.5}$. Air pollution results in 1 350 years of life lost (YLL) per 100 000 inhabitants due to $PM_{2.5}$, with concentrations above the World Health Organization's air quality standards. Pollution from nitrogen dioxide (NO_2) results in 200 YLL per 100 000 inhabitants and ozone results in 293 YLL per 100 000 inhabitants ([202]).

The estimated annual costs of air pollution from the main pollutants (NH_3, NMVOC, SO_2, NO_x and $PM_{2.5}$) exceed EUR 6.3 billion ([203]). 41% of these costs are attributed to transport, 27% to energy and 26% to agriculture. Health and environmental damages from industrial pollutants are estimated to have costed EUR 963.8 million in 2021 alone ([204]), highlighting the importance of continuing action to tackle the main pollutant emissions from all sources. Overall, energy and transport policies do not address air pollution sufficiently, hampering long-term improvements. A notable example is funding for energy-efficiency projects, which are not selected based on their impact on air pollution and only receive limited funding.

Hungary levies environmental taxes on some key air pollutants. Since 2003, Hungary charges an environmental impact fee on point-source emissions of NO_x, SO_x and non-toxic dust, primarily from industry and power generation. While this tool reliably generates revenue, its environmental effectiveness is limited ([205]). Given Hungary's persistent air quality challenges, bringing in calibrated charges for NO_x, SO_2 and PM could complement existing measures and deliver local co-benefits for health and climate policy ([206]).

While Hungary has made some progress in reducing industrial water pollution, maintaining these improvements remains challenging. The waste management sector contributes significantly to emissions of heavy metals, nitrogen, phosphorus and total organic carbon, while the pulp and paper sector is a major source of phosphorus emissions in water ([207]). Between 2010 and 2023, reductions were achieved in nitrogen, total organic carbon and phosphorus emissions from industrial sources, as reported under the Industrial Emissions Directive. However, heavy metal (cadmium, mercury, nickel and lead) emissions from industrial releases have significantly increased over the same period ([208]). Surface waterbodies are affected particularly severely by heavy industry emissions and combustion processes ([209]). Discharges of heated water from power plant cooling facilities contribute to rising river temperatures especially in summer, affecting freshwater ecosystems ([210]). In Hungary, 88.7% of surface water bodies fail to achieve good ecological status and 46% fail to achieve good chemical status ([211]), compared with the EU averages of 37.7% and 30%, respectively. This highlights the need for continued, enhanced and sustained measures to tackle industrial water pollution. Water pollution by waste water from industry in Hungary imposes direct and indirect

([200])In Hungary, between 2010 and 2022, NOx have decreased by 18%, NMVOC by 10%, PM2.5 by 30%, PM10 by 22%, and Sox by 50%. (Eurostat, *Air emissions accounts,* Link).

([201])EEA, *Industrial Reporting under the Industrial Emissions Directive 2010/75/EU and European Pollutant Release and Transfer Register Regulation*, 2026, Link.

([202])EEA, *Harm to human health from air pollution in Europe: burden of disease status*, 2025, Link.

([203])EC, IEEP, *Green taxation and other economic instruments – Internalising environmental costs to make the polluter pay* (p. 32-33, Table 3), 2021, Link.

([204])EEA, *Industrial pollution intensity indicators – EU large industry water pollution intensity*, European Industrial Emissions Portal, 2024, Link.

([205])EC, Directorate-General for Environment, Camboni, M., Markandya, A., Tyrer, D., Goonesekera, S. et al., *Greening the European Semester – Resource and pollution taxes*, 2026, Link.

([206])Ibid., Link.

([207])EC, *EIR, Hungary country report*, 2025, Link.

([208])EEA, *Water pollutant releases changes from 2010 to 2022 for the EU Member States*, 2024, Link. Updated 2023 data from the EEA.

([209])See also the Annex on *Climate adaptation, preparedness and environment*.

([210])OECD Study, *Water governance for climate resilience in Hungary*, 2026, Link.

([211])WISE Freshwater Information System for Europe, *Country Profiles on Water Framework Directive - Hungary report*, accessed in 2026, Link.

costs of EUR 13 million a year ([212]), not yet sufficiently borne by the polluters.

Despite pressures on health, the environment and the economy, Hungary's investments in tackling pollution remain insufficient. To tackle pollution prevention and control, Hungary needs EUR 1.5 billion in investment each year over the 2021–2027 period. The annual investment level is estimated at EUR 946 million. Additional funding could help improve air quality, especially through measures to promote sustainable energy and transport in sensitive areas and action to reduce NH_3 emissions. Meeting national and EU pollution prevention and control targets would require an additional EUR 506 million annually ([213]).

([212])EC, IEEP, *Green taxation and other economic instruments – Internalising environmental costs to make the polluter pay* (p. 35-36, Table 5), 2021, Link.

([213])EC, *EIR, Hungary country report*, 2025, Link.

Table A8.1: **Key clean industry and climate mitigation indicators: Hungary**

Climate mitigation	Hungary							Trend	EU	
Industry decarbonisation	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2023**
GHG emissions intensity of manufacturing production, g/€ (1)	456	438	446	419	341	321	336	↘	330	-
Share of energy-related emissions in industrial GHG emissions (2)	41.1	41.1	39.8	41.7	43.7	42.3	-	↗	55.5	57.9
Energy-related GHG emissions intensity of manufacturing and construction, g/€ (3)	211.9	204.2	207.4	204.8	178.3	163.1	-	↘	203.9	163.0
Share of electricity and renewables in final energy consumption in manufacturing, % (4)	38.2	39.8	39.7	40.7	43.6	45.4	46.4	↗	42.8	43.9
Energy intensity of manufacturing, GWh/€ (4)	1.88	1.85	1.98	1.98	1.73	1.70	1.83	↘	1.27	1.05
Share of energy-intensive industries in manufacturing production, % in GVA (5)	14.95	13.93	14.26	16.49	12.55	11.21	10.35	↘	-	-
GHG emissions intensity of production in sector [..], g/€ (6)										
- paper and paper products (NACE C17)	608	618	576	526	541	464	492	↘	722	619
- chemicals and chemical products (NACE C20)	2,186	2,375	2,444	2,558	2,694	3,260	4,205	↗	-	-
- other non-metallic mineral products (NACE C23)	2,708	2,701	2,687	2,439	2,303	1,963	2,099	↘	2,495	2,352
- basic metals (NACE C24)	1,959	1,954	2,305	1,741	1,975	886	436	↘	2,842	3,099
Reduction of effort sharing emissions	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2023**
GHG emission reductions relative to base year, %				-3.6	-8.1	-14.8	-13.8			
- domestic road transport	14.9	21.8	4.2	15.4	24.7	15.6	15.4	↗	-1.4	-5.6
- buildings	-30.8	-32.8	-29.5	-25.3	-35.2	-43.4	-43.6	↘	-20.3	-33.5
	2005			**2021**	**2022**	**2023**	**2024**	**Target**	**WEM**	**WAM**
Effort sharing: GHG emissions, Mt; target, gap, %	47.8			46.1	44.0	40.7	41.2	-18.7%	-15.2%	-26.5%
Sustainable road transport	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2018**	**2021**
New zero-emission vehicles, electricity motor, % (7)	0.95	1.16	2.38	3.53	4.22	5.38	7.04		1.03	8.96
Number of publicly accessible AC/DC charging points (8)	-	-	1217	2634	3329	3317	4175	5083	446956	n/a
Share of electrified railways, % of total (9)	39.69	40.18	39.95	40.83	40.74	45.29	45.27		55.47	56.49

Sustainable industry	Hungary							Trend	EU-27	
Circular economy transition	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**latest data**
Material footprint, tonnes per person	15.5	16.2	14.0	14.2	14.7	14.8	13.2	↘	14.8	13.7
Circular material use rate, %	6.9	5.5	5.1	5.0	4.9	6.8	7.3	↗	11.6	12.2
Resource productivity, €/kg	0.9	0.9	1.0	1.1	1.3	1.5	1.7	↗	2.1	3.0
Employees in circular economy	2.6	2.6	2.6	2.8	2.3	2.3	-		2.1	2.0
Patents in circular economy	2	3.0	1.0	-					12.3	12.0
Recycling rate	37.4	35.9	32.0	34.9	32.8	33.4	33.6		46.40	48.1
Plastic recyling	30%	33%	25%	27%	28%	23%	-		41%	42%
Construction and demolition waste (CDW) recovery	99	-	98						88	89
Bioeconomy industry	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**CAGR 2018-2023**	**2018**	**2023**
Value added, million EUR	9,547	9,841	9,717	10,889	11,676	12,396	-	4.4%	642,438	863,436
Employment, total number of people employed	377,335	372,572	370,368	356,939	343,576	343,162	-	-1.6%	17,649,040	17,085,642
Productivity										
Valued added per worker, thousand EUR	25.3	26.4	26.2	30.5	34.0	36.1	-	6.1%	36.4	50.5
Valued added per worker, % of national average	101.0	98.8	102.1	108.7	112.8	101.4	-	-	62.2	70.7
R&D business expenditure										
Total bioeconomy (biomass producing and converting sectors)	224	219	237	323	199	242		1.3%	15,672	23,335
Total R&D business expenditure	1,551	1,621	1,679	1,910	1,690	1,982	-	4.2%	196,587	259,525
Zero pollution industry	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2021**
Damage cost for industrial pollution	6.4	6.2	6.5	6.6	-	-	-		414.9	352.7

Water industrial pollutants releases	Cd, Hg, Ni, Pb		nitrogen		TOC		Phosporus			
	2021	change (2010)	2021	change (2010)	2021	change (2010)	2021	change (2010)		
	5,827	75%	4,472,300	-15%	-	-13%	511,780	-14%		
Water chemical status		Good	584	Good (%)	0.5		Poor	488.0	Poor (%)	46%

Sources and notes: **Industry decarbonisation:** All data are from Eurostat; data following the UNFCCC Common Reporting Format (CRF) are from the European Environment Agency (EEA), republished by Eurostat. (1) Sectors covered: all divisions of section C - Manufacturing - of the NACE Rev. 2 statistical classification of economic activities, except C19 (manufacture of coke and refined petroleum products). (2) GHG emissions as per UNFCCC Common Reporting Framework (CRF) categories 1.A.2 - fuel combustion in manufacturing in industries and construction (that broadly correspond to the broadly correspond to the NACE sections C - Manufacturing and E - Construction, excluding C-19), and CRF2 - industrial processes and product use. The figures shows the emissions in the 1.A.2 category as a share of the sum of CRF1.A.2. and CRF2 emissions. (3) Sectors covered: CRF 1.A.2 as described above. Gross value added (GVA) data in the denominator aligned in sectoral coverage, in 2020 prices. (4) Sectors covered: NACE section C excluding C19. (5) Nominator: NACE divisions C17, 20, 23, 24; denominator: NACE section C excluding C19 (see above). (6) GVA (denominator) in 2020 prices. **Reduction of effort sharing emissions:** Data source: European Environment Agency, greenhouse gas data viewer; European Commission, Climate Action Progress Report, 2025. For details, see the footnote in the "Reduction of effort sharing emissions" section. **Sustainable road transport:** (7) Source: Eurostat; (8) Source: European Alternative Fuels Observatory; (9) Source: Eurostat. For all climate mitigation indicators, the trend arrows compare the latest available data (year t) with the data four years earlier (t-4). **Sustainable industry**: Bioeconomy value added, employment and productivity: JRC, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU. Bioeconomy R&D business expenditure: JRC, Business expenditure in Research and Development (R&D) in the EU bioeconomy. Damage cost for industrial pollution: EEA, The costs to health and the environment from industrial air pollution in Europe, 2024. Water industrial pollutants releases: EEA, Industrial releases of pollutants to water and economic activity in the EU-27, 2024. Water chemical status: WISE, Surface water bodies: Chemical status, 2024 and WISE Groundwater bodies: chemical status, 2024. Other indicators: Eurostat. For circular economy indicators, the trend arrows compare the latest available data (year t) with the data two years earlier (t-2).

This annex outlines the progress made and the ongoing challenges faced in increasing energy affordability, while advancing the transition to net zero. It reflects the implementation of past energy-related country-specific recommendations.

The 2025 energy-related country-specific recommendation for Hungary calls for harmful fossil fuel subsidies to be phased out and for diversification to be accelerated in order to phase out dependence on Russian energy sources. It also calls for flexibility and competition to be increased in the electricity sector, in particular by strengthening the balancing market and boosting cross-border electricity trading.

In Hungary, progress in addressing these recommendations remains uneven. While significant steps have been taken to make the electricity system more flexible, in particular through support schemes for electricity storage and plans to join EU cross-border balancing platforms, dependence on Russian fossil fuels remains high. Hungary continues to rely heavily on Russian gas and oil imports despite having made some diversification efforts by signing new supply agreements with alternative partners, and it is expected to remain dependent on Russian nuclear fuel for its existing reactors in the coming years. Some measures have also been taken to increase cross-border electricity trading, but Hungary suffers from structural constraints in the regional grid, which continue to limit further integration and competition in the electricity market.

Energy prices and costs

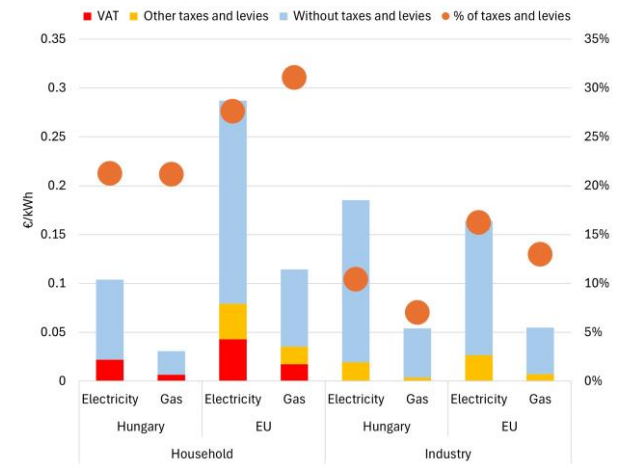
While utility price caps (or the 'universal service framework') artificially kept household energy bills in Hungary well below the EU average ([214]), electricity prices for industrial consumers remain among the highest in the EU. In the first half of 2025, both household electricity and gas prices in Hungary remained stable, and significantly below the EU average, at EUR 0.1040/kWh and EUR 0.0307/kWh respectively (both the lowest in the EU). On the other hand, retail electricity prices for industrial consumers decreased throughout the first semester of 2025 but remained above the EU average and on par with average prices reached in the first semester of 2024. For gas, prices for non-household consumers have remained in line with the EU average. However, electricity industrial prices (EUR 185/MW) increased and remained above EU average (EUR 164/MWh). While 53% of the electricity price for industry is accounted for by wholesale cost, network cost, carbon cost, and taxes represent respectively 27%, 10% and 10% of the electricity bill. Overall, gas and electricity prices in Hungary remained unbalanced, partly because the fiscal burden on industrial consumers was greater for electricity than for gas. For large businesses, electricity was 3.4 times more expensive than gas in the first half of 2025, with taxes and levies (excluding VAT) accounting for 10% of electricity bills and 7% of gas bills ([215]). Excluding taxes and levies, the electricity-to-gas price ratio would have decreased to 3.3. On the other hand, VAT accounted for over 21% of household electricity and gas bills, and taxes and levies averaged 26% for both, resulting in a similar electricity-to-gas price ratio of 3.4, with no impact when fiscal elements were excluded ([216]).

([214]) Hungary Today.

([215]) While at the same time VAT paid in Hungary by industrial consumers was on average 20% for electricity and 21% for gas.

([216]) Analysis based on Eurostat data from the first half of 2025.

Graph A9.1: **Electricity and gas prices for household and non-household consumers, first half of 2025**



(i) For household consumers, the consumption band is DC for electricity and D2 for gas. (ii) For non-household consumers, the consumption band is ID for electricity and I4 for gas. VAT and recoverable charges are not displayed for non-household consumers as these are typically recovered by businesses. This also applies to the '% of taxes and levies', which is shown excluding VAT and recoverable charges for non-household consumers. (iii) 'Without taxes and levies' indicates the retail price excluding all taxes and levies. It always includes the energy/supply and network cost components, which are not disaggregated in Eurostat's six-monthly price dataset.
Source: Eurostat

Hungary's wholesale electricity prices averaged EUR 110/MWh in 2025 ([217]), compared to an EU average of EUR 85 per megawatt-hour, remaining the third highest in the EU. Despite a decreasing share, fossil fuels accounted for 24% of Hungary's electricity generation in 2025, with fossil fuels maintaining their structural role as the dominant, and costly, marginal price-setting technology (68% of price setting hours for 24% electricity generation). Driven by rising natural gas procurement costs ([218]), average day-ahead electricity prices in Hungary increased by 8% in 2025. Hungary also remains exposed to pronounced price spikes during peak-demand hours, reflecting declining solar output in the evening and early morning, combined with limited non-fossil flexibility. This leads to a significant ramp-up of thermal generation to balance supply and demand, either domestically or through neighbouring markets. As a result, price spreads ([219]) in Hungary averaged EUR 155/MWh in 2025 – significantly givenabove the EU average of EUR 121 per megawatt-hour.

Graph A9.2: **Low-carbon electricity generation vs. electricity wholesale prices, 2025**

Unavailable data for Cyprus and Malta. Wholesale price is given as average of day-ahead electricity prices over 2025. EU-27 average is calculated as consumption-weighted. EU low-carbon share is calculated out of total EU electricity generation. Low-carbon share by country is calculated out of total public electricity generation. Low-carbon includes renewables and nuclear.
Source: Eurostat

Flexibility and electricity grids

Hungary's current level of electricity interconnection is already 39%, which is above the 15% EU target for 2030. The feasibility study for a new interconnector with Romania was completed in April 2025. Construction has started and the project should be finalised by 2029. Additionally, two new interconnectors with Romania and Slovakia were included as part of the second Union list of projects of common interest (PCIs) and projects of mutual interest (PMIs) and two smart grid PCIs, TUNE (HU, SI, SK) and Selena (CZ, HU, SK), which aim to increase controllability, strengthen the power network and modernise the distribution grid.

Hungary has taken some measures to address the 2025 country-specific recommendation (CSR) on *boosting cross-*

([217])ENTSO-E.

([218])The short-run marginal costs of gas in the EU increased from EUR 96 per megawatt-hour in 2024 to nearly EUR 103 per megawatt-hour in 2025. Short-run marginal costs are the sum of the variable costs associated with producing electricity using hard coal and fossil gas. These are fuel costs, carbon costs and variable operating and maintenance costs.

([219])'Spread' refers to the difference between the highest and lowest hourly day-ahead electricity prices in a single day.

border electricity trading. Capacity made available for cross-zonal electricity trading seems to have increased in the past few years and is approaching the required levels ([220]). Keeping sufficient capacity available for cross-zonal electricity trading is essential to avoid economic welfare losses ([221]) and acute cross-zonal price divergence. For example, in 2024, the sharpest periods of price divergence between Hungary and Austria occurred when the available cross-zonal capacity was lowest. Hungary is part of the Core capacity calculation region ([222]), where structural constraints on cross-border capacity availability persist, limiting trade. Internal grid congestion in neighbouring countries, rather than in Hungary, is the main obstacle to increasing the use of existing cross-border infrastructure in Hungary.

While implementation of grid-related reforms in Hungary has progressed, grid congestion has resulted in substantial connection queues, slowing the uptake of renewables and highlighting the need for significant investment in the electricity grid. Following the 2024 surge of over 10 GW in renewable applications, the government and the transmission system operator (MAVIR) enacted a regulatory reset to manage speculative projects through an 'order-of-preference' system under *Government Decree 54/2024* (no longer in force). This system requires significant financial guarantees, including an additional security payment of 5% of the benchmark investment value ([223]), and prioritises developers who integrate battery energy storage or other balancing capacities ([224]). In the last grid capacity allocation procedure, under Government Decree 54/2024, network licensees refused all grid access requests except in certain cases (e.g. wind power plants). The Government has laid down new rules for the determination and allocation of free capacities under the Electricity Act, the related implementing regulation, and Ministry of Energy Decree No. 11/2025. The reform also suspended the previous biannual capacity allocation process, leading to a pause in general grid tenders throughout 2025. The connection of producers to the high and medium voltage networks, with the exception of power plants that have a significant impact on the operation of the electricity system and power plants connected to the electricity network without any feed-in power, is only possible through a call for tenders published no later than every twenty-four months. As planned, starting in 2026, the Hungarian regulatory authority (MEKH) is launching a new national tender process based on these updated financial and technical criteria. To manage immediate technical constraints, network system operators61 has implemented flexible connection contracts, allowing projects to connect to the grid on the condition that they accept curtailment during system congestion. The current situation in Hungary demonstrates how strain on the grid and a lack of system flexibility present a barrier to future renewable growth.

By further supporting the uptake of non-fossil flexible assets and plans to join EU cross-border power balancing platforms, Hungary has taken significant steps to address the 2025 CSR on *improving flexibility and competition in the electricity sector by strengthening the balancing market.* While the Hungarian electricity system currently shows significant untapped flexibility potential, electricity storage-related reforms and schemes have recently seen a major uptake. These include: the Recovery and Resilience Facility-backed battery energy storage system (BESS) support scheme launched in early 2024 (METÁROLÓ), which supports the installation of a pipeline of approx. 440 MW / 885 MWh of new storage capacity by 2026; (MEKH Decree 17/2023, which seems to be translating into projects and demos, e.g. MET 40 MW / 80 MWh; MVM pilots); a Modernisation Fund-backed project for 38 MW / 100 MWh; grants for hybrid projects (up to 66% of eligible costs) under the 'Napenergia Plusz' programme; a dedicated residential energy storage programme (budget of HUF 100 billion). Additional incentives are available through the

([220]) As per EU legislation, Member States are to ensure that at least 70% of technical cross-border capacity is available for trading. According to the Hungarian authorities, from 1 January 2026, MAVIR provides 70% minimum capacity on all its network elements.

([221]) ACER estimates that meeting the 70% threshold in the Core region would have provided at least EUR 580 million in additional economic welfare.

([222]) Core is the capacity calculation region (CCR) which covers central European countries, namely Belgium, Czechia, Germany, France, Croatia, Hungary, the Netherlands, Austria, Poland, Romania, Slovenia, Slovakia and, once connected, Ireland. A CCR is a group of countries which calculate cross-border electricity trade flows together.

([223]) Order of preference and a new capacity allocation regime in the Hungarian green energy market – Wolf Theiss – Leading Lawyers in CEE&SEE.

([224]) Hungary to open doors for new power plant projects as new capacity allocation system takes shape – Lexology.

Jedlik Ányos plan, enabling SMEs to secure 30-50% non-refundable capex subsidies for behind-the-meter electricity and heat storage installations. Furthermore, a corporate income tax deduction introduced in 2024 allows companies to deduct up to 50% of eligible costs for new electrical energy storage investments. New BESS installations will also benefit from partial exemption from network charges until the end of 2026. Lastly, new 2025 rules increase transparency, facilitating the increased use of co-located solar-plus-storage or wind-plus-storage projects, improving flexibility and on-site consumption. Despite these comprehensive initiatives and the government's ambition to achieve 1 GW storage capacity by 2030, according to MAVIR Zrt.'s data, the total capacity of non-residential energy storage had reached 412.1 MW as of April 1, 2026 ([225]). Regarding balancing, Hungary plans to join the EU cross-border power balancing platforms PICASSO and MARI as of September 2026. This will enable the exchange of balancing energy products within a harmonised framework, helping, among other things, to lower costs and reduce regulatory burdens.

The lack of flexibility in Hungary's electricity system also derives from persisting regulatory barriers to wholesale market access. Although Hungarian law allows all types of actors to access wholesale markets, demand-side response is quite limited and is made through suppliers, whereas access to the ancillary service market involves specific barriers to assets installed at distribution level ([226]).

Consumer empowerment and demand-side response in Hungary remain very limited, mainly due to energy price caps that suppress cost-reflective price signals and limited access for industrial consumers to consumption data. Today, while household consumers have access to dynamic-price contracts, access is conditioned to the opt out of the universal service coverage, which made dynamic contracts fundamentally unappealing and led to a proportion of fixed-price contracts for households of 100%, compared to an EU average of 59% ([227]). In general, uniform regulated pricing provides no incentive to shift consumption to lower-price hours. According to the Hungarian authorities, only 12% of consumers had access to smart meters in 2025. The fact that data from transmission system operators and distribution system operators are insufficiently granular and are not exchanged promptly enough further constrains the ability of non-household consumers to optimise load profiles and participate effectively in demand-side response.

The development of energy communities is hampered both by poor grid access and by regulatory and financial barriers. Hungary's first energy community was registered in 2023. The aim of the Hungarian energy strategy is to ensure that, by 2030, at least one renewable energy community operates in each of Hungary's 175 subregions. Hungary has adopted legislation that simplifies the granting of permits for renewable energy communities. There are 17 energy communities in Hungary ([228]) and the percentage of households generating electricity is 6.4% ([229]).

Renewables and long-term contracts

Within Hungary's final energy mix, the share of renewables remains below the EU average in all categories and relatively far from its national energy and climate plan (NECP) targets. In 2024, the share of renewables in final energy consumption, calculated using the Renewable Energy Directive methodology, was 18.2%, among the lowest in the EU and significantly below the EU average of 25.2%. This share still falls short of Hungary's NECP target of 30% by 2030, while this contribution is itself significantly below the 34% required in accordance with the formula set out in Annex II to the Governance Regulation ([230]). Renewables accounted for 22.6% of energy demand in heating and cooling, and for only 7.9% of energy demand in transport. These levels place Hungary below the EU average for both sectors and year-on-year

([225])MAVIR

([226])The smartEn Map Wholesale Markets, January 2025.

([227])Electricity country sheets – 2025 monitoring report.

([228])MEKH

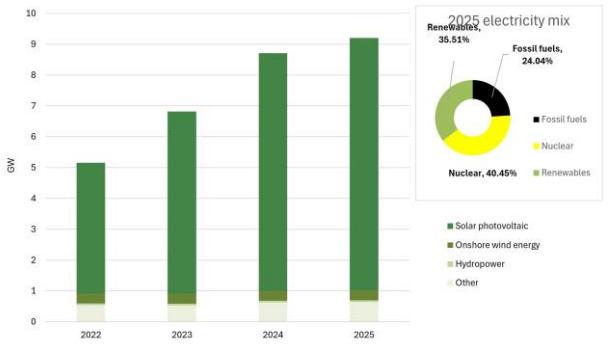
([229])Electricity country sheets – 2025 monitoring report.

([230])Commission assessment of Hungary's final updated national energy and climate plan.

progress remains marginal (+ 0.4% compared to 2023, in both cases).

While renewable energy source (RES) deployment is progressing in Hungary, increased intermittent generation requires faster development of non-fossil flexibility solutions to stabilise the system and better capture the benefits of cheap renewables. Hungary's renewable electricity expansion is being driven overwhelmingly by solar PV, which raised the RES share in the power mix from 31.4% in 2024 to 35.5% in 2025 ([231]), while wind energy remains largely stagnant. In 2025, 28% of electricity was produced by solar energy, the highest percentage in the EU. Biomass represented 5%, wind 1.5% and hydro less than 1%. Hungary has doubled its target for solar PV in its final updated NECP. By 2030, Hungary aims to have 12 GW of solar PV capacity. To support this development, in 2024 Hungary launched the Napenergia Plusz programme, which offers significant investment grants to residential customers. Currently, approximately 5 GW of utility-scale solar PV is supported by the KAT (feed-in tariff) and METÁR (feed-in premium) schemes, with costs funded by large energy users. However, despite wholesale prices remaining high by EU standards, new renewable auctions have stalled. This is largely due to market cannibalisation: the capture price for solar has plummeted from 201% of the baseload price in 2022 to just 55% in 2025, significantly undermining the business case for new projects. Instead, the government aims to support the deployment of energy storage under the various schemes discussed above. Installed capacity for renewables in Hungary represented 9,201 MW in 2025, an increase of 12.3% compared to 2024 (8,190 MW). Installed capacity for wind energy remained flat at 325 MW in 2025 (unchanged from 2024), whilst installed capacity for solar grew notably (+14.1% compared to 2024), reaching 8.3 GW([232]). However, the outlook for wind development in Hungary has recently improved, partly due to the reform commitments that Hungary made in its recovery and resilience plan. The first new wind farm is expected to start operation by the end of 2029. Hungary has a modest target of 1.2 GW for wind installed capacity by 2030. There are no significant changes to the installed capacity of other renewable energy sources.

Graph A9.3: **Hungary's installed renewable capacity vs electricity generation mix**



Electricity mix is given as net electricity generation (gross electricity production minus consumption of power stations' auxiliary services). Electricity produced in pumped hydro plants is excluded from total net electricity production, as it was previously counted as electricity produced from another source.
"Other" includes renewable municipal waste, solid biofuels, liquid biofuels, and biogas.
Source: IRENA, Eurostat

Hungary has taken several important steps towards improving the legal framework on RES permitting, also with a view to implementing the recovery and resilience plan. These include: (i) designated areas for wind energy development where permitting would be simplified; (ii) the launch of a process to streamline and improve the one-stop shop in place (public consultation and cross-ministerial working group); and (iii) new transparency rules facilitating co-located renewable and energy storage assets.

The power purchase agreement (PPA) market in Hungary is currently in its very early stages, with only a few dozen megawatts of capacity being contracted. In 2025, the country accounted for only 2% of all the deals signed in the EU and Norway. Of the total of eight PPA deals publicly announced, four are solar PV (approx. 80 MW PV), two are on-site PV PPAs and two are cross-border PPAs (one of them wind)([233]). PPA contracts are at a disadvantage to contract-for-difference (CfD) auctions because energy producers must pay an additional income tax, whereas the participants in CfD are exempted. This rule was slightly amended in early 2024, as a new

([231])Eurostat (nrg_cb_pem).

([232])MAVIR.

([233])Pexapark Renewables Market Outlook 2026.

regulation exempts power plants from the payment of this tax if their capacity is over 5 MW and they are implemented through an on-site PPA contract and do not feed into the electricity network. Nonetheless, corporate PPA demand is expected to remain relatively low.

Energy efficiency

Hungary has made significant progress in energy efficiency. In 2024, final energy consumption (FEC) decreased compared to 2023, to 16.9 Mtoe, continuing the decline since 2019. Hungary's FEC in 2024 was in line with the trajectory to its expected contribution in 2030. A significant medium-term decrease in FEC can be observed in all three sectors: in 2024 industry displayed a 7.3%, transport a 1.2%, services a 21.7 % and residential a 6.9% reduction compared to 2019.

Residential FEC will have to be further reduced if Hungary is to meet its LTRS (long-term renovation strategy) reduction targets by 2030, which set a 20% reduction (compared to 2018 levels). The 6.9% reduction from 2019 to 2024 has been driven by the energy savings achieved through various means and measures, which overcompensated for the impact of having new buildings constructed in the meantime([234])(). Given that 40% of final energy consumption in Hungary is in buildings (highlighting the importance of the sector to increasing energy security), Hungary is encouraged to submit its draft national building renovation plan pursuant to the recast EPBD([235]) in order to ensure a clear and predictable pathway towards an energy-efficient and decarbonised building stock. Government price caps also impedes the uptake of financial instruments, loans and energy service companies (ESCOs) to increase the energy efficiency of residential buildings.

Heating and cooling accounted for 84% ([236])of the country's residential final energy consumption in 2023, with renewables supplying 23% ([237]) of the total energy used for heating and cooling in all sectors. Around 12 000 heat pumps were sold in 2023, a decrease of 25% compared to the previous year, taking the total stock of installed heat pumps to around 48 000 ([238]). Electricity in Hungary was 3.4 times more expensive than gas in the first half of 2025. This means that end users save energy but pay more if they choose a heat pump for heating.

Security of supply and diversification

Hungary has taken limited measures to address the 2025 CSR on *accelerating the diversification of fossil fuel supply to phase out dependence on Russian sources.* In 2025, Hungary imported volumes of Russian gas well above its 4.5 bcm long-term contract, with official statements by the Hungarian authorities in early December indicating that Hungary had received 7.5 billion cubic metres of gas through the TurkStream pipeline so far in that year. Nevertheless, in December 2025 Hungary did sign a framework agreement with Azerbaijan for the purchase of up to 800 million cubic metres (mcm) of natural gas over two years, along with other long-term contracts signed in 2025 with alternative suppliers, e.g. Engie (400 mcm per year from 2028 to 2038) and Shell (200 mcm per year from 2026 to 2036). For crude oil, more than 90% of Hungary's imports in 2025 originated from Russia (vs 74% and 85% in 2023 and 2024 respectively), due to a temporary derogation from the EU sanctions. The vast majority of crude oil imports currently delivered via the Druzhba pipeline could be offset by increased flows through the Adria pipeline, which connects Hungary to the oil terminal in Omišalj, Croatia. This was effectively demonstrated between 27 January and 23 April 2026, when oil flow on the Druzhba pipeline was interrupted (due to damage on the infrastructure following Russian airstrikes), and Hungary's entire oil needs were covered by non-Russian crude oil delivered via the Adria pipeline,

([234])Based on the breakdown tool of the ODYSSEE-MURE EU project available at https://www.indicators.odyssee-mure.eu/decomposition.html.

([235])Delay might occur due to recent government change.

([236])Eurostat, 2025.

([237]) Eurostat, 2025.

([238])Source: European Heat Pump Association.

without jeopardising security of oil supplies in the country. However, Hungary has no incentive to reduce its crude oil imports from Russia as Urals trade at a discounted rate compared to Brent and the extra profit made by Hungary's oil company MOL Group is absorbed in windfall taxes for the government and additional earnings for the company ([239]). Despite having strengthened its energy ties with Russia following Russia's war of aggression against Ukraine, resulting in continuously increasing imports of Russian gas and oil, Hungary will be required under EU law to phase out Russian gas imports by 2027 and to develop a national diversification plan to end its reliance on Russian oil by the end of 2027 ([240]).

Hungary will remain fully dependent on Russian nuclear fuel for its existing Paks reactors until at least 2028, even as it takes incremental steps to diversify supply. In particular, in October 2024 the Paks operator concluded an agreement with an alternative supplier, Framatome, for deliveries beginning in 2027, and in late 2025 Budapest signed a broader cooperation agreement with the United States that includes the purchase of US nuclear fuel and technology for use at Paks. However, official plans envisage the continued use of Russian-sourced fuel until the end of 2028, followed by a mix of Russian-French and US fuel elements. In this context, and in line with the REPowerEU road map adopted on 6 May 2025, it remains important for Hungary to develop a comprehensive national plan with clear timelines and regulatory measures to fully phase out its dependence on Russian nuclear fuel.

In response to rising energy prices following the regional crisis in the Middle East, Hungary has imposed fixed retail prices for petrol (595 HUF/litre) and diesel (615 HUF/litre), alongside temporary reductions in excise duties to EU minimum levels and the release of strategic petroleum reserves, and released 352 million litres of petrol and 610 million litres of diesel from strategic reserves to maintain these caps. Hungary has also implemented an export ban on crude oil, petrol, and diesel and reduced excise duties to EU minima until 1 May 2026. Hungary contributed to the IEA collective action to release 400 million barrels of emergency oil reserves.

Fossil fuel subsidies

Hungary has taken no measures to address the 2025 CSR on *taking concrete steps to phase out fossil fuel subsidies, in particular those related to excise duties on diesel and those hindering electrification in the residential sector.* In 2024, environmentally harmful([241]) fossil fuel subsidies without a planned phaseout before 2030 decreased to 0.7%([242]) of Hungary's GDP ([243])(above the EU weighted average of 0.32%). However, this decline is only due to lower utility costs in 2024. Hungary did not introduce any phaseout date or phaseout plan for its different ongoing fossil fuel support measures. The utility cost reduction programme, a VAT reduction for district heating using natural gas, and excise tax refunds for agricultural use of diesel remain in place as fossil fuel subsidies without a planned phaseout before 2030 which do not specifically address, in a targeted way, energy poverty or genuine energy security concerns. Additionally, Hungary's 2023 effective carbon rate([244]) averaged EUR 50.6 per tonne of CO_2, below the EU weighted mean of EUR 84.80[6].

([239])MOL Group Integrated Annual Report 2024.

([240])Russian gas imports: Council gives final green light to a stepwise ban – Council.

([241])Explicit fossil fuel subsidies (e.g. direct transfers) and implicit fossil fuel subsidies (i.e. tax expenditures linked to forgone tax revenues that have an identifiable fiscal impact for the central budget) that support fossil fuel energy production, transmission and/or consumption.

([242])European Commission calculation based on *Study on energy subsidies and other government interventions in the EU – 2025 edition,* Enerdata.

([243])2024 gross domestic product at market prices, Eurostat.

([244])The effective carbon rate is the sum of carbon taxes, ETS permit prices and fuel excise taxes, representing the aggregate effective carbon rate paid on emissions.

Hungary faces significant environmental and climate adaptation challenges, in particular regarding water resilience but also climate adaptation governance among others. Regional and seasonal water imbalances have heightened drought and flood risks. Chemical and nutrient pollution, hydromorphological pressures, abstraction and climate change contribute to the ecological and chemical deterioration of water bodies. Water demand is increasing, driven by illegal abstraction. Climate adaptation governance overall suffers from shortcomings, including the lack of a monitoring and evaluation system. Ageing drinking water and wastewater systems pose significant threats to public health and the environment. Additionally, nature deterioration and land artificialisation negatively impact economic activities and undermine Hungary's resilience. Sustainable farming practices remain underdeveloped, with agriculture contributing significantly to pollution and ecosystem degradation. Overall, environmental capacity and investment needs are insufficiently addressed. In 2025, the country-specific recommendations to Hungary highlighted the need to improve water resilience through natural water retention and enhanced administrative capacities. Among others ([245]), a 'Water to Landscapes' programme has been announced to tackle these issues, but there is a lack of clear information on the strategy, particularly concerning the development of natural water retention through green infrastructures and nature-based solutions ([246]). More details are needed regarding the supported measures and the implementation timeline in all affected policy fields. Additionally, little information is available about actions taken to reduce water pollution, or curb illegal abstraction. Regarding administrative capacities, the formation of an interministerial committee is a positive first step, but much remains to be done to improve coordination and to provide targeted financing and the required green skills.

([245])Hungary launched in October 2025 a call for proposals under the Cohesion Policy's Environment and Energy Efficiency Operational Programme +, focusing on nature-based water retention capacities in municipalities. However, this measure is still at an initial phase, and it is not clear how it will be articulated with the "Water to Landscape" programme.

([246])Including, among others, clear designation of suitable areas for water retention and revision of rules governing land-use conversion.

Climate adaptation and preparedness

2025 again demonstrated that Hungary is getting warmer and drier. The year's temperature average exceeded the 1991-2020 average by 1.0 °C, making 2025 the seventh warmest year since 1901. Through most of the year, temperatures were well above usual levels. Following a severe drought in 2024, even less precipitation fell in 2025. Thereby, on average, 2025 became the fourth driest year for the country since the turn of the 20th century ([247]).

Hungary's key climate change related risks are from changes in precipitation and temperature, alongside increased extreme weather events. These changes influence water circulation, leading to summer water shortages and less snowfalls in winter – while critical shortfalls of precipitation are also observed in winter months, contributing to water stress over the year. Droughts, particularly in spring and summer, affect river regimes and deteriorate the quality of surface water bodies while depleting underground water resources. These conditions negatively impact agriculture, forestry, fishing and aquaculture, nature protection, and water management, with rising irrigation demands during dry periods. Industrial establishments and energy production are also at risk of damage. Climate changes further shift ecological zones, reduce biodiversity, decrease CO_2 absorption, and lead to the spread of invasive species and new diseases. Heavy precipitation results in flash floods, river floods, storm damage, and geological hazards like mudslides. Prolonged heat waves cause health issues, including excess mortality and cardiovascular problems, especially in vulnerable groups, while increased UV exposure raises cancer rates. Studies have shown that in the last 30 years the most severe heat waves caused a daily 12-52% excess mortality ([248]).

Large wildfires have not been a prominent hazard in Hungary, but a growing number of smaller grass and bush fires call for vigilance. The recent rise of heatwaves and

([247])HungaroMet, A hetedik legmelegebb és a negyedik legszárazabb év 1901 óta, 16. January 2026.

([248])See Climate ADAPT country profiles: Hungary, General aspects of climate change impact and vulnerability assessment, accessed on 16 February 2026.

droughts is increasingly conducive to wildfire risk in Hungary and contributes to a rising number of vegetation fires, notably in spring and summer ([249]). A fresh scientific assessment of vegetation fire susceptibility in the Carpathian basin identifies the counties of Heves and Borsod-Abaúj-Zemplén in the north-east of the country as high-risk clusters in the studied cross-border region, highlighting the role of cultivated fields and settlement proximity among the socio-economic factors of fire risk ([250]). The authorities have run awareness raising projects ([251]); wildfire prevention and mitigation measures have been supported with common agricultural policy (CAP) funding ([252]).

Climate adaptation in Hungary requires investment of more than 0.5% of GDP per year (comparable to the EU average of 0.5%_. A recent study commissioned by the European Commission ([253]) estimates investment needs for Hungary of almost EUR 1.4 billion per year ([254]) up to 2050 in climate adaptation: first and foremost in infrastructure (about 47% of the total), followed by ecosystems (ca. 33%) and the food sector (ca. 11%).

Hungary has identified climate change vulnerabilities in its energy networks but not in other critical sectors yet. Climate adaptation is governed by the second national climate change strategy (NCCS-2) ([255]), translated into consecutive three-year national climate change action plans. The NCCS-2 was evaluated in 2022-23. Based on this Evaluation report the update is being conducted currently by the Ministry responsible for climate policy and its affiliated institute. The geographic information system 'Natér/NAGIS', managed by the National Adaptation Centre of the Hungarian meteorological service 'HungaroMet', is the primary tool to support policy decisions on climate adaptation. With the use of NAGIS, a major climate change vulnerability assessment was last conducted between 2020 and 2023 as part of the evaluation of the climate change strategy, focusing on critical infrastructure and notably energy supply (electricity, gas, and district heating) ([256]). In 2024, an EU-wide assessment has found that Hungary's transport system is highly vulnerable to climate risks, including particularly high risk on the TEN-T inland waterway network, and a high risk of river flood and heatwave vulnerability on its entire TEN-T rail track network. Likewise, Hungary's main airport is found to be among Europe's 10 largest high-risk airports vulnerable to heatwaves, regarding both passengers and freight ([257]).

([249])See Ministry of the Interior, National Directorate-General for Disaster Management (Belügyminisztérium. Országos katasztrófavédelmi főigazgatóság), Professional conference on the prevention of forest fires, 05 November 2025, and National Food Chain Safety Office Forestry Directorate (Nemzeti Élelmiszerlánc-biztonsági Hivatal Erdészeti Igazgatósága), FIRELIFE erdőtűz-megelőzési projekt, Hazai erdőtüzek, accessed on 16 February 2026. Also see Arató, László (2023), Forest and bushfires in Hungary: the canopy rarely burns, but the situation is still serious, European Data Journalism Network, 07 November 2023.

([250])Manczinger, Melinda, László Kovács, and Tibor Kovács (2025), Fire susceptibility assessment in the Carpathians using an interpretable framework, Scientific Reports 30207 (2025).

([251])See National Food Chain Safety Office Forestry Directorate (Nemzeti Élelmiszerlánc-biztonsági Hivatal Erdészeti Igazgatósága), FIRELIFE erdőtűz-megelőzési projekt, ibid.

([252])See Agroinform.hu, 2024, 'A KAP támogatások az erdőtüzek megelőzésére fókuszálnak', 05 August 2024.

([253])European Commission (EC) (2026), Assessment of adaptation investment needs, Table 25. The study provides detailed estimates of adaptation investment needs at the level of the EU and Member States per type of measure, based on a comparative methodological framework outlined in four accompanying methodological reports.

([254])This is about 0.7 per cent of Hungary's GDP of 2024 in EUR, 206 bn. For the entire period until 2050, the study finds that the net present value of investment needs for Hungary amounts to about 0.5% of cumulative GDP until 2050, using the GDP growth projection of the European Commission's 2024 Ageing Report.

([255])The strategy was adopted in 2018, see the parliamentary decision No. 23/2018 of Oct. 31 [2018] on the second national climate change strategy concerning the period between 2018-2030, with an outlook to the period until 2050. Climate mitigation is one of the three pillars of the plan; the others are the national decarbonisation roadmap and the climate change awareness raising action plan. During 2022-23, the strategy was revised, apparently as part of the updated national energy and climate plan, thus mainly affecting climate mitigation. The revision has resulted in an evaluation report (see Climate-ADAPT, country profiles: Hungary, Overview of institutional arrangements and governance at the national level, accessed on 16 February 2026), that appears not to have been made public though.

([256])See Climate ADAPT country profiles: Hungary, Overview of institutional arrangements and governance at the national level,, accessed on 16 February 2026.

([257])Schade, W., et al., 2024, Support study on the climate adaptation and cross-border investment needs to realise the TEN-T network, European Commission, Directorate-General for Mobility and Transport, Publications Office of the European Union, 2024.

A weak flank of adaptation decision-making in Hungary is implementation monitoring and evaluation. Data are collected by sectoral players but without being part of a broader framework. The evaluation of the second national climate change strategy has highlighted the need for a comprehensive climate monitoring and evaluation system integrating these. Such a system has been planned since the review but without concrete steps to put it in place ([258]).

A review of Hungary's climate law, including provisions on adaptation, has been called for by a constitutional court decision. On 4 June 2025 Hungary's constitutional court annulled parts of law No 2020/XLIV on climate protection (with effect of 30 June 2026). In particular with regards to climate adaptation, the judges noted that the legislator did not specify the instruments for climate adaptation and for increasing resilience to climate change (along with climate mitigation instruments). The ruling also stated the lack of regular reviews and updates of the objectives set out in the law and noted that key principles are only set in non-legislative documents, impeding the enforcement of commitments. On the civil society side, water and food resilience and local government/community-level adaptation have been identified as key areas where the climate adaptation framework and instruments particularly need strengthening ([259]).

The overall insurance protection gap for natural catastrophes does not appear to raise concern, but this is masking challenges. Among the three perils fuelled by climate change – floods, wildfires, windstorms – Hungary's insurance protection gap is medium to low. Among the above risks, flood and windstorm are the most prevalent ([260]). Based on historical losses since 1980, damages from these have been manageable. Property insurance is provided by private insurers, covering these natural catastrophe risks either in a basic package or as optional additions. But insurance is not mandatory. Risks and costs are highly concentrated in non-insured properties, and insurance premiums are not aligned with flood risk. Hungary maintains a force majeure fund as part of the general budget to support local governments through grants in the event of natural catastrophes. Concerning the exposure of crops to climate-related hazards, the government operates a damage-mitigation fund co-financed by farmers and subsidises crop insurance. Still, insurance coverage of crops against natural disasters has been below 50%.

Hungary acts with neighbours to brace for heatwaves and reinforce water retention through local projects among others. Under the LIFE 'Cool zone' project, Hungary's Debrecen cooperates with neighbouring Oradea in Romania to identify hotspots of vulnerability to the urban island heat effect and implement adaptation interventions, aimed to serve as a model for urban areas in the broader region ([261]). The RESTORIVER project is being implemented with players from all the Danube's riparian countries downstream of Austria, except Moldova, to restore riverbanks and riparian areas along the Danube and its tributaries through water retention measures. In November 2025, under the lead of HungaroMet, Hungary launched the creation of a national adaptation network as part of the AdaptationHubs Horizon Europe mission, which aims to build similar networks in all 27 EU Member States cooperating within and across countries. The share of Hungary's population covered by the EU Covenant of Mayors signatories has been steadily increasing, reaching 78% in 2024, more than twice the EU-27 level of 34%. This indicates a growing commitment among Hungary's municipalities to climate resilience. By 2024, 60% of the signatories had submitted a sustainable energy and action plan (SECAP) on time, within two years of their initial commitment to the EU Covenant. At the same time, only 22% of the signatories submitted any monitoring reports within the recommended timeframe.

([258])See Climate ADAPT country profiles: Hungary, ibid.

([259])Greenpeace Magyarország, 2025, 'Az Alkotmánybíróság szerint alaptörvényellenes a klímatörvény, a Greenpeace új, ambiciózus és igazságos törvényt követel', 04 June 2025.

([260])Unless referred to the OECD, this section draws on information from the European Insurance and Occupational Pensions Authority (EIOPA)'s dashboard on insurance prtection gap for natural catastrophes, last accessed on 16 February 2026.

([261])See Municipiul Oradea, 2025, 'Oradea, oras pilot in combatarea valurilor de caldura urbana prin proiectul european LIFE COOL ZONE.', accessed on 16 February 2026.

Water resilience

Hungary faces significant water scarcity and climate risks, raising water demand and illegal abstraction, with regional and seasonal disparities. In 2023, Hungary's low water productivity ([262]) shows inefficiencies in water use, notably in abstraction-heavy sectors like energy. This poses competitiveness risks, especially in peak seasons. In 2023, electricity cooling accounted for 67% of freshwater abstraction ([263]). From 2014 to 2023, abstraction, mainly from surface water, increased by 21% ([264]), driven by agriculture ([265]). Hungary has the EU's second highest share (20%) of groundwaters failing to reach good quantitative status due to heavy abstraction pressures ([266]). All groundwater bodies are affected ([267]), worsened by unreported illegal abstractions ([268]). 17.3% of groundwater bodies currently in good status are at risk of deteriorating ([269]). The agriculture, water utilities, transport and energy sectors are heavily water-dependent ([270]). However, large regional disparities persist, highlighting drought risks in local ecosystems and economic activities, such as agriculture, public water supply and river transportation ([271]). Flood risk is also substantial ([272]), as 25% of Hungary is situated on floodplains. Despite growing climate risks, the country relies heavily on traditional flood management infrastructure. Most flood risk measures focus on protection, with limited prevention, preparedness or recovery strategies, showing less diversity compared to other Member States. Hungary did not report on emergency planning measures ([273]). To address these challenges, the Technical Support Instrument (TSI) is aiding Hungary in improving water governance for enhanced climate adaptation and water resilience ([274]). The European Commission also provided an assessment of the implementation of Flood Directive in Hungary, identifying potential areas of improvements in flood risk management ([275]).

Water quality in Hungary is a major concern. Nutrient pollution, hydromorphological pressures, abstraction and climate change affect all surface waters. Over 70% of these waters are classified as heavily modified or artificial, the second highest among EU Member States ([276]), reflecting an overreliance on built infrastructures over natural features for water management ([277]). Consequently, 88.6% of surface waterbodies fail to achieve good ecological status, far above the 58.3% EU average ([278]), restricting access to high-

([262])Water productivity indicates the economic value created for each water unit. In Hungary, it stood at EUR 29/m³ of abstracted water, below EU-27 average (EUR 153/m³).

([263])European Environment Agency (EEA), *Water abstraction by economic sector, 2000-2023*, 2025. Link

([264])Surface water represented 86% of abstraction in 2023 (Eurostat, *Annual freshwater abstraction by source and sector*, 2025). Link.

([265])Agriculture represented an increase of 87% from 2018 to 2023 (EEA, *Water abstraction by economic sector*, 2026 Link).

([266])EC, *Staff working document (SWD) on the implementation of the third River Basin Management Plans (RBMP), second Flood Hazard and Risk Maps (FHRM) and second Flood Risk Management Plans (FRMP), EU overview*, 2025. Link.

([267])EC, *SWD on the implementation of the third RBMP, second FHRM and second FRMP, Member State: Hungary*, 2025. Link.

([268])Only 10% of wells are officially authorised (OECD, *Water governance for climate resilience in Hungary*, 2026, Link – the report was part of a TSI project jointly initiated by the Ministry of Public Administration and Regional Development and the Ministry responsible for water management.). From 2013 to 2018, unauthorised groundwater water abstraction / year averaged 7% of the Lake Balaton's volume or 81% of Lake Tisza (State Audit Office of Hungary, *Report on the implementation of the National Water Strategy - Agricultural water needs, sustainable water use*, 2025. Link.)

([269])In Hungary's 2nd RBMP, only 10.8% were at risk of being in poor quantitative status. EC, *SWD on the implementation of the third RBMP, second FHRM and second FRMP, Member State: Hungary*, 2025. Link.

([270])EEA, *Water abstraction by economic sector, 2000-2023*, 2025. Link

([271])Joint Research Centre (JRC), Rossi, et al., *European Drought Risk Atlas*, 2023. Link.

([272])EC, *Flood risk area viewer*, accessed in 2026. Link.

([273])EC, *SWD on the implementation of the third RBMP, second FHRM and second FRMP, EU overview*, 2025, Link.

([274])EC, *Hungary - Reforms and Investments, 2024 TSI Reform support project 'Accelerating climate adaptation measures in water management'*, accessed in 2026. Link.

([275])EC, *SWD on the implementation of the third RBMP, second FHRM and second FRMP, Member State: Hungary*, 2025. Link.

([276])EC, *SWD on the implementation of the third RBMP, second FHRM and second FRMP, EU overview*, 2025, Link.

([277])As defined in EC, *EU Green Infrastructure Strategy*, 2013. Link.

([278])EC, *SWD on the implementation of the third RBMP, second FHRM and second FRMP, Member State: Hungary*, 2025. Link.

quality water for human use. Furthermore, 46% of surface waters fail to achieve good chemical status([279]), due to chemical and heavy metal pollution from industrial emissions and combustion processes. In addition, about 20% of groundwater bodies are contaminated by urban, industrial and agricultural sources, above the EU average of 16%, with another 19% at risk of failing good status by 2027. Key groundwater pollutants (nitrates, sulphates and ammonium) are on the rise. Overall, abstraction and pollution are major pressures on groundwater quality.

Ageing water infrastructure exacerbates challenges. Drinking water quality remains a serious concern in certain settlements ([280]), where Hungary is still far from achieving compliance ([281]). Moreover, secondary water pollution has increased significantly due to the ageing water drinking system ([282]). The situation is particularly concerning as Hungary's investments in water infrastructure are organised to meet current demand rather than long-term sustainability goals, lacking thorough assessment and adequate funding to modernise the network ([283]). While Hungary charges a water fee, including exemptions for agriculture in particular irrigation water use ([284]), this fee is insufficient to cover the full costs of water supply.

Hungary's wastewater network is moving closer to meeting EU standards, though discharges continue to negatively affect water quality. In 2022, 94% of wastewater loads were reported as compliant with the Urban Waste Water Treatment Directive ([285]). However, urban wastewater discharges contribute to substandard water quality of 16.3% of river bodies, while 41,7% of groundwater areas are affected by wastewater from unconnected dwellings. Moreover, stormwater overflows discharges contribute significantly to less than good quality in 62.6 % of rivers and 43.5 % of lakes; while wastewater discharges from unconnected dwellings lead to less than good water quality in 1.7% of rivers and 0.5% of lakes ([286]).

Hungary's investments are insufficient to meet water management needs and comply with EU legislation ([287]). The water sector requires EUR 1.3 billion annually, including EUR 680 million for wastewater management ([288]). Despite this, Hungary only invests EUR 14/capita each year in building new infrastructure and renewing ageing infrastructure, below the yearly EU average of EUR 49/capita. Overall, Hungary's investment gap of EUR 610 million per year prevents it from meeting EU water targets. Wastewater objectives alone need an additional EUR 313 million per year (EUR 32.81 per capita). Drinking water measures require a further EUR 40 million, while other aspects of the Water Framework Directive need EUR 255 million. Given Hungary's limited environmental taxation on pollution and resources ([289]) and cap on residential public utility bills, there is potential to better integrate externality costs, make water users accountable, promote water savings and enhance the 'polluter pays' principle, encouraging increased contributions from users and polluters to address funding gaps.

([279])WISE Freshwater Information System for Europe, *Country Profiles on Water Framework Directive - Hungary report*, accessed in 2026, Link.

([280])In 2016, the Commission launched an infringement procedure against Hungary for failing to meet EU parametric values for arsenic, boron and fluoride in the drinking water of several municipalities in 2016.

([281])EC, *Environmental Implementation Review (EIR) – Hungary country report*, 2025. Link.

([282])State Audit Office of Hungary, *Report on the implementation of the National Water Strategy - control of measures & Control of drinking water management, sustainable water use*, 2025, Link.

([283])State Audit Office of Hungary, *Joint Report on the Results of the Cooperative audit in relation to Goal 6 of the United Nations Sustainable Development Goals*, 2024. Link.

([284])EC, *SWD on the implementation of the third RBMP, second FHRM and second FRMP, Member State: Hungary*, 2025. Link.

([285])EEA, Compliance dashboard (2022 data reported by Hungary in 2024), Link.

([286])EEA, Compliance dashboard (2022 data reported by Hungary in 2024), Link.

([287])EC, *EIR – Hungary country report*, 2025. Link.

([288])Calculated on the basis of population figures on 1 January 2025 (EC, *EIR – Hungary country report*, 2025. Link.).

([289])See also the *Annex on Industry decarbonisation, circularity, and climate mitigation*.

Nature restoration

Hungary's economy is exposed to nature loss, 44% of its gross value added (GVA) relies directly on ecosystems ([290]), similar to the EU average. This vulnerability is particularly pronounced in agriculture and food production, construction, water utilities, healthcare, transport and tourism, all of which rely directly on healthy freshwater and terrestrial ecosystems.

Habitat degradation is spreading in Hungary, where 22.2% of the land was designated as protected area in 2022 ([291]), below the EU average (26.4%). Biodiversity loss is driven by significantly deteriorated habitats, making Hungary one of the Member States with the lowest share of habitats in good conservation status ([292]). Dune habitats, grasslands, wetlands, forests and freshwaters are among the most degraded and threatened ecosystems ([293]). Invasive alien species (IAS) ([294]) are exacerbating nature degradation in Hungary (41 IAS of EU concern recorded in 2024) inflicting up to EUR 83 million in damages in 2020, mainly affecting agriculture and public health ([295])([296]).

Hungary faces a persistent biodiversity finance gap. The country has a notable shortfall of EUR 1 billion in funding necessary to address biodiversity and ecosystem conservation priorities, showing an increasing difficulty in meeting the estimated investment needs of EUR 1.482 billion required for nature restoration efforts ([297]).

([290])JRC, Hirschbuehl et al., *The EU economy`s dependency on nature*, 2025. Link.

([291])Eurostat, *Protected Areas Indicator*, 2025. Link.

([292])EEA, *Conservation status of habitats under the EU Habitats Directive*, 2021. Link.

([293])Biodiversity Information System for Europe, *Hungary's country profile*, accessed in 2026. Link.

([294])Official Journal of the European Union, *Regulation (EU) No 1143/2014 of the European Parliament and of the Council of 22 October 2014 on the prevention and management of the introduction and spread of invasive alien species*, OJ L 317, 4.11.2014, pp. 35–55, 2014. Link.

([295])EC, *EIR – Hungary country report*, 2025. Link.

([296])Neobiota, *Economic cost of invasive alien species across Europe*, 2021. Link.

([297])EC, *EIR – Hungary country report*, 2025. Link.

Sustainable agriculture and land use

Hungary's carbon removals fall somewhat short of the level of ambition needed to meet its 2030 target for land use, land-use change and forestry (LULUCF). To meet its 2030 LULUCF target, additional carbon removals of 0.9 million tonnes of CO_2 equivalent (CO_2eq) are needed ([298]). The latest available projections show a gap to target of 0.3 $MtCO_2$-eq for 2030 ([299]). Additional measures are therefore needed in the land sector to reach the 2030 target. In addition to increasing LULUCF net removals, further investment in healthy forests and soils is key to building resilient, biobased product value chains and enabling a growing, competitive EU bioeconomy. In particular, continued improvements in the monitoring system of net removal data and projections will play a crucial role in supporting timely and effective action in the sector.

Land artificialisation is a threat to Hungary's key ecosystems, especially floodplains, causing biodiversity loss and ecosystem fragmentation ([300]). The ongoing soil sealing reduces ecosystem resilience, carbon sequestration, and flood protection capabilities. This undermines crucial ecosystem services for climate change adaptation and mitigation, such as natural water infiltration, worsening floods and droughts. From 2006 to 2012, areas providing flood control ecosystem service decreased by 12% due to soil sealing ([301]).

Pressures on water and air quality in Hungary raise serious concerns. 13.2% of Hungary's groundwater monitoring stations recorded average nitrate concentrations over 25 mg/l ([302]) between 2016 and 2019 ([303]). This trend underscores systemic agricultural pressures,

([298])National LULUCF targets of the Member States in line with Regulation (EU) 2023/839, Link.

([299])Climate action progress report 2025, Link.

([300])EEA, *Land take and land degradation in functional urban areas*, 2022, Link.

([301])EC, INCA Platform (Intergrated system for Natural Capital Accounting), *Accounting for ecosystems and their services in the European Union*, 2021. Link.

([302])Including 7.3% above 50 mg/l, the EU threshold for safe drinking water.

([303])EEA, *Nitrate in groundwater in Europe*, 2025. Link.

despite Hungary's low livestock density (0.38 livestock units per hectare in 2023) ([304]). Although Hungary increased its agricultural area under organic farming from 2.45% in 2013 to 6.07% ([305]) in 2027, it remains below the national target of 10% by 2027 ([306]), indicating potential for further sustainable agricultural practices with reduced environmental impact.

Eutrophication significantly threatens Hungary's biodiversity and ecosystems integrity. 76.7% of Hungarian areas are affected by atmospheric nitrogen deposition, surpassing the EU average of 72.9% in 2022 ([307]), mainly due to ammonia (NH_3) deposition from agriculture ([308]). Hungary has not met its NH_3 emission reduction targets for 2020-2029 and is unlikely to achieve 2030 goals, revealing weaknesses in nutrient management strategies ([309]). NH_3 related air pollution costs Hungary EUR 1.647 billion annually ([310]). Additionally, water pollution costs EUR 203 million yearly ([311]), with 78% attributed to agriculture due to nitrogen and phosphorus leaching into various water bodies and soils.

Pesticide contamination is a pressing issue in Hungary, with 80% of monitored rivers exceeding regulatory thresholds for pesticide residues between 2017 and 2022 ([312]). Pesticides threaten aquatic ecosystems and pose long-term risks to human health via contaminated drinking water and food chains. Additionally, Hungary showed higher than EU average levels of pesticide residues in soils, which raises significant health and environmental concerns ([313]).

([304])Compared to the EU average of 0.75 (Eurostat, *Livestock density index*. Link).

([305])Eurostat, *Share of organic farming in utilised agricultural area*, 2026. Link.

([306])Ministry of Agriculture, *National action plan for the development of organic farming (2022–2027),* 2022, accessed on 26 March 2026, Link.

([307])EEA, *Eutrophication caused by atmospheric nitrogen deposition in Europe*, 2024. Link.

([308])92.67% of NH_3 emissions of national total emissions in 2023.

([309])EC, *EIR – Hungary country report*, 2025. Link.

([310])EC, Directorate-General for Environment, IEEP, *Green taxation and other economic instruments – Internalising environmental costs to make the polluter pay* (p. 32-33, Table 3), 2021. Link.

([311])EC, Ibid., (p. 35-36, Table 3), 2021. Link.

([312])Compared to the EU average of 29% of contaminated surface waters. EEA, *Pesticides in rivers, lakes, and groundwater in Europe*, 2024. Link.

([313])JRC, Vieira et al., *Pesticides residues in European agricultural soils - Results from LUCAS 2018 soil module*, 2023. Link.

Table A10.1:**Key Adaptation Indicators**

Climate adaptation and preparedness:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Drought impact on ecosystems *[area impacted by drought as % of total]*	0.77	0.25	1.78	26.19	0	-	2.76
Forest fires burned area (1) *[burned area in ha. per year]*	528	265	565	7 287	156	1 141	354 510
Economic losses from extreme events *[EUR million at constant 2022 prices]*	14	11	36	2 529	31	22	40 452
Insurance protection gap (2) *[composite score between 0 and 4]*	-	-	-	1	1	1	-
Sub-national climate adaptation action *[% of population covered by the EU Covenant of Mayors for Climate & Energy]*	43	47	69	76	78	78	34

Water resilience:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Water Exploitation Index Plus, WEI+ (3) *[total water consumption as % of renewable freshwater resources]*	1.37	-	1.36	1.69	1.30	-	4.53
Water productivity *[EUR per m^3]*	28	26	28	28	29	-	151
Water abstraction							
Water abstraction by source (% from surface water)	87.02%	86.90%	87.60%	86.37%	85.81%		-
Water abstraction by sector	Agriculture	Electricity cooling	Manufactu-ring	Public water supply	Mining and Quarrying	Constru-ction	
	12.09%	67.28%	3.27%	16.90%	0.46%	0.00%	
Status of water bodies (4) *[% of water bodies in a good status]*							
Surface water bodies (ecological)	-	-	-	-	-	11%	38%
Groundwater bodies (quantitative)	-	-	-	-	-	80%	93%

Nature restoration:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Ecosystem dependency *[% of direct dependency]*	-	-	-	44%	-	-	44%
Protected area *[% of terrestrial protected areas]*	22.2	22.2	22.2	22.2	22.2		26.4
Invasive alien species (IAS) *[number of IAS of Union concern]*	-	-	-	-	-	41	29.2
Damage cost of IAS *[EUR billion]*	-	-	-	-	0.83		1.69
Eutrophication *[AAE of area at risk of euthrophication]*				353	353		295

Sustainable agriculture and land use:							EU-27
			2012-2018		2018-2021		latest data
Yearly net land taken by Member State *[ppm of total urban surface per Member State]*			342		901		670
Land conversion in functional urban area *[% of total land taken from 2018-2021]*							
Arable land					63%		
Complex and mixed cultivation					0%		
Forests					5%		
Herbaceous vegetation associations					1%		
Open spaces with little or no vegetation					0%		
Pastures					28%		
Permanent crops					1%		
Water					1%		
Wetlands					0%		
	2019	2020	2021	2022	2023	2024	latest data
Livestock density *(number of livestock units per hectare of utilised agricultural area)*		0.43			0.38		0.75
Ammonia emissions *[% of total utilised agricultural area]*	94%	94%	94%	93%	93%	-	94%
Pesticide contamination on rivers and lakes water bodies *[% of monitoring sites with pesticides exceeding thresholds, 2018-2023]*				rivers	80%		27%
				lakes	n.d.		18%
Pesticide contamination in soil *[% of samples with a concentration over 0.5 mg/Kg^{-1}]*					79%		57%
Net greenhouse gas removals from LULUCF (5) *[$ktCO_2$-eq]*	-5363.0	-7076.0	-7171.2	-6773.2	-5810.8	-	-198 421

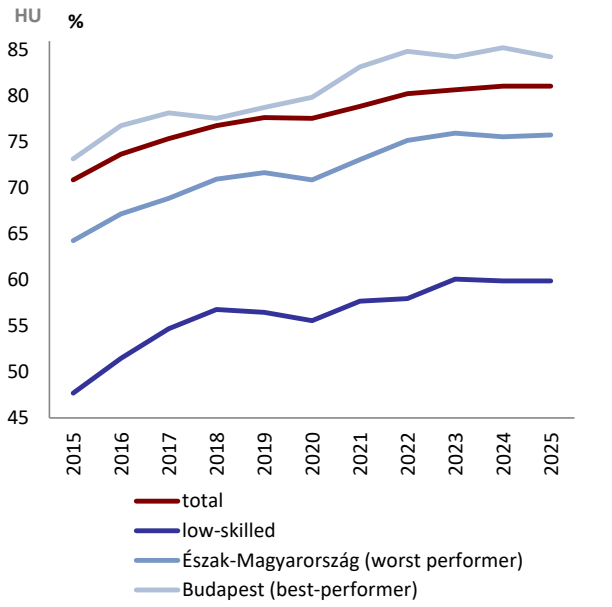
(1) EFFIS (European Forest Fire Information System). Link.
(2) The climate protection gap refers to the share of non-insured economic losses caused by climate-related disasters, based on modelling of the risk from floods, wildfires, windstorms, and the insurance penetration rate. Scale: 0 (no protection gap) – 4 (very high gap). EIOPA, 2025, Dashboard on insurance protection gap for natural catastrophes.
(3) Measures total water consumption as a percentage of the renewable freshwater resources available for a given territory and period. Values above 20 % are generally considered to be a sign of water scarcity, while values equal or greater than 40 % indicate situations of severe water scarcity.
(4) European Commission, 2024, seventh Implementation Report from the Commission to the Council and the European Parliament on the implementation of the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC) (Third River Basin Management Plans and Second Flood Risk Management Plans).
(6) Net removals are expressed in negative figures, net emissions in positive figures. Reported data are from the 2025 greenhouse gas inventory submission. 2030 value of net greenhouse gas removals as in Regulation (EU) 2023/839 – Annex IIa.
Source: Eurostat, EEA, JRC

Hungary's labour market remains tight overall but exhibits significant inequalities. Meeting Hungary's national employment target depends on the effective integration of vulnerable groups into the labour market. The 2025 country-specific recommendations for Hungary highlighted the need to increase access to effective active labour market policies, including upskilling and reskilling disadvantaged groups, improve the adequacy of unemployment benefits and ensure effective social dialogue. Challenges to Hungary's competitiveness persist, in particular regarding productivity growth, employment support, regional and societal disparities in the labour market, labour mobility and social dialogue.

The labour market has continued to perform well, but the recent rise in unemployment requires attention. The employment rate reached a record high of 81.1% in 2024 and maintained it in 2025, well above the EU average (75.8%) but still below the ambitious national employment target of 85% by 2030. However, the unemployment rate at 4.4% in 2025 remains well above its value of 3.6% in 2022, but remained below the EU average of 6%, pointing to a slowdown in the labour market. Long-term and very long-term unemployment rates showed similar developments, rising to 1.5% and 0.7% in 2025 (vs 1.9% and 1% in the EU), with over a third of unemployed people being unemployed for more than 12 months.

Young people face challenges in entering the labour market. In 2025, 13.9% of economically active young people aged 15-24 were unemployed, an improvement from 2024 and below the increasing EU average of 15.2%, but still up by 3.3 pps from 2022. In contrast, an increasing share of your people are unemployed for 12 months or over (up 1.4 pps, 3.8%). Labour market outcomes are particularly weak for young people with low levels of education, with an unemployment rate of 23.7% (vs 21.2% in the EU). Although the early school leaving rate is falling, it is still slightly above the EU average (see Annex 13), and most early school leavers are not in employment. The majority of those neither in employment nor in education and training (NEETs, 10.6%) are inactive (6.5%) in 2025. Young Roma people were over three times (36%) more likely to become NEET ([314]) than the average young person in 2024. Regional differences are large: in three disadvantaged regions, Northern Hungary, Southern Transdanubia and North Great Plain, rates for early school leaving, NEETs and youth unemployment are well above the national averages, with women particularly affected. To address these challenges, Hungary has launched a renewed Youth Guarantee with support from the European Social Fund Plus (ESF+), including dedicated youth counsellors in local public employment services (PES) offices and targeted action to attract inactive NEETs. However, inactive NEETs are currently under-represented, accounting for only 10% of Youth Guarantee participants, and overall coverage remains limited, reaching only about 1% of NEETs.

Graph A11.1: **Employment rates**



Source: Eurostat [lfsi_emp_a], [lfsi_educ_a], [fst_r_lfe2emprt].

People with low level of education, Roma and persons with disabilities face barriers to employment. The employment rate of adults with lower levels of education (59.9% in 2025) is still over 20 pps below the national average, and the unemployment rate for this group remains above the EU average (13.0% vs 12.1%). Among the population aged 15-64, only 48.8% of Roma

([314])Roma Survey 2024: Rights of Roma and Travellers in 13 European countries – Perspectives from the Roma Survey 2024.

people were in employment in 2023, compared with 75.6% of non-Roma, and 20.4% of Roma were unemployed, against 3.8% of non-Roma ([315]). The disability employment gap improved (24.3 pps vs 24.2 pps in the EU) ([316]) and is now at EU average.

The duration of unemployment benefits is insufficient to help people find quality jobs. The average time spent in unemployment gradually increased from eight months in 2020 to 12.3 months in 2025 ([317]), with large regional differences. Nevertheless, the eligibility for unemployment benefits is capped at three months (a policy measure in place since 2011), which does not provide enough time to find relevant jobs or take part in upskilling or reskilling to improve employability. This also leads to one of the highest at-risk-of-poverty rates among unemployed people in the EU. No policy changes related to the country-specific recommendation on improving the adequacy of unemployment benefits are currently planned.

People with low educational attainment are also more likely to face in-work poverty and have temporary contracts. In-work poverty has increased twice in a row since 2020, to 8.3% in 2025 (+2.1 pps), and now at EU average (8.3%). The level and growth of in-work poverty risks in 2025 were the highest among the low-educated (+4.7 pps to 28%); households with medium and medium to low work intensity (+6.7 pps to 25.1% and +6.0 pps to 29.4%), and those with temporary contracts (+1.4 pps to 26.2%). More than 10% of low-wage employees remain trapped in low pay for four years or more, pointing to potential wage distribution issues despite recent strong nominal and real wage increases. While the share of employees working on temporary contracts was low in 2025 (3.8% vs 9.9% in the EU), it is markedly higher than the EU average among the low-educated (19.3% vs 20.2%).

Active labour market policies do not support jobseekers and vulnerable groups effectively. Over the past decade, public spending on active labour market policies (ALMPs) has been halved. Of registered unemployed people, 43% participated in ALMPs: public works, training and hiring subsidies. More than half of these people were engaged in public works, which absorbed 75% of the total ALMP budget in 2023. The use of training has increased but is still the least-used instrument. Fewer than one third of participants remain in employment six months after benefiting from an ALMP, indicating low effectiveness in sustainably reintegrating unemployed people into the labour market. Decreasing PES staffing levels add to the challenge by reducing the availability of counselling. The PES is either loosely involved or not involved at all in providing services addressing social, mental and health issues to people in long-term unemployment, which services are managed by the Social Opportunity Directorate (Társadalmi Esélyteremtési Főigazgatóság) of the Ministry of the Interior, responsible for social inclusion. Coordination among the different bodies involved in ALMPs, skills forecasting and training design is underdeveloped both at national and county level, which hampers economic development and competitiveness, including at county level.

Recent active labour market measures have not yet integrated vulnerable groups into the labour market effectively. In response to the country-specific recommendation to improve the effectiveness of ALMPs, the review of relevant legislation in 2024 reintroduced the opportunity for the PES to purchase and supervise the content and quality of labour market training, which could lead to positive results. Nevertheless, regular impact assessments are yet to be established. Since November 2025, individuals have been limited to working maximum 10 years in public works schemes, with some exceptions based on an individual assessment or for those within three years of retirement. This helps prevent public works schemes from becoming a permanent solution for those who can work. At the same time, other active labour market tools and the social protection system need to be strengthened, as those without work face poverty and social exclusion risks (see Annex 12). The 2024 'pilot work-trial project', which aimed to support the integration of people in long-term unemployment, has not yielded the expected results due to insufficient interest from employers. Larger projects funded by the ESF+ support the labour market integration of vulnerable groups (see 2025 country report), but a strong reliance on EU

([315])National Statistical Office,

([316])The complementing prevalence-adjusted disability employment gap improved, and it is at 3.7% below the EU average, also suggesting a favourable turn in the labour market situation of persons with disabilities.

([317])National Statistical Office, 2025, 20.1.1.35. A munkanélküliség átlagos időtartama a 15–64 éves munkanélküliek körében [hónap]

funding often leads to gaps in financing and loss of expertise between programming periods. Ensuring sufficient national resources are allocated to improve ALMPs could contribute to a more sustainable and effective policy framework. This could involve boosting PES capacities, including their ALMP coordination roles also in districts ('*járások*'), and incentivising social economy organisations to engage in the labour market integration of vulnerable groups.

Labour market outcomes vary markedly across regions. The Budapest region had an employment rate (20-64) of 85.3% in 2025. By contrast, only 75.8% were employed in Northern Hungary, with a particularly low employment rate among people with lower secondary education or less, at 52.4% (58.2% in the EU). In Southern Transdanubian, Northern Hungary and North Great Plan, unemployment rates are also above the EU average (6.4%, 7% and 6.1%). Weak labour market performance in these regions is related to a higher share of people with lower levels of education, obstacles to transport options and subdued economic activity, which results in fewer jobs, especially in rural areas.

Labour shortages have eased overall but persist in some regions and specific sectors. In 2025, the job vacancy rate was 2.1%, at EU average. The decrease was mainly due to fewer vacancies for jobs requiring no qualifications, while vacancy rates in occupations requiring a higher education degree remained broadly unchanged ([318]). Vacancy rates are higher in western Hungary, close to the Austrian border, reflecting regional labour mobility. These rates also vary across districts pointing to potential transport-related mobility constraints across districts ([319]). Vacancy rates remain high in the public sector, particularly in health and social work services (3.7%), and increased in public administration, defence and compulsory social security (3.5%), and administrative and support service activities (4.2% – including temporary job agencies, typically with low qualified jobs) in 2025. In October 2025, the share of employers expecting labour shortages to limit their production was higher than the EU average in industry, construction and services.

Hungary faces considerable challenges in the transition to climate neutrality. The employment share of the environmental goods and services sector, at 1%, was one of the lowest in the EU in 2023 (EU: 2.7%), and the emission-intensity of output is significantly above the EU average. Energy-intensive industries accounted for 5.1% of total employment in 2025, well above the EU average. .In 2025, occupational shortages were reported for professions linked to both the green transition and climate adaptation, such as air conditioning and refrigeration mechanics, building construction labourers and refuse sorters.

The tight labour market, shaped by demographic decline and outward labour mobility, has also experienced an inflow of workers, mainly of third-country nationals. Hungary registered a 28% increase in work-related residence permits between 2019 and 2024, with over 105 883 permits issued in 2024. In autumn 2024, about 60% of the 78 000 third-country nationals were employed in low-skilled jobs, while EU workers tended to work in high-skilled ones ([320]). At the same time, the government's policy on non-EU labour migration has gradually become stricter: since 2023, only temporary work permits have been awarded, family reunification has been restricted, the list of eligible countries of origin has been limited and only a few temporary work agencies have been authorised to hire non-EU workers. These restrictions do not apply to seasonal workers and workers in major investment projects.

Wage growth has been strong in recent years, but wage levels remain low compared with the rest of the EU. Nominal wage growth was 12.6% in 2024 and is projected at 9.1% in 2025 and 9.4% in 2026. This follows gains of 17% and 15.1% in 2022 and 2023, respectively, partly reflecting also high inflation. Real wages have also grown rapidly, reaching 8.5% in 2024 and 4.5% in 2025, and are projected to continue growing at a strong pace, at 6.0% in 2026. The acceleration in real wage growth is due to both sustained nominal wage growth and rapid

([318])Lakatos Judit (2025): 'Magyarországi munkaerőpiac 2024-2025'. In: Munkaerőpiaci Tükör 2025, pp. 11-26, MunkaeropiaciTukor2025.pdf.

([319])Balázs Reizer (2025): 'A betöltetlen álláshelyek területi különbségei' In: Munkaerőpiaci Tükör 2025, pp. 82-87, MunkaeropiaciTukor2025.pdf.

([320])Krisztina Bodor, Márton Czifrusz. 'A külföldi dolgozók a magyarországi munkaerőpiacon' In: Munkaerőpiaci Tükör. 2025. pp. 64-71, MunkaeropiaciTukor2025.pdf.

disinflation. The statutory minimum wage increased by 61.4% between January 2022 and July 2026, a rise of 14.0% in real terms. Despite these gains, wage levels in Hungary remain among the lowest in the EU, reflecting low productivity and a relatively low share of wages in national income. In 2024, Hungary also had one of the EU's widest gender pay gaps (16.9% vs EU: 11.1%), which is partly related to unequal care responsibilities.

The robust wage growth may negatively affect competitiveness if productivity, especially in terms of skills levels, does not improve in parallel. Between 2013 and 2024, wage growth was above what would be expected based on standard macroeconomic drivers ([321]), and the gap could increase further in 2025. Between 2022 and 2025, unit labour costs (ULCs) significantly increased due to the high increase in wages combined with a relatively low growth of productivity. ULCs grew by 14.2% in 2022, 16.8% in 2023, 12.0% in 2024 and 8.9% in 2025. In the same period, the real effective exchange rate grew by 9%, with currency depreciation partially offsetting the stronger increase in ULCs in Hungary compared with its main trading partners. Ensuring sustainable wage convergence with the EU and in parallel supporting competitiveness will require improving basic skills, increasing tertiary attainment rates and adapting skills to the green and digital transitions.

Collective bargaining coverage is weak, and the effectiveness of social dialogue remains limited. The collective bargaining coverage rate in Hungary was self-reported at 16% in 2022 and 14.8% in 2023 ([322]), while the OECD reported it at 20.4% in 2022 (the latest available data), which is a decrease compared with 25.5%, which was recorded in 2010 ([323]). Both data sources place Hungary with one of the lowest rates in the EU. The more recent decrease is partly due to legislative changes affecting the legal status of some public sector employers (most recently in research – see Annex 4) and the reallocation of governance responsibilities (e.g. from local government to national government). In addition, collective agreements are prohibited in some sectors, such as healthcare and public administration. Trade union density was only 7.4% in 2022. Since October 2023, the 10% representativeness threshold required by the Labour Code to conclude collective agreements has de facto hindered such agreements. At the same time, employers' organisations density reached 53.6% in 2022. Weaker organisation of employees limits workers' influence over labour conditions. The involvement of social partners in policymaking remains insufficient. A legal framework was adopted for the tripartite forum (VKF) in 2024, and a three-year minimum wage increase, aiming to reach 50% of the average wage by 2027, was agreed within this forum. The 2025 minimum wage increase was implemented, but the 2026 agreement was renegotiated in autumn 2025 in response to lower-than-expected GDP growth (below 1% instead of the 3% forecast in 2024). This resulted in a minimum wage of HUF 322 800 instead of HUF 328 600. In 2025, four expert committees were set up in the VKF to develop action plans for sectoral wage grids, collective bargaining coverage, labour productivity and labour taxation. The government consults social partners via the VKF, but it works mainly as an information-sharing forum rather than one of meaningful cooperation. Authorities are currently working on the measures to be included in their future action plan to improve collective bargaining, but have not yet discussed them with social partners. No impact assessment of the VKF legal framework has been planned yet. Social partners' capacity-building is mainly supported through the ESF+, with an allocation of 0.32% or EUR 17 million between 2021 and 2027. These measures are yet insufficient to improve the effectiveness of social dialogue.

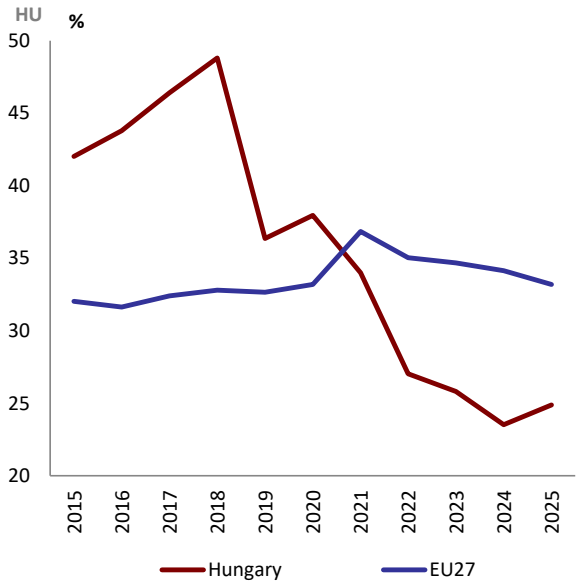
([321]) Wage benchmarks are predicted by developments in inflation, productivity and the unemployment rate. For more details, see: Arpaia, A. and A. Kiss (2015), 'Benchmarks for the assessment of wage developments: Spring 2015', Analytical Web Note 2/2015, European Commission, Directorate-General for Employment Social Affairs and Inclusion.

([322]) Reported by Hungary in the context of the reporting required by the Directive on Adequate Minimum Wages. 2025

([323]) OECD/AIAS ICTWSS v2.0. This is below the threshold of 80% under the Directive on Adequate Minimum Wages.

Hungary continues to face social challenges related to the effectiveness of social protection and access to services. In 2025, Hungary received country-specific recommendations on the adequacy of social protection and unemployment benefits as well as on access to essential and social services and housing. Uneven progress towards the 2030 poverty reduction target and the limited capacity of social transfers to reduce poverty and social exclusion highlight the scope to further strengthen social protection coverage, access, adequacy and effectiveness. The challenges that exist and the lack of effective new measures on access to housing and to essential and quality social services and care, with strong regional inequalities, suggest that implementation of the related country-specific recommendation is stalling. In addition, access to long-term care services remains insufficient amid increasing poverty among older people. Addressing these challenges will contribute to Hungary's inclusive growth and competitiveness.

Graph A12.1: **Impact of social transfers (excluding pensions) on poverty reduction**



(1) Break in series for Hungary in 2019 and 2022.
Source: Eurostat [tespm050].

Social transfers and the design of the tax system are not effective in reducing poverty. The impact of social transfers on poverty reduction halved between 2018 and 2025, from 48.8% to 23.1%, and is among the lowest in the EU (33.2% in 2025). In addition, the coverage of in-cash social benefits (other than old-age benefits) at 80.3% is relatively low (EU: 83.1%). Income inequality, measured as the income quintile share ratio (S80/S20), has increased to 4.68, its highest level in a decade, and it is now over the EU average (4.62) in 2025. In 2025, the effect of taxes and social benefits (excluding pensions) on the income quintile ratio (S80/20) was one of the lowest in the EU (23.0% vs EU 48.8%), with both components below the EU average (11.5% vs EU 34.4% and 9.9% vs EU 16.6%, for social benefits and taxes respectively). Weaker social transfers and growing inequalities also have a visible impact on the depth of poverty: the at-risk-of-poverty (AROP) gap, which shows the distance between the median income of poor people and the poverty threshold, improved further by 2.2 percentage points (pps) in 2025, but remains above the EU (24.4% vs 22.5%).

The adequacy of minimum income support remains very low. The adequacy of the minimum income benefit is one of the lowest in the EU, and the 'employment substituting benefit' (ESB, *Foglalkoztatást helyettesítő támogatás*) ([324]), which is the most common social benefit, has not been adjusted in line with the cost of living. The disposable income of a minimum income beneficiary in Hungary is 13.5% of the poverty threshold, against an EU average of 56.3% ([325]). There are no objective criteria for setting or adjusting the amount of either the 'employment substituting benefit' or the 'benefit for people suffering from health problems or taking care of a child (BHC, *Egészségkárosodási és gyermekfelügyeleti támogatás*). Their nominal fixed amount (EUR 57) is not related to family size, composition or income and has not changed since 2012. Currently, there are no plans to change this despite the substantial jump in the cost of living (77% price level increase between 2012 and 2025 ([326])) in recent years, especially for food and housing prices. Only the benefit for job seekers who are within five years of retirement (ABP, *Nyugdíj előtti álláskeresési segély*) is linked

([324])The employment substituting benefit (ESB, Foglalkoztatást helyettesítő támogatás) is a benefit for those who are deemed capable of work, when they are not working in public works. Benefit for people suffering from health problems or taking care of a child (BHC, Egészségkárosodási és gyermekfelügyeleti támogatás) is for those people suffering from health problems or taking care of children. Job seeker benefit before pension (ABP) (Nyugdíj előtti álláskeresési segély).

([325])Joint Employment Report 2026, Figure 2.4.9.

([326])HICP, Eurostat.

to the minimum wage (40% of the minimum wage), which is set to increase annually until 2027 according to the three-year minimum wage agreement with social partners (see Annex 11). The percentage of people at risk of poverty receiving minimum income benefits remains low at 11% ([327]) (estimate) due to an eligibility requirement that excludes people in employment (except for some simplified forms of employment). The delays in processing minimum income benefit applications are high, around 60 days. Improving adequacy, regularly adjusting benefits to the cost of living, and ensuring active inclusion, in line with the Council recommendation on minimum income, would help support the more vulnerable groups and contribute to addressing the challenges covered in the 2025 country-specific recommendations addressed to Hungary.

Despite some progress in reducing poverty and social exclusion, significant challenges remain, including high deprivation rates. Since 2019, the number of people at risk of poverty or social exclusion (AROPE) has decreased by 183 000, compared to Hungary's national poverty reduction target of 292 000 by 2030 ([328]). Between 2024 and 2025, the AROPE rate increased slightly (by 0.2 pps, to 19.5% vs 20.9% in the EU). The increase seems to have been driven by increasing in work-poverty, which increased by 1.3 pps to 8.3%, and was around the EU average (8.3%) in 2025. In contrast, the percentage of people who cannot afford certain common items (severe material and social deprivation) further improved by 0.8 pp. but remains one of the highest in the EU (8.5% vs 6.3%). Monetary poverty (measured using the AROP rate, which is the share of people having less than 60% of the median disposable income after social benefits), also slightly decreased, from 14.3% in 2024 to 14% in 2025, but increased among children. A comprehensive approach, as set out in the EU anti-poverty strategy, could help address the multiple dimensions of poverty and achieve the national anti-poverty target.

Some vulnerable groups experience significantly higher poverty or social exclusion risks. Adults with lower secondary education or less are significantly more likely to be at risk of poverty or social exclusion than their European peers (46.1% vs 34.2%). Adults with a low level of education tend to experience a higher rate of severe material and social deprivation in Hungary than in the EU, including in the working-age population (18-64 years olds: 28% vs 15.2% in the EU), with almost one in five of them facing persistent poverty ([329]). In-work poverty among those with a low level of education in Hungary has increased significantly (up 4.7 pps to 28%) and is now one of the highest in the EU (18.8%). The AROPE rate among people not in employment has improved, but still above its value in 2019 (24.2%, vs 28.8% in 2025). 28.3% of all persons with disabilities were at risk of poverty or social exclusion in 2025 (28.8% in the EU). Roma people were also much more likely to be at risk of poverty or social exclusion (61.5% in 2023) than non-Roma (18.2%) and preliminary national data suggest that this figure increased further to 64.8% ([330]) in 2024. This is related to low educational attainment and weaker labour market integration ([331]). The full and accelerated implementation of Hungary's national social inclusion strategy and its action plan could contribute to addressing these challenges.

Children at risk of poverty or social exclusion are facing a particularly vulnerable situation. In 2025, the child AROPE rate was 23% (EU: 24.3%). Among Roma children this situation is more acute: according to the FRA Roma Survey

([327]) European Commission: Directorate-General for Employment, Social Affairs and Inclusion, The 2025 minimum income report – An overview of the implementation of the 2023 Council recommendation on adequate minimum income ensuring active inclusion across EU Member States – Joint report prepared by the Social Protection Committee and the European Commission, Directorate-General for Employment, Social Affairs and Inclusion. Part 2, Country analyses, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2767/3005188.

([328]) The material and social deprivation of families with children has decreased from 21.0% in 2019 to 15.5% in 2025, compared to Hungary's national target of reducing it to 13% by 2030.

([329]) Persistent at-risk-of-poverty rate refers to people who were at risk of poverty for at least two of the three preceding years.

([330]) Data from the Hungarian National Statistical Office. The national data collection on poverty or social exclusion (in line with SILC) also includes data collection on Roma. The national data are based on 2023 and 2024 income data, respectively. SICL data at Eurostat are published with a one-year delay compared to the data collection. Therefore, the HNSO data for 2023 would correspond to the 2024 reference year at Eurostat. Helyzetkép | 2024.

([331]) Rights of Roma and Travellers in 13 European countries – Perspectives from the Roma Survey 2024.

2024, 58% of Roma children are at risk of poverty. Child poverty is particularly high among children whose parents have a low level of education (78% in 2025, vs 62.5% in the EU). Children at risk of poverty or social exclusion also often live in households that struggle with housing cost overburden (21.2% vs 22.2% in the EU) and overcrowding (51.4% vs 44.4% in the EU) ([332]). Children under 3 at risk of poverty or social exclusion tend to participate significantly less in early childhood education and care (see Annex 13), which has a significant long-term impact on their development. The number of children under professional child protection provision has been increasing in recent years, partly because of families' social and financial difficulties. A growing share of these children are being placed in institutional care due to the declining availability of foster families, which can negatively affect their educational, employment, and mental-health outcomes ([333]). Hungary has not set a complementary national target for child poverty reduction. Compliance with the European Child Guarantee is high as regards healthy nutrition, free school meals at pre-primary and primary education, and vaccination. However, there is scope for reforms and investments in areas such as children's mental health, alternative care, adequate housing and non-financial barriers to accessing early childhood education and care for children under 3. Targeted support for children in need, such as children with disabilities, Roma and children of parents with a low level of education, could further stimulate social and territorial inclusion.

Living conditions vary widely across regions and territories. Almost one in four people living in rural areas is at risk of poverty or social exclusion, compared to 13% in cities, with the highest rates recorded in North Great Plain (28%) and Northern Hungary (28.8%). These disparities are often related to regional differences in economic activities, as well as the unequal distribution of people with a low level of education or unemployed people across the country. This is coupled with unequal access to essential and social services, with the lowest levels in rural areas (see Annex 19).

Gaps in the social protection system for some workers persist. Non-standard workers, for example those employed under 'simplified employment' (*Egyszerűsített foglalkoztatás)* have no access to sickness and maternity benefits. They have only voluntary coverage for healthcare, but very few opt in. Similar gaps exist for seasonal workers, mainly working in agriculture and tourism.

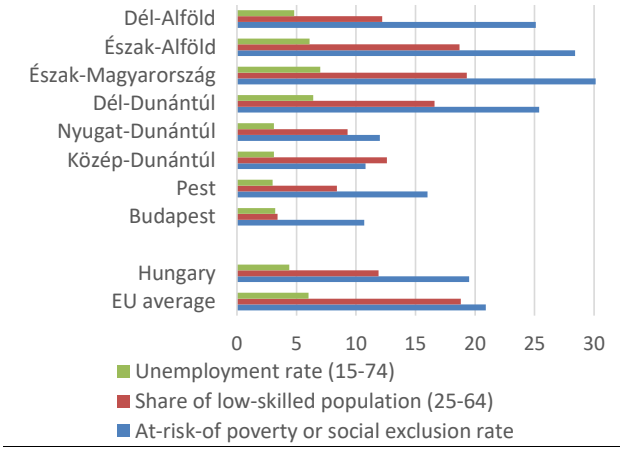
Access to housing is a social challenge. The percentage of the population spending over 40% of household income on housing dropped by 3.7 pps to 5.3% and is below the EU average (EU 7.7%) ([334]). The housing cost overburden in cities (6.7%) still limits study and employment opportunities for low-income households. People at risk of poverty or social exclusion (21.2%), single-parent households (17.1%) and Roma face a higher housing cost overburden. Overcrowding among the population at risk of poverty or social exclusion was also higher than the EU average in 2025 (37.4% vs 34.5%). In 2024, 40% of Roma experienced housing deprivation and 93% were in overcrowded households (see Annex 16). While the housing cost for owners with a mortgage is lower, housing costs still largely affect tenants, whether renting on market or reduced prices (38..4% and 13.3% in 2025, respectively), Targeted reform and investment measures supporting the renovation and construction of accessible social housing in non-segregated areas with good access to education and employment, including the related social and care services and home rental support, could help improve the living conditions of socio-economically disadvantaged people and persons with disabilities.

([332])The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

([333])Bardits – Kertesi, Family foster care or residential care: the impact of home environment on children raised in state care KRTK-KTI 2024/3 KRTKKTIWP202403.pdf.

([334])This indicator should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

Graph A12.2: **Regional differences in poverty and social exclusion risks, low educational attainment and unemployment, 2025**



Source: Eurostat

Energy poverty is comparatively low and mainly affects low-income households. In 2025, 5.8% of the population was unable to keep their homes adequately warm (EU: 8.8%), while households at risk of poverty were much more affected at 16.8% (EU: 19.6%). Heating expenditure is projected to rise more than the EU average, consistent with above-average exposure to ETS2-covered fuels in household energy use, with natural gas standing out ([335]). The EU's Social Climate Fund, with EUR 2.5 billion allocated to Hungary, could help mitigate these impacts through energy-efficiency investments targeted at the most vulnerable households.

Transport poverty is a growing challenge. In Hungary, 10.4% of the population was unable to afford a car in 2025, well above the EU average (5.5%), with particularly high rates among households at risk of poverty (26.8% vs EU 16.5%) ([336]). Regions outside Budapest and Pest county, where approximately 16% of people are at risk of poverty or social exclusion, are particularly poorly served by public transport. Transport fuel expenditure is projected to increase slightly more than the EU average, driven by ETS2, raising the affordability risks in car-dependent rural regions and suburbs. Strengthening the affordability and availability of public transport will be essential, while in areas with limited public transport access, further social transport options could be considered.

Poverty and inequalities are increasing among older people. The AROPE rate for older people increased significantly between 2019 and 2023, and started gradually decreasing to 19.8% in 2025, but was above the EU average in 2025 (EU 18.8%). AROPE rates for older women continue to be higher than for men, at 24% compared to 13.3% in 2025. This is despite a relatively low but increased gender pension gap, at 16.7% in 2025 (compared to 9.6% in 2024 and 23.9% in the EU). The relatively high AROPE rate can mainly be attributed to consistently high severe material and social deprivation (around 9% between 2019 and 2025), while the increasing trend of monetary poverty (up by 7 pps since 2019 to reach 16.1% in 2024) seems to have stopped in 2025 (13.8%). Income inequality, as measured by the income quintile (S80/S20) ratio, increased significantly among older people from 2.70 in 2019 to 4.32 in 2025, and it is now above EU average of 4.12. Income inequality in this age group in Hungary is more prominent among men (4.51) Inequalities among older people mainly appear to be a side effect of increasing wages in recent years (see Annex 11), which have resulted in higher pensions for recent pensioners (pay-as-you-go system with no capping), as well as wage inequalities largely related to educational attainment and gender pay gaps. At the same time, the minimum pension has not increased since 2012 (HUF 28 500). Self-employed farmers and primary producers are particularly vulnerable, as most of them are only entitled to the minimum pension. The inadequacy of old-age pensions forces farmers to continue working beyond retirement age, delaying generational renewal and the setting up of young farmers. Demographic changes also put pressure on the long-term financial sustainability of the pension system (see 2025 country report). Hungary has not taken any measures to address income inequalities and preserve the adequacy of pensions. The Hungarian recovery and resilience plan includes a reform of the pension system by 2026, but no progress has been reported in this area. Following the reintroduction of the 13th month pension in 2021, the government launched the 14th month pension in 2026 in order to compensate pensioners for the inflationary shock of recent years. However, these measures have not yet led to a significant improvement in the living conditions of low-pension recipients.

([335])*European Commission calculations based on Green EUROMOD"*

([336])Eurostat (including a 2024 EU-SILC survey on access to services, also covering transport, published this month) and the data from the Transport Poverty Hub.

There are significant social and territorial inequalities in accessing quality healthcare and long-term care. The care sector in Hungary is characterised by low public spending and high out-of-pocket expenditure, as well as staff shortages in healthcare (see Annex 15) and formal long-term care (LTC): in 2024, there were only 0.9 long-term care workers per 100 individuals over the age of 65 (EU average of 3.3. workers), with significant regional disparities. The data show staff shortages, resulting in long waiting times. The number of years left in good health at age 65 is relatively low (7.5 vs 9.4 in the EU). In 2025, 21% of older people living in rural areas rated their health as good or very good compared to 31.3% in urban areas. Long-term and specialised care provision are also concentrated in developed, urban areas in central Hungary and western regions. Public LTC expenditure, at 0.5% in 2022, is one of the lowest in the EU (vs EU average of 1.7%) and is strongly oriented towards residential care (66.5% vs 46.2% in the EU in 2022), with relatively less emphasis on home care (14.9% vs 28.8% in the EU in 2022). There is no legislation to recognise informal carers. While informal carers can receive financial compensation (in-cash benefits only), they do not receive training, and their use of formal care services remains low, which may affect the quality of long-term care. Hungary allocates EUR 156 million to improving local social and healthcare infrastructures through the European Regional Development Fund and the European Social Fund Plus between 2021-2027. A more systemic approach and substantial investment in professional staffing could help address regional disparities and improve access for low-income populations. In addition, there is scope for establishing social economy organisations (such as care cooperatives) to deliver high-quality care services that meet the needs of the population, including where they live.

Low levels of basic skills, low participation of vulnerable groups of adults in learning and low tertiary attainment rates present major challenges to Hungary's economic competitiveness and the digital and green transitions. In 2025, the country-specific recommendations addressed to Hungary called for increasing the participation of disadvantaged groups in quality mainstream education. Ethnic, socio-economic and academic segregation in education remains significant, leaving disadvantaged students less likely to acquire basic skills and more likely to leave school early. The measures Hungary has introduced to address Roma segregation are not sufficiently targeted. Hungary has implemented a large-scale salary reform for teachers, which helps make the profession more attractive. However, the ageing of the teacher population and high teacher workload continue to pose serious challenges. Participation in vocational education and training (VET) is increasing, though there are persistent challenges to progression to higher levels of studies and permeability, and participation of vulnerable adults in learning remains low. Tertiary education attainment is still one of the lowest in the EU, and enrolment in science, technology, engineering and mathematics (STEM) fields is insufficient to meet the high demand for specialists.

Hungary shows some progress in offering formal childcare for children under three. 97.9% of children aged three and over participated in early childhood education and care (ECEC) in 2024 (EU average: 95.6%), exceeding the EU-level target of 96%. Participation of children under three in formal childcare increased (by 4.6 pps to 21.1%, EU average: 40.6%) in 2025, but it was not the case for children that are at risk of poverty or social exclusion (9.7%) (see Annex 12). Hungary expanded childcare capacities from 46 000 in 2017 to 68 800 in 2025, but there are still some districts where demand exceeds supply ([337]). In 2023, 16.3% of children under three had no place in their place of residence ([338]). In 2026, the government plans to carry out a nationwide needs assessment to prepare further investments in creche places ([339]).

Student performance gaps in basic skills linked to socio-economic background are among the largest in the EU. Only 12.2% of disadvantaged 15-year-olds performed well in at least one Programme for International Student Assessment (PISA) domain (reading, mathematics, science) in 2022, compared to 60% of their advantaged peers ([340]). This is one of the largest gaps in the EU. The 2023 Trends in International Mathematics and Science Study (TIMSS) ([341]) reveals deterioration in mathematics performance among eighth graders compared to the previous assessment cycles ([342]). The gap between students from advantaged and disadvantaged backgrounds in the fourth grade is one of the largest among the participating countries (131 vs 85 score points). Hungary carries out extensive standardised testing across various subjects from grade 4 to grade 11. The results confirm the strong influence of students' family background and the socio-economic status of their place of residence on their academic outcomes ([343]). Underperforming schools are required to develop an action plan and receive additional support. The centralisation of education governance and funding in 2013, which was accompanied by a loss of school and teacher autonomy, has not succeeded in reducing inequalities between schools ([344]).

Educational segregation is persistent. Two thirds (62%) of Roma children aged 6 to 15 attend schools where most of their peers are also Roma ([345]). Academic segregation is exacerbated

([337]) Hungarian Central Statistical Office, 2026. *Table 25.1.2.2.*

([338]) Hungarian Central Statistical Office, 2024. Helyzetkép 2023. Azoknak a 3 éven aluli gyermekeknek a száma és aránya, akik a lakóhelyükön napközbeni ellátáshoz nem férnek hozzá, Latest publicly available data.

([339]) Government of Hungary, 2025. Action Plan 2025-2026 for the Gender Equality Strategy 2021-2030.

([340]) OECD, PISA 2022, DG EAC calculations.

([341]) Von Davier, M., Kennedy, A., Reynolds, K., Fishbein, B., Khorramdel, L., Aldrich, C., Bookbinder, A., Bezirhan, U., & Yin, L., 2024. *TIMSS 2023 International Results in Mathematics and Science*. Boston College, TIMSS & PIRLS International Study Center.

([342]) Oktatási Hivatal, 2024. *Tájékoztató a TIMSS 2023 eredményeiről*.

([343]) Government of Hungary. Az Európai Unió számára készített köznevelési stratégia 2021-2030.

([344]) Hermann, Z. & Semjén, A, 2021. The effects of centralisation of school governance and funding on inequalities in education.

([345]) European Union Agency for Fundamental Rights, 2025. *Rights of Roma and Travellers in 13 European countries - Perspectives from the Roma Survey 2024*.

by the proliferation of church-affiliated and private schools, especially in disadvantaged regions, which attract and concentrate advantaged students. In a 2025 opinion, the Deputy Commissioner for the Protection of Minority Rights highlighted the issue of persistent segregation, accompanied by an outflow of qualified teachers from public schools ([346]). Hungary has introduced a law ([347]) sanctioning schools whose student population is significantly different from the socio-economic distribution of the surrounding catchment area. However, it only applies to a small fraction of primary schools (fewer than 0.1%). The implementation of measures to tackle segregation in municipalities with only one school, or between different sites operated by the same school, is lagging.

Early school leaving has decreased. In 2025, the share of young people (aged 18 to 24) leaving education and training without obtaining an upper secondary certificate stood at 9.3% (EU average: 9.3%), down from 11.6% in 2023, but above the EU level target of 9%. Regional disparities are significant: young people in rural areas are over four times more likely to leave education and training prematurely than those in cities (15.1% vs 3.4%). The territorial concentration of low educational attainment has increased in certain districts in disadvantaged regions ([348]) among younger cohorts. The decreasing trend in early school leaving could be related to participation in second chance programmes ([349]), more young people returning to formal education (e.g. evening VET programmes) and the introduction of an early warning and monitoring system in compulsory education with targeted pedagogical support. At the same time, only 94.4% of 16-year-olds were still enrolled in compulsory education in 2024, among the lowest rates in the EU (EU average: 98.1%). The lowering of compulsory school age to 16 in 2011 has not resulted in improved employment outcomes for school dropouts ([350]). Since the reform, the probability to leave school early has increased markedly among young Roma people and those with low parental education.

Teachers in Hungary report low societal appreciation and increasing workload. Hungary's teaching population is one of the oldest in the EU (50.0% over 50 years old; EU average: 39.9%), which is expected to exacerbate already existing shortages. Between 2020 and 2023, the share of retirement age (65+) VET teachers increased from 1.1% to 6.3% (EU average: 1.3% to 3%). According to the OECD's Teaching and Learning International Survey (TALIS) 2024, only 8.4% of lower secondary teachers in Hungary think that the profession is valued in society (EU average: 15.4%). While more new teachers receive induction than before (graph A12.1), one out of five teachers under 30 reported their intention to leave the profession in the next five years (EU average: 15.2%). The weekly workload has increased from 39.3 to 43.2 hours since 2018 and close to twice as many teachers (28.5%) experience a lot of stress in their work compared to teachers in other EU countries (EU average: 16%). Teachers also face several barriers, including costs and schedule conflicts to participate in continuous professional development. As a result of the large-scale salary reform with support from the European Social Fund Plus (ESF+), the average gross earnings of teachers compared to other tertiary graduates increased from around 60% in 2023 to around 80%% in 2025 ([351]). Teachers who work in schools with a high proportion of disadvantaged students receive additional compensation. In the same period, Hungary also increased VET trainers' salaries using national funds. Recently, a positive effect can be observed in the growing number of applications to initial teacher education ([352]). However, more efforts are needed to attract and retain young teachers with higher competences, especially in socio-economically disadvantaged areas, which tend to be more affected by teacher shortages ([353]).

([346])AJBH, 2025. *Opinion No. 6/2025 on the admission and operational practices of parallel church-run educational institutions and the school segregation of Roma children*.

([347])Act XCII of 2023.

([348])Hermann, Z. & Czaller, L. 2025. *Munkaerőpiaci Tükör 2025*.

([349])E.g. the 'Launchpad' (*Dobbantó*) programme for 15–16-year-olds who have not completed primary education, 'Workshop schools' *(Műhelyiskola)*.

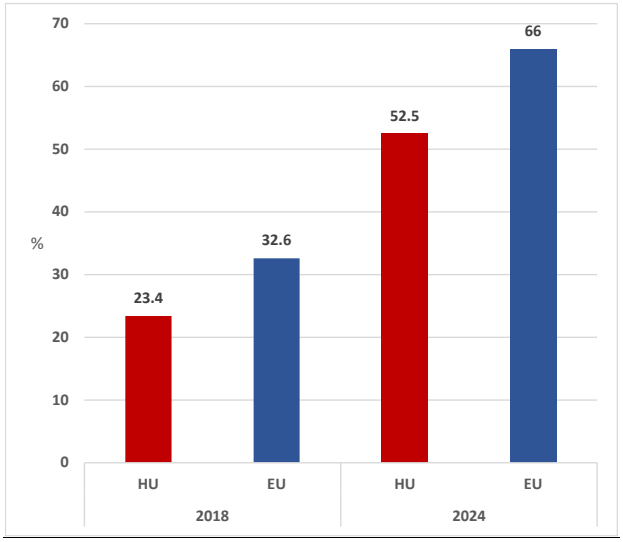
([350])Adamecz, A., 2024. *A tankötelezettség változásának hatásai*.

([351])Hungarian Central Statistical Office, 2026. *23.1.1.32. Average gross earnings of teachers working in initial education and of professionals in the national economy and their share*.

([352])European Commission, 2025. *Education and Training Monitor - Hungary*, 2025.

([353])Varga J. (ed.), 2024, *A közoktatás indikátorrendszere 2023*.

Graph A13.1: **Provision of induction to teachers upon joining school**



Source: OECD TALIS 2018, TALIS 2024

Hungary has one of the highest shares of early school leavers and young people not in employment, education or training (NEET) among persons with disabilities in the EU. In 2024, 41.2% of persons with some or severe disabilities were early school leavers (EU average: 24.6%), in contrast to 10.1% of the total population. In addition, young persons with disabilities are much more likely to be NEET in Hungary (59.0%) than in the EU on average (31.4%). As for adults, the share of persons with disabilities who have low educational attainment was above the EU average (33.7% vs 32.9%) in 2024, and the share of persons with disabilities who have tertiary attainment was well below the EU average (11.1% vs 21.4%).

Support for students with special educational needs is uneven across the country. The number of pupils with special educational needs (SEN) has been growing in recent years, especially the number of pupils with behavioural and learning disorders ([354]). While the majority of children with SEN are educated in mainstream settings, they do not all have access to adequate levels of support, which impedes their social and economic integration. The number of special education professionals almost doubled between 2015 and 2025 ([355]). Nonetheless, in the northeast of Hungary, fewer children are diagnosed with SEN compared to the southwest, in part also due to limited access to diagnostic services ([356]).

VET participation is increasing, although some students and regions still face limited opportunities. Medium-level VET participation is above EU average (58.9% vs 52.9% in 2025), with all post-secondary non-tertiary and 53.1% of upper secondary students enrolled in VET programmes. The increased interest in VET can be attributed to two main factors. Firstly, more young people are opting for five-year VET courses (*technikum*), which lead to an upper secondary school leaving certificate giving access to higher education. Secondly, the possibility to obtain two VET qualifications free of charge has attracted more adults to VET, with over a quarter of all VET students being adult learners in the academic year 2023/2024. Nevertheless, in 2024, over one in five secondary VET students (10.8% of all full-time upper secondary students) were still enrolled in three-year VET programmes that do not give direct access to further formal full-time studies. In more disadvantaged counties, a higher share of students tends to participate in three-year VET programmes. For instance, in Somogy county, 20.1% of upper secondary students participate in these programmes, while in Budapest, this share stood at 3.8% in 2024/2025 ([357]). In 2025, a pilot project, co-funded from ESF+) was launched to facilitate progression of 3-year VET students to 5-year VET ('technikum'), its results are still to be seen.

VET students' average performance in basic skills tends to be weaker, having a negative impact on long-term employability. According to PISA 2022, Hungarian students have one of the largest gaps in average mathematics performance between general and vocational programmes, largely related to differences in the socio-

([354])Between 2021/2022 and 2024/2025, the number of students diagnosed with SEN rose by 12.5% (Hungarian Central Statistical Office, 2025, *Table 23.1.1.6*).

([355])Public Education Information System, Statistical data collection: Number of employees directly assisting in educational and training work in primary public education, opening data (KIR-STAT 2015-2025, a02t57).

([356])Hegedűs, R., 2023. Sajátos nevelési igényű gyermekek, tanulók számának területi és statisztikai elemzése, *Educatio* 32 (2), pp. 228–246 (2023).

([357])Hungarian Central Statistical Office, 2026. *A középfokú nappali oktatásban tanulók megoszlása iskolatípusok szerint vármegyénként, 2024/2025*.

economic composition of the two educational paths. Three-year VET programmes are more affected by low achievement, have a higher share of pupils from disadvantaged socio-economic background and have higher dropout rates. Despite low educational outcomes, the employment rate of people aged 20-34 who had recently completed VET was above the EU average (84.2% vs 80.0%) in 2024, related to a tight labour market. In 2025, the government relaunched a major project funded by the ESF+ to improve VET pupils' educational performance and prevent dropout, including through small-group mentoring for low-achievers. Further structural measures such as increasing the taught time dedicated to basic skills for all VET students and providing additional pedagogical support for low achievers could help tackle low VET achievement.

Participation of VET students in dual learning and access to university could be improved, especially among vulnerable groups. In 2025, 43.1% of people who had recently graduated from VET had been exposed to work-based learning during their studies. This represents an increase but remains significantly below the EU average of 66%. Between 2020 and 2025, cohesion policy funds supported setting up 29 sectoral training centres and five sectoral knowledge centres to improve VET students' access to dual learning. These centres will build on cooperation between VET centres and businesses, and the knowledge centres also involve universities.

Adults' low basic skills and persistent inequalities seriously hamper competitiveness. Hungarian adults perform relatively poorly in literacy, numeracy and problem solving according to the 2023 Programme for the International Assessment of Adult Competencies (PIAAC) survey. People in the 16-24 age group who are still enrolled in initial education or have recently completed it score significantly worse, signalling potential issues with the quality of education. Almost 1 in 4 adults are low-achievers in both numeracy and literacy (24.1%; EU average: 21.8%), and the impact of a person's parents' educational background remains significant into adulthood. Educational attainment significantly influences labour market outcomes and earnings. Adults' low basic skills currently do not feature in the government's policy agenda. An ESF+ call for proposals aims to improve the basic skills of people with low educational attainment and unemployed people. Nevertheless, the employment prospects of low-skilled adults could be improved with a permanent structure, linked to the public employment service (see Annex 11), supporting adults' basic skills development.

Science, technology and digital skills supply could be significantly improved. While medium-level vocational education enrolment in STEM-related pathways was slightly above the EU average in 2024 (38.77% vs 36.63%), female participation was below the EU average (12% vs 15.9%). The share of students enrolled in STEM fields at the tertiary level was 23.8% in 2023 (vs an EU average of 26.9% and a proposed EU target of 32%), and women are particularly under-represented at only 25.4% (EU average: 32.2%). 37% of eighth graders lack basic digital skills (EU target: below 15%) – despite Hungary's above-average performance in the International Computer and Information Literacy Study (ICILS). The share of adults with at least basic digital skills decreased slightly from 58.9% in 2023 to 57.3% in 2025, which is below the EU average of 60.4%. Adults with low educational background (35.5%), people living in rural areas (44.8%) and unemployed people (47.1%) were also less likely to have at least basic digital skills than their EU peers. The share of ICT specialists in employment increased slightly in 2025 but remains below the EU average, and the share of female ICT specialists remains one of the lowest in the EU (see Annexes 4 and 11). At the same time, IT specialists are in relatively high demand, especially in Budapest. To tackle the shortages of digital skills and specialists, Hungary is investing over EUR 230 million of ESF+ funds in digital skills development at different levels, aiming to reach above 500 000 participants, including 180 000 disadvantaged adults.

Maintaining the strong performance in adult learning is essential for Hungary's competitiveness, but vulnerable groups still lack targeted support. With 62.2% of adults participating in learning over the previous 12 months, Hungary performed well above the EU average (39.5%) in 2022 and exceeded its national target of 60% by 2030. However, adults with a low level of educational attainment, unemployed people and people outside the labour market participate significantly less in learning (42.1%, 20.7% and 18.6%, respectively). The participation of workers employed in energy-intensive sectors decreased to 7.5% in 2025 and is among the lowest in the EU. The adult learning

legal framework sets out the main features of a new adult learning fund but does not yet specify its source of funding. The planned piloting of individual learning accounts with ESF+ support could improve access to adult learning across the board, including for vulnerable groups, especially if coupled with better career guidance. Similarly, the implementation of micro-credentials introduced in 2024 would benefit from a single transparent approach across educational sectors. As part of the European Qualifications Framework Recommendation's implementation, Hungary has yet to connect the national qualifications database to Europass. Increasing synergies between the existing skills forecasting tools (*Munkaeropiaci Elorejelzo Rendszer*), graduate tracking systems (*Diplomas Palyakoveto Rendszer*, *Szakkepzesi Palyakovetesi Rendszer*) and skills councils, and using them systematically in policymaking, and leveraging related research could also bring good results in governing initial and adult learning policy.

Tertiary education attainment remains low, despite excellent employment prospects after graduation. In 2025, only 32.6% of people aged 25-34 held a tertiary degree, well below the EU average of 44.8% and the EU-level target of 45%. 93.2% of recent tertiary graduates are employed (EU average: 87%), indicating high demand. Between 2002 and 2022, the wage premium for individuals with a master's degree continuously exceeded 200% of the earnings of those with below lower secondary educational attainment ([358]). Yet, social mobility in and through higher education is persistently low, including in STEM fields ([359]). In recent years, Hungary has taken steps towards opening up higher education for under-represented groups, for example by setting an objective to increase the proportion of students from socio-economically disadvantaged backgrounds or by launching VET programmes in cooperation with universities. In 2023, 40% of VET students were enrolled in programmes not giving access to tertiary education ([360]), and administrative data shows only a slight increase (around 1 pp) since then in the number of students enrolled in secondary education giving access to higher education ([361]). Expanding study programmes is another factor for successfully widening access: while applications to higher education have increased by 42% between 2020 and 2025, government-funded placements were only increased by 33% ([362]).

([358])Varga, J., 2025. Az iskolai végzettség kereseti hozama Magyarországon, 2002–2022. In Z. Hermann & J. Varga (Eds.), *Munkaerőpiaci tükör 2023–2024: Befektetés az emberi tőkébe Magyarországon*.

([359])European Commission 2025, Education and Training Monitor – Hungary, 2025.

([360])OECD, 2025. Education at a Glance 2025: OECD Indicators, OECD Publishing, Paris.

([361])Hungarian Central Statistical Office, 2026. Oktatási adatok, 2025/2026 (előzetes adatok) – Központi Statisztikai Hivatal

([362])Felvi.hu, Microsoft Power BI

Table A14.1:**Social Scoreboard for Hungary**

Equal opportunities and access to the labour market	Adult participation in learning (during the last 12 months, excl. guided on the job training, % of the population aged 25-64, 2022)	62.2
	Early leavers from education and training (% of the population aged 18-24, 2025)	9.3
	Share of individuals who have basic or above basic overall digital skills (% of the population aged 16-74, 2025)	57.3
	Young people not in employment, education or training (% of the population aged 15-29, 2025)	10.6
	Gender employment gap (percentage points, population aged 20-64, 2025)	8.1
	Income quintile ratio (S80/S20, 2025)	4.68
Dynamic labour markets and fair working conditions	Employment rate (% of the population aged 20-64, 2025)	81.1
	Unemployment rate (% of the active population aged 15-74, 2025)	4.4
	Long term unemployment (% of the active population aged 15-74, 2025)	1.5
	Gross disposable household income (GDHI) per capita growth (index, 2008=100, 2024)	170.8
Social protection and inclusion	At risk of poverty or social exclusion (AROPE) rate (% of the total population, 2025)	19.5
	At risk of poverty or social exclusion (AROPE) rate for children (% of the population aged 0-17, 2025)	23.0
	Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP, 2025)	23.1
	Disability employment gap (percentage points, population aged 20-64, 2025)	24.3
	Housing cost overburden (% of the total population, 2025)	5.3
	Children aged less than 3 years in formal childcare (% of the under 3-years-old population, 2025)	21.1
	Self-reported unmet need for medical care (% of the population aged 16+, 2025)	1.4

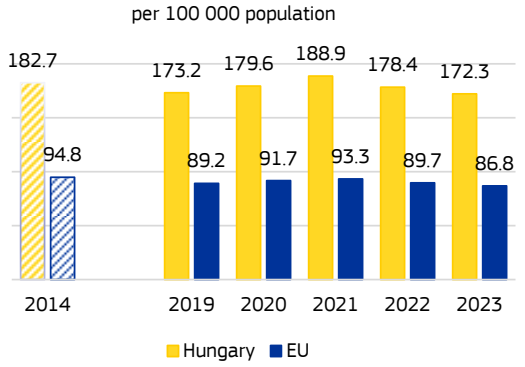
Critical situation	To watch	Weak but improving	Good but to monitor	On average	Better than average	Best performers

Update of 4 May 2026. Members States are categorised based on the Social Scoreboard according to a methodology agreed with the EMCO and SPC Committees. Please consult the Annex of the Joint Employment Report 2026 for details on the methodology (https://employment-social-affairs.ec.europa.eu/joint-employment-report-2026_en).

Source: Eurostat

Hungary's health system faces significant challenges that negatively affect the health of its population, social fairness and productivity. Challenges include low life expectancy, resulting from high treatable and preventable mortality. These issues are mainly caused by: (i) suboptimal cost-effectiveness and funding of the health system; (ii) an insufficient focus on disease prevention and outpatient care; and (iii) shortages of healthcare workers.

Graph A15.1: **Treatable mortality**



Age-standardised death rate - mortality that could be avoided through optimal quality healthcare.
Source: Eurostat (indicator: hlth_cd_apr)

Life expectancy at birth in Hungary was still among the lowest in the EU in 2024, and 2022 avoidable mortality – preventable or treatable – was among the highest. The gender gap is also among the widest in the EU. Women can expect to live longer than men (6.3 years longer in 2024). Treatable mortality was among the highest in the EU, suggesting shortcomings in the effectiveness of the health system. Moreover, Hungary is one of the few EU countries where mortality from treatable causes has improved only slightly over the last 10 years (see Graph A15.1). Diseases of the circulatory system – cardiovascular diseases (CVDs) – and cancer remain the leading causes of death, with the former accounting for more than 48% of all deaths in Hungary in 2023, the latter 24%. Standardised death rates from cancer were one of the highest in the EU. Suicide rates have decreased over time in Hungary but are still among the highest in the EU. Unmet needs for mental healthcare have continued to increase in Hungary since the pandemic ([363]).

Preventable mortality was close to double the EU average in 2023. Hungary has increased investment in disease prevention over the last 10 years, from a 2.7% share of spending in 2014 to 3.4% in 2023, but it remains below the EU average of 3.7%. A national public healthcare programme has been developed but finances are lacking for implementation. Hungary participates in several joint actions funded by EU4Health aimed at reducing the burden of cancer, cardiovascular diseases, diabetes and respiratory diseases. These actions include JACARDI, JA-SAFE, EUnetCCC JA, JANE-2, SOLACE and EUCanScreen ([364]). Hungary also benefits from EU4Health direct grants for the prevention of non-communicable diseases (NCDs), the establishment of networks for cancer infrastructure and expertise, and implementation and innovative approaches to cancer screening.

Preventable mortality in Hungary is closely linked to behavioural risk factors ([365]). Hungary continues to have the highest prevalence of preventable deaths from lung cancer in the EU. Both adults and adolescents report one of the highest smoking rates in the EU (25% of adults in 2022 vs 18% in the EU on average). The smoking rate has declined more slowly than in other EU countries over the last two decades. In addition, among adolescents, 33% reported smoking e-cigarettes in the past month – one of the highest rates in the EU, where the average rate is 21%. Hungarian adults also have one of the lowest rates of consumption of fruit and vegetables in the EU and have among the lowest levels of physical activity outside working time in the EU. Poor dietary habits translate into high rates of obesity: 21.8% of the population was obese in 2022. Overweight and obesity rates among adolescents have also increased in the

([363]) OECD/European Observatory on Health Systems and Policies (2025), *Country Health Profile 2025: Hungary. State of Health in the EU.*

([364]) JACARDI - Joint Action on CARdiovascular diseases and DIabetes, JA-SAFE - Joint Action on Health Promotion and Disease Prevention including Smoke and Aerosol Free Environments, EUnetCCC JA - The European Comprehensive Cancer Centre Network, JANE-2 - Joint Action on Networks of Expertise on Cancer, SOLACE - Strengthening the screening of Lung Cancer in Europe, EUCanScreen - Implementation of cancer screening programmes.

([365]) *Country Health Profile 2025: Hungary* - see earlier footnote.

Table A15.1:**Key health indicators**

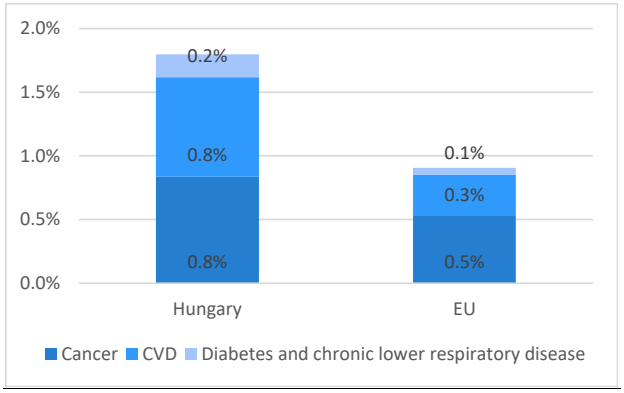
	2020	2021	2022	2023	2024	10-year change**	EU average* (latest year)
Cancer mortality per 100 000 population	320.9	309.9	312.2	315.9	n.a.	0.91	233.1 (2023)
Mortality due to circulatory diseases per 100 000 population	731.4	722.8	732.1	710.2	n.a.	0.93	313.0 (2023)
Current expenditure on health, purchasing power standards, per capita	1 701	1 892	1 892	1 925	2 050	1.47	3834.9 (2023)
Public share of health expenditure, % of current health expenditure	70.8	72.5	73.0	73.7	73.2	1.07	80.6 (2023)
Spending on prevention, % of current health expenditure	3.7	7.6	2.9	3.4	n.a.	1.26	3.7 (2023)
Available hospital beds per 100 000 population***	606	606	592	579	n.a.	0.93	440 (2023)
Doctors per 1 000 population*	3.2	3.3	3.5	3.6	n.a.	1.07	4.3 (2023)*
Nurses per 1 000 population*	4.3	4.3	4.4	4.5	n.a.	0.90	7.6 (2023)*
Mortality at working age (20-64 years), % of total mortality	19.9	21.0	19.1	18.6	18.2	0.78	14.3 (2023)
Consumption of antibiotics in the community and hospital sectors, defined daily doses per 1 000 inhabitants	11.2	11.9	14.4	14.2	13.7	0.87	20.3 (2024)

*The EU average is weighted for all indicators except for doctors and nurses per 1 000 population, for which the EU simple average is used based on 2023 data (or latest available). Doctors' density data refer to practising doctors in all countries except Greece, Portugal (licensed to practise) and Slovakia (professionally active). Density of nurses: data refer to practising nurses (EU recognised qualification) in most countries except Portugal (licensed to practice) and Slovakia (professionally active). Latest data update on nurses for Belgium and Sweden: 2022; for France: 2021; for Luxembourg: 2017.
** latest available 10-year trend: ratio 2023/2014 or 2024/2013; a factor of 2.00 means that it has doubled in 10 years.
***'Available hospital beds' covers somatic care, not psychiatric care.
Source: Eurostat

past decade, rising from 15% in 2010 to 25% in 2022 – one of the highest in the EU. Both adults and adolescents also report a high level of alcohol consumption. To support physical activity, the activity prescription programme was launched in 2024 ([366]). The programme is being piloted by 30 municipalities and allows general practitioners (GPs) to prescribe physical activity to help prevent and treat lifestyle-related diseases and promote active living. Municipalities will raise awareness among GPs and the public, working with local sports facilities to offer free exercise sessions for patients with a prescription.

Poor health outcomes negatively affect Hungary's workforce, productivity and competitiveness. In Hungary, mortality at working age as a proportion of total mortality is among the highest in the EU, exacerbating the effects of population ageing on a shrinking labour force. Gains in health status from further prevention investment could alleviate this impact. As regards NCDs, it is estimated that up to 80% of CVDs and type 2 diabetes in the world, up to half of cancer cases, and most chronic lung diseases can be prevented ([367]). For example, preventing all deaths from NCDs in Hungary – in particular cancer – would result in a 1.8% gain in working-life years from 2022 to 2040 (vs 0.9% for the EU, see Graph A15.2). Cancer in particular has a large impact on workforce participation and productivity ([7]). The gain in working-life years is one of the highest potential increases across Member States and would save about 1 676 600 life years in Hungary over 2022-2040. This increase would mitigate an otherwise expected 6.4% reduction of the workforce due to demographic ageing of the 2022 population (7% for the EU) ([368]).

Graph A15.2: **Potential gains in working-life years from prevention, between 2022 and 2040**



Source: EC/OECD, State of Health in the EU: 2025 Synthesis Report

Hungary's health system is strongly hospital-centred. Health spending per inhabitant increased in Hungary over the preceding decade but remained one of the lowest in the EU in 2023.

([366])*Country Health Profile 2025: Hungary* - see earlier footnote.

([367])NCD Alliance, 2025: Noncommunicable Diseases (NCDs) overview | NCD Alliance.

([368])OECD/EC (2025), EU Country Cancer Profiles Synthesis Report 2025.

The largest share of Hungary's health spending goes on hospital services (more than a third of total health expenditure), while less than a third goes on outpatient care. Medical goods (retail pharmaceuticals and therapeutic appliances) accounted for a quarter of health spending. 23% of total health spending comes from out-of-pocket (OOP) payments – well above the EU average of 16%. The largest share of OOP payments is accounted for by pharmaceuticals (51%) and outpatient medical care (22%). Hungary is implementing measures to increase access to outpatient care. Under the Hungarian national eHealth infrastructure (EESZT), new rules were introduced in 2025 to improve the digital appointment booking system ([369]). Hungary can benefit from implementing the results of the 2024 Technical Support Instrument project, which aims to achieve a comprehensive revision of the governance, costs, financing parameters and classification system in hospital care in Hungary. These initiatives are still ongoing and have been extended to 2026. At the same time, reorganising primary care from single to group practices aims to strengthen and enhance capacity for outpatient care ([370]).

Hungary's pharmaceutical sector is of moderate economic significance. Employment in pharmaceutical manufacturing in Hungary ranks among the highest in the EU (see Annex 4). In 2024, Hungary reported a number (18.7) of clinical trials per million population close to the EU average. The industry also maintains a modest share of extra-EU exports (7% in 2025 vs 14% for the EU average), ranking close to the median of EU countries.

Relative to its population, Hungary had among the highest number of hospital beds in the EU in 2023. This is despite an average length of stay and especially occupancy rate that are among the lowest in the EU ([371]). Meanwhile, the trend of low investment in the health sector continued. Hungary had one of the lowest levels of health infrastructure investment per capita among EU countries in 2024 and on average since 2015. This is reflected in the low availability of key diagnostic technology: Hungary has one of the lowest rates of medical imaging devices per capita in the EU. The EU cohesion policy (2021-2027) currently dedicates EUR 156 million (EU co-financed share) in Hungary to healthcare for health infrastructure.

Hungary's estimated domestic spending per capita on prevention, preparedness and response is among the lowest in the EU ([372]). Another significant challenge for hospitals in particular is antimicrobial resistance and related multi-resistant infections. The consumption of antibiotics in Hungary decreased slightly between 2023 and 2024, but continued efforts are needed to meet the 2030 recommended national target ([373]).

Persistent shortages of health professionals limit the provision of healthcare. In 2023, the number of practising nurses per 1 000 population was among the lowest in the EU and has decreased over the last decade. Moreover, 24% of nurses were 55 years of age or over, while around 16% were 34 years or under in 2023, among the lowest in the EU. Hungary also had a comparatively low number of nursing graduates in relation to its population. Moreover, fewer than 1% of 15-year-olds aspire to become nurses ([374]). For several years, the density of doctors in Hungary has been below the EU average of 4.3 per 1 000. Moreover, the number of GPs per inhabitant is one of the lowest in the EU, and their share is very low compared with specialists. The uneven geographical distribution of healthcare professionals is also an issue ([375]) (see Annex 18 and Annex 12). Healthcare workers in Hungary report among the highest rates of depression, with 39% of respondents meeting the threshold for probable major depressive disorder, compared with 8% for the general population ([376]). Also, close to half of healthcare workers reported low emotional well-being. All these characteristics

([369])*Country Health Profile 2025: Hungary* - see earlier footnote.

([370])*Country Health Profile 2025: Hungary* - see earlier footnote.

([371])*Country Health Profile 2025: Hungary* - see earlier footnote.

([372])OECD Health Statistics 2025.

([373])National target set by the Council Recommendation on stepping up EU actions to combat antimicrobial resistance in a One Health approach, 2023/C 220/01.

([374])*Country Health Profile 2025: Hungary* - see earlier footnote.

([375])Pál, V., et al. (2022): Az Egészségügyi Dolgozók Területi Eloszlása Magyarországon: Mintázatok, Okok És Különböző Narratívák'. Tér-Gazdaság-Ember 10(2):9–31.

([376])WHO Regional Office for Europe (2025), *Mental Health of Nurses and Doctors survey in the European Union, Iceland and Norway*.

pose a significant challenge to the long-term accessibility of health services and, more broadly, the care system (see Annex 11). Government actions to improve the retention of health professionals include phased salary increases for doctors, dentists, pharmacists and nurses (since 2021) and rewards of up to 40% for good performance (since 2022). Since 1 March 2024, the base salaries of health professionals have increased by an average of 20% ([377]). The government also provides scholarships to strengthen the supply of healthcare professionals. In January 2026 it launched a home support programme for healthcare workers in the public healthcare system. Two new reforms have also been implemented in Hungary to strengthen the competences of health professionals and GPs ([378]). Hungary participates in several EU4health-funded projects providing training for the health workforce ([379]).

Hungary's health system is among the more digitally mature in the EU, despite socio-economic disparities in the use of digital health tools. In 2023, health spending on information and communication technology (ICT) was EUR 0.6 million per 100 000 population, below the EU average of EUR 2.3 million per 100 000 ([380]). Hungary has made limited progress in digital health investments relative to other countries. Nevertheless, the shares of Hungarians accessing their personal health records online or using online health services (excluding phone) instead of in-person consultations increased steeply between 2020 and 2024 and are above the EU average. However, there are significant socio-economic disparities in the use of digital health tools. The percentage of people with a lower level of education who seek health information, book a medical appointment or access electronic health records online is much lower than that of people with a high level of education. This education gap in Hungary is one of the widest in the EU. Hungary is piloting AI-based decision support in pathology to improve colorectal cancer screening. An AI committee oversees progress and plans system-wide integration of AI technologies ([381]). Hungary is also developing a regulatory framework for telemedicine. Hungary receives EU funding through the DQ4HDAB and XDSI_NS projects funded by EU4Health ([382]). The first aims to improve the quality of health data in Hungary to promote secondary use of health data, while the latter expands digital service infrastructure.

([377]) *Country Health Profile 2025: Hungary* - see earlier footnote.

([378]) 51/2025 (XII.22.) Decree of the Ministry of Interior - National Collection of Legislation 13/2025 (IV.17.), Decree of the Ministry of Interior - National Collection of Legislation.

([379]) EU Funding & Tenders Portal.

([380]) *Country Health Profile 2025: Hungary* - see earlier footnote.

([381]) *Country Health Profile 2025: Hungary* - see earlier footnote.

([382]) DQ4HDAB - Enhancing Data Quality for Use by the Health Data Access Body, XDSI_NS - Expansion of MyHealth@EU Digital Service Infrastructure (eHDSI) with new services.

Limited progress has been made in addressing the 2025 country-specific recommendations. In 2025, Hungary received country-specific recommendations on targeting support measures in the housing sector at low-income households and increasing the housing supply, also for social housing. Some measures have been put in place but their potential to successfully target low-income households and social housing is questionable given that the proportion of social housing stock is low and declining.

As housing policy in Hungary has been oriented towards homeownership, there is no national social rental housing policy. Ownership-oriented policies have inadvertently boosted demand and prices without expanding supply.

House prices have increased faster than in any other EU country and rents have also risen sharply, outpacing wage growth over the last decade. Many households – including middle-income families – spend a high proportion of their income on housing, pushing large numbers into housing cost burdens or housing poverty.

Hungary lags significantly behind in building new homes. The shortage is especially acute in urban centres and industry hotspots, where the limited supply drives demand and pushes prices up further.

Housing affordability challenges disproportionately affect vulnerable groups. The house-price-to-income levels are among the highest in the EU. The proportion of people who spend over 40% of their disposable income on housing costs has also increased and now exceeds the EU average of 8.2%. Arrears are driven by utility bills.

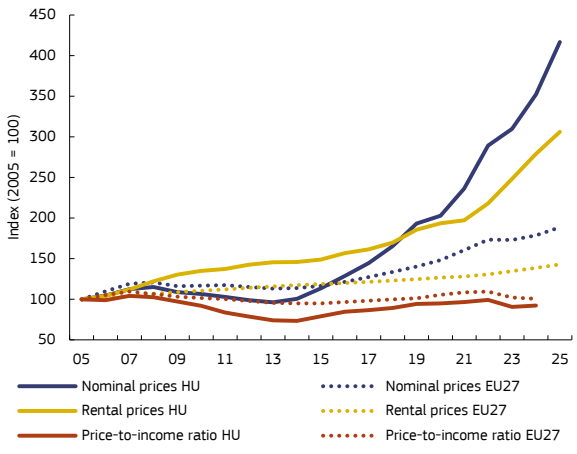
Housing quality has improved overall, but severe housing deprivation is still relatively high and the energy efficiency of dwellings of low-income families is poor. Energy poverty is relatively low, yet people with an income under the poverty threshold were four times more likely to be unable to keep their homes adequately warm than those with a higher income.

Housing market developments

Over the past decade, house prices increased significantly. In 2013-2024, nominal house prices grew by 265%, the largest increase in the EU (Graph A16.1). In 2025, the nominal house price growth attained 18.3% year on year. Regional differences in house and rental price levels remain pronounced. The growing difference between housing prices and rents (29.7% in 2023, 37.4% in 2025) indicates an overheated housing market.

Subsidised mortgage schemes supported affordability but fuelled overvaluation in recent years. The price-to-income ratio increased by 16.7% in 2015-2024 (EU average: 5.6%). The proportion of household income spent on interest payments stood at 1.7% in 2024, below the 2000-2024 average of 2.7%. This can be attributed to preferential mortgages. However, the overvaluation gap at country level reached 22% in 2025 (based on the standard European Commission methodology).

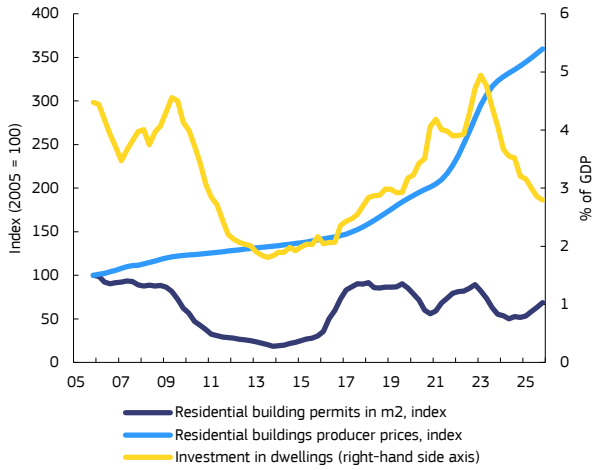
Graph A16.1: **House prices, rents and price-to-income evolution in HU and EU27 since 2005**



Source: Eurostat

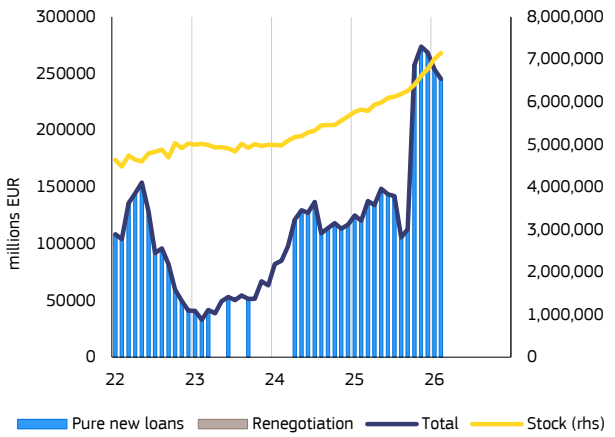
The construction of new homes rose strongly until 2023, but productivity in the construction sector remains low. Productivity in construction, measured by gross value added per worker, has been consistently low, averaging ~30% below the economy-wide average over the past decade. Productivity in construction is also well below the EU average, in spite of a moderate convergence in real terms, improving from 28% of the EU average in Q4-2016 to 43% in Q3-2025.

Graph A16.2: **House supply indicators in HU since 2005**



Source: Eurostat

Graph A16.3: **Bank loans to households for house purchase**



Source: MNB

Strong housing demand together with limited supply has recently led to further increases in house prices. By 2024, with more accommodative financial conditions and the introduction of the Family Housing Subsidy (CSOK+) facility, there was a rebound in housing demand, which was further boosted in 2025 by the Home Start programme ([383]) (Graph A16.3). Demographic trends and a large housing stock of 4.6 million dwellings mean that the housing construction gap is rather low, at 38 684 dwelling units needed by 2035 ([384]). However, most demand is concentrated in the capital and metropolitan region, which lack sufficient supply.

Structural policies

A new set of national building and planning rules are helping to streamline administrative procedures. Hungary has applied new administrative rules to speed up the approval of large residential developments linked to its affordable housing loan schemes (e.g. the Home Start programme). In addition, a new set of national building and planning requirements (Településrendezési és Építési Követelmények Alapszabályzata) has been implemented in an attempt to reduce uncertainty for builders and investors by modernising the regulation of construction in Hungary.

While different housing-related tax incentives exist, only a handful of them affect housing costs. Housing-related tax incentives are a mix of targeted VAT reductions, limited transfer tax reliefs, employer benefit provisions and associated family/housing subsidy structures. The tax system currently includes a handful of tax-related incentives and preferential treatments that affect housing costs, though many are tied into broader family support or employment benefits, and not specifically structured as an affordable housing tax policy.

There is no nationwide rent control law that caps rents or regulates increases on a broad basis. For rent contracts in general, landlords and tenants rely mainly on private contracts, market conditions and general civil law. For short-

([383])MNB November 2025 Housing Market Report.

([384])Balouktsi et al. (2026) Housing investment needs in the EU, JRC Technical Report 144703.

term rentals, Budapest and some municipalities have begun to tighten rules by applying moratoriums, bans or limitations on new short-term rental registrations.

Measures that lower borrowing costs and entry barriers aim to make mortgages more accessible, especially for middle-income and young buyers with own resources. Legislative changes that would allow mortgage on new builds to be registered earlier in the process are expected to boost real-estate development and help buyers access subsidised loans. However, support for home ownership through subsidies and tax incentives tends to inflate property prices by increasing buyer demand without expanding supply at the same pace.

Local governments have discretion over how to address affordable housing locally. Budapest stands out as the most active with measures to improve housing affordability. These measures include proposals for programmes (e.g. municipal housing agencies) using public and existing private housing assets to increase the number of affordable dwellings for residents. The capital also has district level housing policies that indirectly affect local housing supply and cost.

Structural issues, affordability pressures, regulatory and policy gaps and demand-supply mismatch make the development of social and affordable housing a challenge. Social/municipal housing made up only 0.8% of the housing stock in 2024. 30-35% of the population experiences housing poverty by at least one of the standard indicators ([385]) and a 'generation rent' (young people ending up renting as they cannot afford to buy) is emerging ([386]).

There is a significant proportion of vacant houses that often need major quality improvements before they can be put back on the market. These 570 000 vacant homes represent 12-13% of the total housing stock ([387]). Many of these dwellings are in poor condition or are in areas where demand is low, which makes the existing stock hard to use for affordable housing without investment. Municipalities often lack funding or legal tools to expand or renovate social housing. Regulatory hurdles may make it difficult to repurpose empty buildings into affordable units, strategic coordination between national and local housing programmes is rare.

No central housing strategy has been adopted. While it appears that a formal strategy was drafted in 2024, it has not yet been published.

Current central housing policy prioritises expanding homeownership through ad hoc measures such as subsidised loans and financial incentives. The Housing Capital programme, launched in March 2025, is expected to boost supply by 5 000 new apartments, rental apartments and dormitory units a year. The Home Start programme ([388]), launched in September 2025, boosts demand by first-time buyers under the age of 40. Any project with at least 250 apartments, of which at least 70% meet the criteria of the Home Start programme, can become a priority national economic investment. The eligibility criteria are much less stringent than those of previous government incentive programmes.

Support under the Recovery and Resilience Facility (RRF) and cohesion policy programmes has not been fully delivered. The RRF and the cohesion policy programmes (the European Social Fund Plus (ESF+) and the European Regional Development Fund (ERDF)) provide support of around EUR 430 million, an amount that is expected to be reduced. The '300 settlements' programme includes improving living conditions, however the initially planned 2 000 non-segregated dwellings do not seem to have been achieved and some houses were built in segregated areas. In addition, the ESF+ and ERDF can help to improve housing conditions and help people to move to integrated areas. In 2025, a new measure to support affordable and social housing targeting people with disadvantages was planned under the Territorial and Settlement Development Operational Programme.

([385])Habitat for Humanity 2025, Éves lakhatási jelentés.

([386])Csizmady, Kőszeghy (2022) 'Generation Rent' in a Super Homeownership Environment: The Case of Budapest.

([387])Habitat for Humanity 2025, Social housing and empty spaces landscapes in Hungary.

([388])About Hungary - Government publishes draft decree on Home Start Programme

Vulnerable groups

Access to affordable housing remains out of reach for those most in need. The housing cost overburden rate decreased from a higher than EU average level (9% in 2024) to 5.3% in 2025 vs the EU average of 7.7% ([389]). Nevertheless, it remains among the highest in the EU for tenants paying the market price (8.4%) as well those renting at reduced prices (13.3%). People at risk of poverty, single-parent households, people with disabilities and Roma are disproportionately overburdened by housing costs. There has been no targeted support in recent years to help low-income groups and young people to access housing. In 2024, half of the housing loans went to households in the highest income quintile, suggesting that the loan-based measures are not effectively supporting lower-income households ([390]). Housing programmes announced in 2025 did not improve the situation.

Rising housing prices negatively affect the most vulnerable. The number of dwellings owned by municipalities has been decreasing, falling below 100 000 in 2024 for the first time (-76 percentage points since 2000). The proportion of municipality-owned dwellings available for social rent is also decreasing (1.3% in 2016 vs 0.8% in 2024). At the same time, the number of children in temporary accommodation for families has been increasing (6 422 in 2019 vs 7 005 in 2024 ([391])) indicating that an increasing number of families is facing housing difficulties.

Homelessness is gradually increasing and targeted measures to eradicate long-term homelessness are lacking. In 2024, 9 448 people were accommodated in long-term or temporary homes for homeless people ([392]). People often become homeless owing to arrears in utility bills and informal rental. It has been reported that a quarter of the homeless might be 60+, and that half of the homeless under 30 were in institutional foster care earlier ([393]). In 2024, an estimated 30-40 000 people were homeless ([394]). Hungary lacks a statutory mechanism requiring a national street count or homelessness registry. Homelessness remains a problem owing to a lack of social housing supply, dedicated homelessness prevention measures and housing-led policies.

Access to suitable housing remains significantly more difficult for Roma people. 47% of Roma live in dwellings with poor conditions (the EU average is ~18%). Overcrowding (83%) is extremely high ([395]). A large proportion of Roma live in segregated settlements and neighbourhoods with poor infrastructure and insecure tenancy conditions, limiting their access to jobs, education and services. Inadequate integration services and social housing further exacerbate their segregation, and geographical mobility is limited. In 2025, local decrees that put administrative restrictions on the settlement of disadvantaged people ('local identity protection') made this situation worse.

People with disabilities and older people with low income face significant structural, financial and accessibility barriers to accessing suitable and independent housing, in particular, in the private housing market. The quality of housing and access to a home depend to a large extent on the person's financial situation, i.e. whether they are able to finance accessibility measures or whether their family can provide financial support. In addition, access to appropriate housing support is very limited and the de-institutionalization approach is missing.

([389])The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

([390])penzugyi-stabilitasi-jelentes-2025-majus.pdf.

([391])KSH 25.1.2.3. Gyermekek és családok átmeneti otthonaiban az év folyamán ellátott gyermekek vármegye és régió szerint.

([392])KSH 25.1.1.31. A tartós bentlakásos és átmeneti elhelyezést nyújtó szociális intézményekben ellátottak ellátási típusonként.

([393])Utcáról Lakásba Egyesület. 2025, A 30 év alatti hajléktalan emberek között minden második állami gondozott volt.

([394])OECD, 2024 Hungary (EN).

([395])FRA Rights of Roma and Travellers in 13 European countries - Perspectives from the Roma Survey 2024.

Graph A16.4: **Housing affordability selected indicators**

		EU27				HU							
	unit	2000-25 avg.	2023	2024	2025	2000-25 avg.	2023	2024	2025	unit	2023	2024	2025
House price to income ratio	*2000-25 avg = 100*	100.0	102.0	100.2		100.0	97.3	99.3		YoY%	-8.9	2.0	
Rent to income ratio	*2000-25 avg = 100*	100.0	85.1	83.5	84.5	100.0	73.1	73.5	75.5	YoY%	-2.8	0.6	2.7
Overburden rate, total	%	9.9	8.8	8.2		9.8	7.3	9.0	5.3	PPS/y	-0.8	1.7	-3.7
Overburden rate, tenant with market rent	%	23.8	20.3	19.2		37.6	38.7	43.8	38.4	PPS/y	18.7	5.1	-5.4
Overvaluation gap	%					1.3	11.1	12.8	22.0				
Deflated construction production price	*2010 = 100*	102.2	112.2	111.8	110.5	112.6	144.1	146.2	148.0	YoY%	-2.3	2.1	1.8
Building permits	*m^2 per ths persons*	483.5	376.9	362.9	379.9	292.7	260.6	240.5	325.8	YoY%	-38.9	-7.7	35.5
Residential construction investment	*% GDP*	5.5	5.8	5.1	5.0	3.5	4.1	3.2	2.8	YoY%	-12.8	-22.0	-12.5
Share of ownership	%	70.0	69.1	68.4		89.0	90.5	91.6	89.8	PPS/y	0.3	1.2	-2.0
Share of people living in overcrowded homes	%	17.7	16.8	16.9		34.7	15.5	14.6	14.6	PPS/y	-1.5	-0.9	0.0

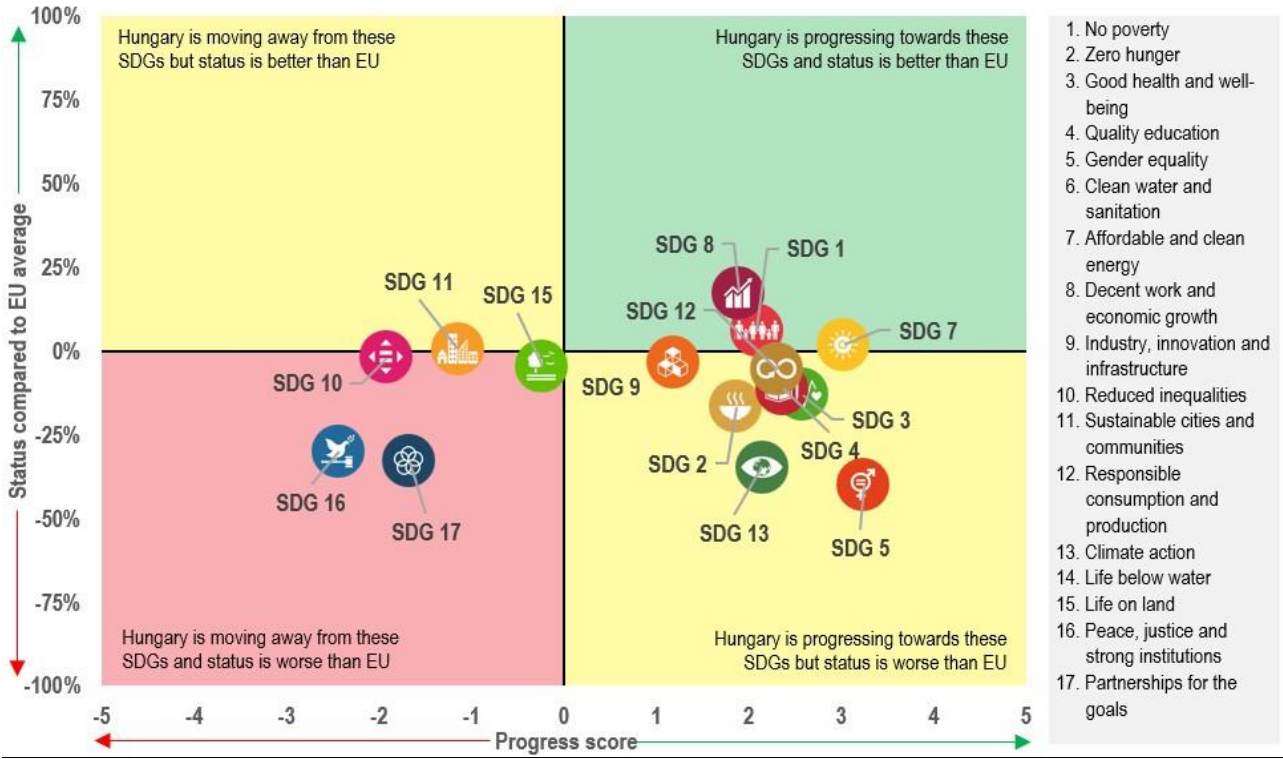
Source: Eurostat and European Commission calculations. The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

This annex assesses Hungary's progress on the sustainable development goals (SDGs) along the dimensions of competitiveness, sustainability, social fairness and macroeconomic stability. The 17 SDGs and their related indicators provide a policy framework under the UN's 2030 Agenda for Sustainable Development. The aim is to end all forms of poverty, fight inequalities and tackle climate change and the environmental crisis, while ensuring that no one is left behind. The EU and its Member States are committed to this historic global framework agreement and to playing an active role in maximising progress on the SDGs. The graph below is based on the EU SDG indicator set developed to monitor progress on the SDGs in the EU.

In relation to SDGs on *competitiveness*, Hungary is improving on all of them (SDGs 4, 8 and 9). It needs to catch up with the EU average on SDGs 4 and 9, but is above the EU average on SDG 8. It is achieving poor results on industry, innovation and infrastructure (SDG 9) but improving on some R&D indicators, for example, tertiary education attainment (32% of population aged 25 to 34 in 2024; EU average: 44%) and R&D personnel (1.24% of labour force in 2024; EU average 1.59). Its investment share of GDP (SDG 8; 23.2% in 2024) is still above the EU average (21.7%) but a negative trend can be observed. With the exception of the gender gap, Hungary outperforms the EU average on all employment indicators (SDG 8), but there is a slight increase in the share of the labour force in long-term unemployment (1.5% in 2025; EU average 1.9%). The recovery and resilience plan (RRP) includes measures supporting the development of research and development cooperation and boosting digitalisation in education, public administration, and the health, transport and energy sectors.

While Hungary is improving (SDGs 2, 7, 9, 12

Graph A17.1: **Progress towards the SDGs in Hungary**



For a detailed progress assessment towards the various SDGs, see the annual Eurostat report 'Sustainable development in the European Union'; for extensive data on the short-term SDG progress of EU countries, see Key findings – Sustainable development indicators; for an interactive visualization of SDG progress of EU countries, see SDG country overview. A high status does not mean that a country is close to reaching a specific SDG, but signals that it is doing better than the EU on average. The progress score is an absolute measure based on the indicator trends over the past five or six years. The calculation does not take into account any target values, as most EU policy targets are only valid for the aggregate EU level. Depending on data availability for each goal, not all 17 SDGs are shown for each country.

Source: Eurostat, latest update of 29 April 2026. Data refer mainly to the period 2019-2024 or 2019-2025. Data on SDGs may vary across the report and its annexes due to different cut-off dates.

and 13) or performing well (SDGs 7 and 11) on some SDGs related to *sustainability*, it is moving away from others (SDGs 11 and 15) and needs to catch up with the EU average (SDGs 2, 9, 12, 13 and 15). There is room for improvement in waste generation and management, where the circular material use rate is low (7.3% of material input for domestic use vs EU average of 12.2%; see also Annex 9) waste generation has increased (from 1 892 kg per capita in 2018 to 2 850 kg per capita in 2022). However, the environmental goods and services sector are larger than EU average (value added: 3.4% of GDP against EU average of 2.9% in 2023). Passenger car emissions from new cars are decreasing more slowly than the EU average, and energy productivity is low (EUR 5.7 per kg of emissions in 2024 against EU average of EUR 10). On a positive note, Hungary's net greenhouse gas emissions (SDG 13) of 5.0 tonnes per capita in 2024 remained below the EU average (6.5 tonnes per capita). Moreover, the net greenhouse gas emissions from land use and forestry have decreased and remain below well the EU average. The RRP includes measures to facilitate the development of renewable energy and improve the sustainability of transport, water management and the circular economy.

On *social fairness,* Hungary is improving on all SDGs (SDGs 1, 3, 4, 5, 7 and 8) apart from SDG 10 where Hungary is moving away. While Hungary is performing well on SDGs 1, 7 and 8, but needs to catch up on SDGs 3, 4 and 5 on fairness. While Hungary has made progress on multiple indicators related to multidimensional poverty (SDG 1), its rate of severe material, social and housing deprivation rate is still below the EU average, as is its relative median at-risk-of-poverty gap. Related to SDG 3 (Good health and well-being), Hungary has experienced a positive trend but needs to reduce its obesity rate (20.5 in Hungary in 2025; EU average 16.3) (see Annex 15). While the unadjusted gender pay gap (SDG 5) decreased, on average, to 11.1% of men's average gross hourly earnings in the EU as a whole, it narrowed only by 1.3 percentage points to 16.9% in Hungary from 2019 to 2024. The negative progress on SDG 10 (Reduced Inequalities) is mainly driven by the worsened inequalities within the country, as evidenced by the increase in the urban-rural gap for risk of poverty or social exclusion. The RRP supports social development in disadvantaged settlements and aims to improve higher and vocational education and modernise the health sector.

On *macroeconomic stability*, Hungary is performing well and improving only on SDG 8, but is moving away from and needs to catch up with the EU average on SDGs 16 and 17. To catch up with the rest of the EU on SDG 16 (Peace, justice and strong institutions), Hungary has room for considerable improvement on (i) general government total expenditure on law courts and (ii) both the worsening perceived independence of the justice system and Corruption Perceptions Index score. On SDG 17 (Partnerships for the goals), Hungary continues to be below the EU average for global partnership indicators. The RRP includes reforms to improve public finances, measures in areas related to the rule of law and the anti-corruption framework, and reforms to strengthen judicial independence.

As the SDGs form an overarching framework, any links to relevant SDGs are either explained or depicted with icons in the other annexes.

Regional development trends

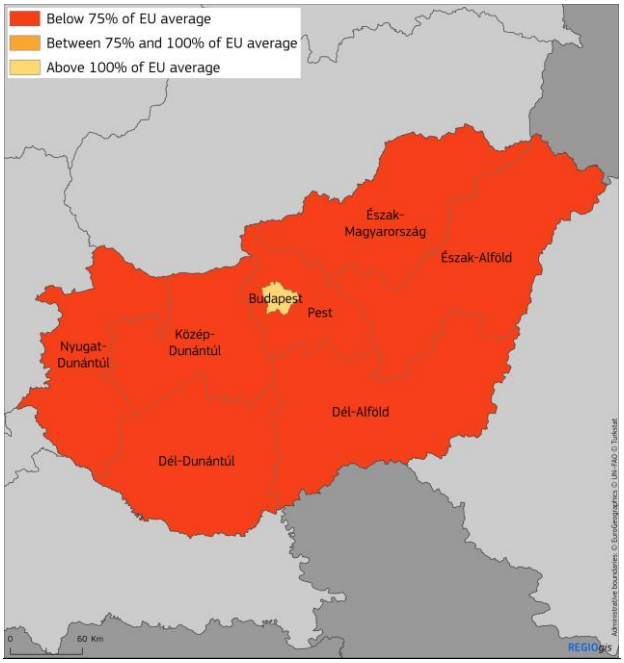
Despite the overall steady convergence towards the EU average and high regional GDP per head growth, Hungary has some of the highest internal regional disparities in the EU ([396]). The pace of convergence has varied across regions, and regional disparities have widened considerably over time. In 2024, GDP per head (in purchasing power standard, PPS) was less than 70% of the EU average in all Hungarian regions, apart from the capital region, with four regions – Dél-Alföld, Dél-Dunántúl, Észak-Magyarország, Észak-Alföld – featuring among the EU's 20 poorest regions. Rural and peripheral areas, as well as territories affected by industrial transformation, face persistent social and economic challenges.

Disparities in GDP per head are associated with significant labour productivity gaps across regions (A18.2). All but one region (Nyugat-Dunántúl) had productivity growth rates above 1.7% between 2013 and 2023 (EU average 0.7%). However, labour productivity was just slightly above 75% of the EU average in Pest county and at 79% in the capital, while the other six regions (Dél-Alföld, Dél-Dunántúl, Észak-Magyarország, Észak-Alföld, Közép-Dunántúl, Nyugat-Dunántúl) performed below 70% of the EU average.

The structure of regional economies is a key determinant of economic performance. The centre of the country – Budapest and Pest County – exhibits dynamic growth driven by knowledge-based activities. Counties with strong industrial and reindustrialised bases, including those heavily reliant on foreign-direct-investment manufacturing, show moderate growth or stagnation (e.g. Győr-Moson-Sopron, Komárom-Esztergom, Fejér, Heves). The same is true for peripheral counties with large university centres (e.g. Baranya, Csongrád-Csanád). Meanwhile, other peripheral counties exhibit slow convergence ([397]).

In manufacturing-intensive counties (e.g. Győr-Moson-Sopron, Komárom-Esztergom, Vas, Heves, Jász-Nagykun-Szolnok), industry driven by foreign direct investment accounts for the largest share of gross value added (GVA). This points to a higher vulnerability to external shocks. In other regions, the main contributors are non-tradable sectors ([398]).

Map A18.1: **GDP per head compared with the EU average.**



2021-2023 average GDP per head in purchasing power standard compared with the EU average.
Source: Commission calculations based on Eurostat 16 July 2025 data

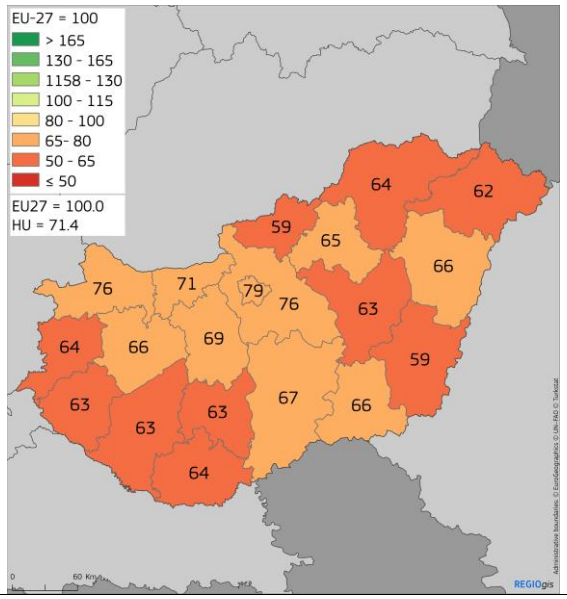
Diverging regional economic performance is aggravated by a shrinking workforce. Between 2015 and 2024, the average annual percentage decrease in the population aged 20-64 was 0.7%. It decreased by 1.4% to 1.2% in Dél-Dunántúl, Észak-Magyarország and Dél-Alföld, and only Pest showed an increase (of 0.5%). Employment rates also vary widely across regions. Three regions (Dél-Dunántúl, Észak-Alföld, and Észak-Magyarország), especially their rural areas, exhibited higher unemployment rates (around 7%), and struggle with particularly high youth unemployment (17-22.8%, EU: 14.9%). (see Annex 11).

([396])Lengyel, I. and Kotosz B. (2018). 'Felzárkózás és/vagy távolságtartó követés? A visegrádi országok térségeinek fejlődéséről'. Tér és Társadalom 32(1):5–26.

([397])Lengyel, I., Vas, Zs., (2024). 'Az Újraiparosítás Hatása a Hazai Térségek Felzárkózási Pályáira'. Közgazdasági Szemle 71(11):1176–98.

([398])Egyed I., Zsibók Zs., (2024). 'Területi különbségek a foundational economy szemszögéből a 2016 utáni Magyarországon'. Területi Statisztika 64(3):273–307.

Map A18.2: **Labour productivity (2023), Hungary (NUTS 2 regions)**



Productivity, GDP per hour worked (in PPS), EU = 100%.
Source: Commission calculations based on Joint Research Centre (JRC) data

Table A18.1:**Main development trends, challenges and the concentration of resources**

	Main development trends
Less developed regions (population 7.9 million)	According to 2021-2023 data, all but one Hungarian region(the capital) recorded a GDP per head below 75% of the EU average, with labour productivity significantly below the EU average in all regions. Nyugat- and Közép-Dunántúl, however, attracted significant foreign-direct investment, attained deeper integration in international value chains and had a greater adoption of advanced technologies. Four regions continue to be among the EU's 20 poorest regions, with significant internal disparities. Overall, some areas in less developed regions have achieved successful reindustrialisation, attracted foreign-direct investment and higher value-added services. However, their peripheral districts struggle with population loss, poor access to public services and a lower share of qualified workers.
More developed region (population 1.7 million)	Budapest is the only more developed region in Hungary, with a significantly higher R&I intensity than the other regions and a service-oriented economy. It is the centre of the largest functional urban area of Hungary (around 3 million inhabitants). The region faces specific challenges, such as insufficient coordination of public services and a lack of affordable housing.
Specific territories	Urban areas in mid-sized cities and in the capital face specific challenges, including: (i) implementing coordinated, integrated urban investments and smart solutions; (ii) improving low energy efficiency in residential housing; (iii) tackling deteriorating housing affordability; and (iv) strengthening climate resilience. Areas with more advanced manufacturing and services are more exposed to industrial automation and generative AI, respectively. Other areas centred around heavy industry and mining face more risks from the green transition, while other territories historically reliant on declining industries struggle with shrinking economic activity. Rural areas, especially in the north and south, lag behind with: (i) lower levels of investment; (ii) weaker productivity; (iii) outdated industries; (iv) limited integration into national supply chains; (v) higher shares of disadvantaged populations; (vi) poor access to public services; (vii) weak transport infrastructure; and (viii) less capacity to cope with the impact of climate change. The transition away from lignite mining and energy use as well as industrial decarbonisation have created localised socio-economic challenges and investment needs. Hungary's territorial just transition plan identifies the most affected territories.
National cohesion aspects	Although Hungary has a modern motorway network, it is heavily centred around Budapest. Rail connectivity is weak in the country and faces severe infrastructural difficulties that increase car usage. Several regions face environmental challenges with: (i) the health of natural ecosystems; (ii) regular droughts and water scarcity; (iii) the poor quality of drinking water; (iv) inadequate wastewater and waste management; and (v) poor air quality.

Source: European Commission based on Eurostat data; categories of regions based on Map A18.1

Key challenges for regional competitiveness

There are significant disparities in competitiveness across Hungary's regions. Only the capital region of Budapest scores above the EU average in the Regional Competitiveness Index 2022, while regions in southern and eastern Hungary are around 30% below it. These disparities are driven by differences in economic structure, investment in research, development and innovation and access to public services.

Harnessing the regions' competitive advantages through regional specialisation can boost long-term competitiveness. Industry already makes a significant contribution to regional GVA in the counties of Komárom-Esztergom, Fejér, Győr-Sopron-Moson, Heves and Borsod-Abaúj-Zemplén counties. Building on these strengths opens great opportunities, for example: (i) electromobility in Győr-Moson-Sopron; (ii) pharmaceutical industry and agriculture in Hajdú-Bihar); (iii) health and biotechnology industry in Csongrád; (iv) ICT in Veszprém; and (v) green technologies in Dél-Alföld, Dél-Dunántúl and Észak-Magyarország for geothermal energy.

Regional potential can only be fully untapped if these regions move towards economic activities with higher value added and advanced technologies and promote business R&D and innovation. There is also untapped potential in high value added services ([399]), especially in counties with large university centres (e.g. Debrecen, Győr, Miskolc, Pécs, Szeged) as the share of business services in GVA is low across Hungarian counties (ranging from 5-8%), except in Budapest. Cooperation among companies, universities and local government is essential for creating a favourable environment for attracting successful service industries, as already demonstrated in Debrecen and Szeged. However, these regions struggle in putting in place strategic frameworks for boosting regional competitiveness effectively, which should be based on a thorough understanding of the region's specific needs and the regional comparative advantages. Smart specialisation strategies have been a good starting point for these frameworks; however, they are currently not always developed with the right mix of stakeholders around the table.

Marked discrepancies in R&D expenditure, weak regional innovation ecosystems and a slow adoption of advanced technologies constrain the competitiveness of lagging regions. Although Budapest spends 2.2% of its GDP on R&D, Pest (0.4%), Dél-Dunántúl (0.6%), and Észak-Magyarország (0.7%) were among the bottom 20% of EU regions in 2023. Most counties (in particular Békés, Jász-Nagykun-Szolnok, Tolna, Somogy, Szabolcs-Szatmár-Bereg and Zala) face low R&D intensity, coupled with the absence of endogenous drivers, limited human capital and a fragmented SME sector ([400]) with weak links to global value chains. Apart from a few positive examples (e.g. in Győr), local innovation ecosystems are weak and there is limited cooperation between academia, industry and municipalities. Stronger collaboration could help retain young graduates, stimulate higher value added activities and innovation and facilitate the adoption of advanced technologies (see Annex 4). Southern counties and many eastern ones lag behind in the adoption of advanced Industry 4.0 technologies ([401]), exacerbating the divide in the uptake of digital technologies in the country. In line with these findings, analyses suggest that centralised, sectoral programmes have had limited success in reducing regional imbalances in economic development. By contrast, cross-sectoral collaboration and coordination at the appropriate functional territorial level could better unlock potential, boost innovation spillovers and strengthen competitiveness.

([399]) Juhász K.. (2020). 'Az SSC szektor és területi kérdései Magyarországon SSC sector and its regional issues in Hungary'. Tér-Gazdaság-Ember 8(1):77–87

([400]) Kovács, Sz., Lux, G., Páger. B., (2017.) 'A középvállalatok szerepe a feldolgozóiparban: egy magyarországi kutatás első eredményei'. Területi Statisztika 57(01):52–75.

([401]) Kiss, É., Páger., B., (2024). 'Spatial Patterns of Manufacturing Sectors and Digitalisation in Hungary in the Age of Industry 4.0'. European Planning Studies 32(3):668–93.

Table A18.2:**Key regional indicators (at NUTS 2 level) for Hungary**

	GDP per head (PPS, index)	Net migration	Real GDP growth	Population aged 25-34 with high educational attainment	Human resources in science and technology (core)	Employment rate 20-64	Unemployment rate	At-risk-of-poverty or social exclusion rate (AROPE)	Energy poverty
	EU27=100	Average annual change per 1000 residents	Average annual % change	% of population aged 25-34	% of total employment	% of population aged 20-64	% of labour force	% of population	% of total population
	2024	2015-2024	2014-2024	2025	2025	2025	2025	2025	2025
EU	100	3.5	1.6	44.8	49.9	76.1	6.0	21.0	9.2
Hungary	76	2.4	2.7	32.6	43.8	81.1	4.4	19.5	5.7
Budapest	168	0.6	3.2	62.0	71.0	84.3	3.2	10.7	4.1
Pest	64	11.1	4.2	33.0	47.9	83.6	3.0	16.0	2.5
Közép-Dunántúl	66	3.7	2.5	23.2	35.3	83.1	3.1	10.8	1.4
Nyugat-Dunántúl	66	4.6	0.9	21.0	36.5	82.2	3.1	12.0	3.0
Dél-Dunántúl	50	-0.6	2.1	22.0	34.1	77.3	6.4	25.4	6.7
Észak-Magyarország	47	-3.1	2.1	20.9	32.7	75.8	7.0	30.5	12.7
Észak-Alföld	50	-2.5	2.6	26.0	34.7	78.2	6.1	28.4	9.4
Dél-Alföld	52	-0.5	2.1	23.3	36.6	81.3	4.8	25.1	6.8

Dark green – the indicator is at least 120% o of the EU average.
Light green – the indicator is at least 100% but less than 120% of the EU average.
Yellow – the indicator is at least 90% but less than 100% of the EU average.
Light red – the indicator is at least 75% but less than 90% of the EU average.
Dark red – the indicator is less than 75% of the EU average.
This colour scale applies to 'positive' indicators where higher values are favourable.
For 'negative' indicators (where higher values are unfavourable), the colours are reversed.
Source: Eurostat and JRC

The level of human capital varies considerably across the Hungarian regions, which is a major obstacle to achieving growth, particularly in higher added-value activities. The combined share of employment in knowledge-intensive and high-technology sectors in 2024 was just below the EU average (44% vs 47%). The EU average was only surpassed in Budapest and Pest (66% and 48%), and this indicator remained below 40% in all other regions. In 2024, in the capital region, the share of the population aged 25-64 with tertiary education was 59%, considerably above the EU average of 36%. By contrast, all other Hungarian regions lagged behind, with Dél-Dunántúl (22%), Észak-Magyarország (21%) and Észak-Alföld (22%) recording the lowest shares. This gap has been caused by a decline in the number of students in higher education since 2006, which has been most pronounced in smaller, rural institutions and less developed counties. Seven counties (Békés, Jász-Nagykun-Szolnok, Komárom-Esztergom, Nógrád, Tolna, Vas, Zala,) no longer have higher education institution headquarters, making it much harder for local businesses and institutions to access a qualified labour supply.

The educational performance of students also reflects territorial disparities. The educational performance gap among students in Hungary's most and least developed districts (*járás*) increases in higher school grades. In addition, there is a marked difference between urban and rural areas in the performance of students across different subjects (PISA, 2022). This reflects underlying problems, such as stagnating public spending on education, socio-economic and ethnic segregation, and an ageing teaching workforce ([402]), which is especially acute in rural areas and peripheral regions (see Annex 13). As a result, students in peripheral areas are less likely to receive the preparation required to enter higher education: in 2024, the ratio of students enrolled in university-preparatory upper secondary schools was significantly lower than the national average in several counties in less developed regions (in particular in Csongrád-Csanád, Jász-Nagykun-Szolnok, Nógrád, Somogy,

([402])Hajdu, T. et al, (2024): A Közoktatás Indikátorrendszere 2023. Budapest: HUN-REN Közgazdaság- és Regionális Tudományi Kutatóközpont.

Tolna) ([403]). In addition, the centralisation of school management has failed to reduce territorial and social inequalities ([404]).

The declining population (Map A18.3**) and ageing are the two most pressing demographic challenges**, **which exhibit strong regional variations, threatening the competitiveness of local economies**. Except for Pest, the population declined in all Hungarian regions between 2015 and 2024, resulting in an overall national decrease, in contrast to growth in the EU average. Észak-Magyarország and Dél-Dunántúl experienced particularly steep declines, with the most severe population losses observed in peripheral and rural areas.

Access to high-quality local public services is critical to retaining population and sustaining local competitiveness, while smart solutions have a clear potential to improve their quality and efficiency. Although Nyugat-Dunántúl has a relatively favourable level of services, the eastern and southern regions face weaker infrastructural conditions and poorer access to key public services, such as childcare, education, health and social services (see Annex 12). These regions are among the most heavily affected by demographic decline and are among the least competitive in the country. This is in line with research demonstrating the central role of public services in retaining population and boosting economic performance ([405]). On access to healthcare (see Annex 15), rural areas in Pest, Dél-Dunántúl, Észak-Magyarország, Észak-Alföld, and Dél-Alföld feature among the bottom 20% of EU regions. The situation is considerably worse than that of similar areas in the EU, especially the access to and the supply of healthcare professionals ([406]). Data-driven smart solutions can improve the quality and responsiveness of local public services and administration and enable more effective management of resources. However, their adoption is currently hindered by limited local data, technical know-how and leadership commitment. Smart city goals are rarely reflected in urban development strategies**,** and most settlements focus on basic infrastructure improvements ([407]).

Despite good territorial coverage of public transport, major infrastructural bottlenecks persist, hindering access to local public services in areas outside large cities. The centralisation of Hungary's transport networks around Budapest exacerbates existing disparities. While investments in the highway network have improved connectivity to EU markets, they primarily benefit developed urban centres and suburban areas nearby ([408]). Rail connectivity, as measured by the population that can be reached within 90 minutes by rail, is low in Hungary (12.1%) compared with the EU average (16%), particularly in Dél-Dunántúl (2.9%) and Észak-Magyarország (3.3%). In particular, the railway system faces severe difficulties, including the lack of double-track capacity on primary lines, and recent rail closures, which have resulted in higher travel costs and a further isolation of peripheral areas. Rail closures have had clear negative effects in several regions; a recent example is the closure of line 106, connecting Debrecen to the Romanian border.

Restructuring of transport networks has often failed to take account of the needs of disadvantaged regions ([409]), deepening peripherality and leading to a development trap. Poor service frequency, uncoordinated traffic management systems and inefficient bus route networks aggravate regional infrastructural problems. Hungary's underdeveloped secondary and tertiary road network also limits access to

([403])Participants in public education and vocational education, (Central Statistical Office, www.ksh.hu).

([404])Velkey G., (2020). 'Az oktatási rendszer változásainak hatása az elmaradott vidéki térségekben élő fiatalok iskoláztatási és foglalkoztatási esélyeire'. Tér és Társadalom 34(4):122–42.

([405])Horeczki R., Póla P., (2023). 'Fejlesztési lehetőségek a periférián egy Baranya megyei felmérés tükrében'. Tér és Társadalom 37(3):77–97.

([406])Pál, V., et al. (2022): Az Egészségügyi Dolgozók Területi Eloszlása Magyarországon: Mintázatok, Okok És Különböző Narratívák'. Tér-Gazdaság-Ember 10(2):9–31.

([407])Varró, K., Szalai, Á., 2022. 'Discourses and Practices of the Smart City in Central Eastern Europe: Insights from Hungary's "Big" Cities'. Urban Research & Practice 15(5):699–723.

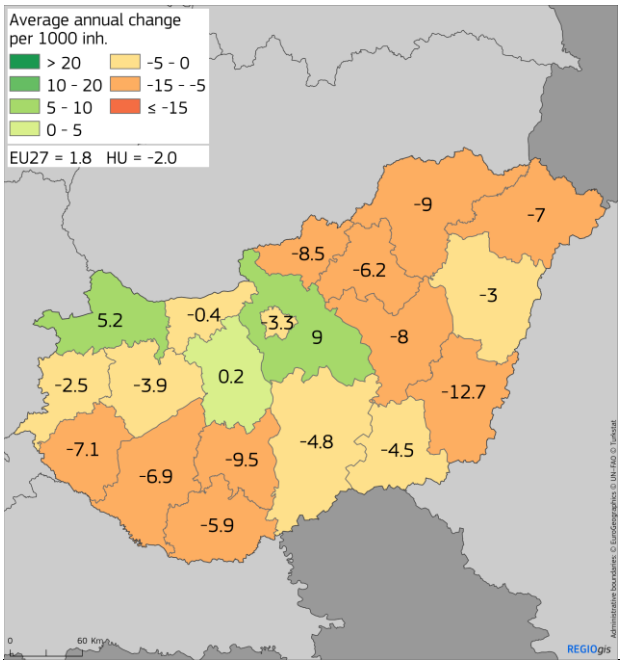
([408])Egri Z., Kőszegi I., (2020). 'A közúti elérhetőség szerepe a kelet-magyarországi gazdasági teljesítményben és gazdaságfejlesztésben'. Területi Statisztika 60(6):653–87.

([409])Lieszkovszky, J. P., Hardi, T., & Ács, B. (2021). A vidéki térségek közforgalmú közlekedési hálózatának fejlődése Magyarországon a kezdetektől a XXI. század elejéig. Tér és Társadalom, 35(2), 89–109.

public services ([410]) and has contributed to the emergence of peripheral areas. In addition, the share of car use increased from 35.3% in 2011 to 46.4% in 2022, while public transport and bicycle transport decreased ([411]), in particular in peripheral areas. While the number of passengers in local public transport increased following its significant drop during the COVID-19 pandemic, it remains below pre-pandemic levels.

Local governments face extremely tight financial constraints and shrinking fiscal autonomy ([412]), especially in the least developed regions. Since 2015, their own operating revenues have fallen sharply and, although partly offset by operating state subsidies, 71% ran an operating deficit at least one year between 2020 and 2023. Given that local business tax is the primary source of revenue for municipalities in Hungary, those with a significant economic base fare better, while others rely on unpredictable state transfers, especially those in the least developed regions and areas where poverty and social segregation is concentrated. This uneven financing architecture shapes the quality of public services at local level and incentivises short-term investments. This is aggravated by fragmented cross-sectoral territorial cooperation across municipal boundaries, despite its potential to enable a more efficient use of resources.

Map A18.3: **Average annual population change at NUTS 3 level (2015-2024)**



Source: Eurostat and JRC

Housing prices have significantly increased over the past 10 years, especially in cities and urban agglomeration areas, while eastern regions suffer from substandard housing. Between 2015 and 2025, the price index for new and used apartments has grown by 267%. The overall price increase has been driven by government incentives stimulating demand, interregional migration patterns, limited supply of housing, constraints in public transport and resource constraints in the construction industry, which have also driven up already rising construction costs, with additional local factors—such as rising foreign demand—further contributing in specific areas.". As a result, affordability has deteriorated (Map A18.4), especially in more economically affluent urban and agglomeration areas (Budapest, Pest, Nyugat-Dunántúl). This is reflected in the increasing price-to-income ratio, with Budapest scoring 14.5, broadly in line with other regional capitals, while most eastern regions are just below 7 (2024). Affordable housing is of poor quality and overcrowded, especially in rural areas. The highest proportion of substandard housing can be found in Észak-Magyarország and Észak-Alföld, contributing to further spatial and social polarisation in housing. Energy poverty in these regions exacerbates the problem of affordable housing: 10-21% of Hungarian households (roughly 380 000 to 800 000 households) are

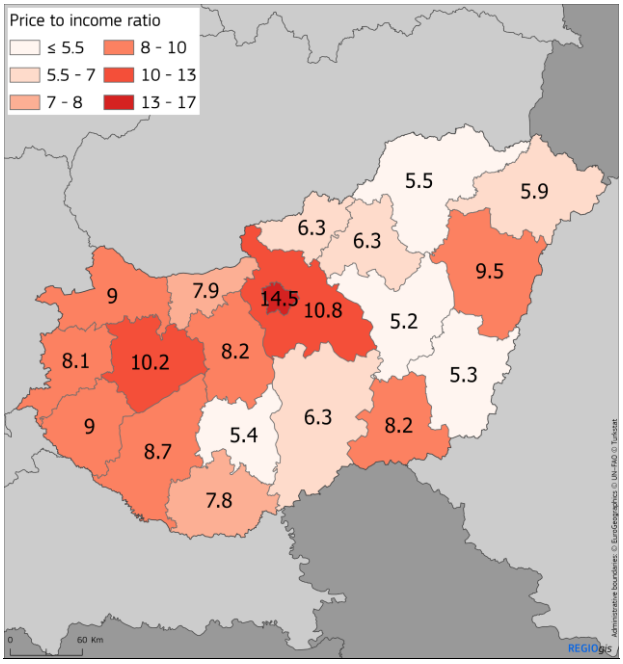
([410])OECD (2019), OECD Economic Surveys: Hungary 2019, OECD Publishing, Paris.

([411])Központi Statisztikai Hivatal (Central Statistical Office) 2022.

([412])Bogdán G. et al, 2025: 'Az önkormányzatok működési költségvetési mozgástere és forrásszerkezeti mobilitása a feladatfinanszírozás rendszerében'. Comitatus: Önkormányzati Szemle 35(253):17–36.

energy poor and concentrated in peripheral areas. Solid fuels are the primary heating sources in many of these households, contributing to $PM_{2.5}$ concentrations above the EU average, harming life quality and health expectancy (see Annex 8).

Map A18.4: **House purchase capacity relative to income (2024)**



Source: ESPON-H4ALL

Climate vulnerability is highly uneven across regions in Hungary. Spatial inequalities in climate vulnerability reinforce existing socio-economic disparities as peripheral settlements face greater risks in their capacity to adapt to climate change ([413]). The Great Plain is highly exposed, with high sensitivity and low adaptive capacity. Northern Hungary also suffers from high sensitivity (an ageing population, poor soils) and weak adaptive capacity, while the least vulnerable areas are found in Nyugat-Dunántúl. Increasingly frequent heat stress in urban areas, aggravated by dense built-up areas and the lack of vegetation, also pose a growing public health risk in the southern regions. Consequently, the economic impact of climate risk (Map A18.5) varies across Hungarian regions. Model estimates indicate that by 2050, 16% of the population will live in more vulnerable territories, facing GDP losses of 2-5%, with a further 48% living in regions with losses ranging from 1-2%. Csongrád-Csanád, Jász-Nagykun-Szolnok and Győr-Moson-Sopron are expected to be the hardest hit, with losses of over 2.5% of GDP. By contrast, counties in north-eastern Hungary are expected to face lower losses, with the main impacts stemming from spillover effects on labour productivity.

As the impacts of climate change are mainly water-related in many regions, water management has become crucial for climate resilience. The Great Plain is particularly exposed to future droughts, with estimated annual damages of EUR 110 million ([414]). This area is experiencing decreasing groundwater levels resulting from low levels of water retention and significant illegal water extraction, especially in Homokhátság and Nyírség. This results in increasing aridity and deteriorating natural resources and habitats, exacerbated by fragmented land ownership. However, water management lacks a territorially integrated, cross-sectoral approach as responsibilities are spread across various sectoral and territorial frameworks. Hungarian territorial development policy continues to align water management targets with separate administrative areas rather than functional territorial hydrological regions ([415]).

Several regions have untapped potential for renewable energy production, and green technology has the potential to drive growth in these areas. Although Hungary is outperforming the EU average in solar energy production (see Annex 9), it still falls far short of the country's total technical potential, especially in rural areas. Municipalities in Észak-Alföld, Dél-Alföld and Dél-Dunántúl have high untapped potential for solar energy production, but this is constrained by grid capacity limits and insufficient digitalisation. Other regions have potential for onshore wind energy, particularly Nyugat-Dunántúl.

Several Hungarian regions are rich in geothermal resources that are not used to

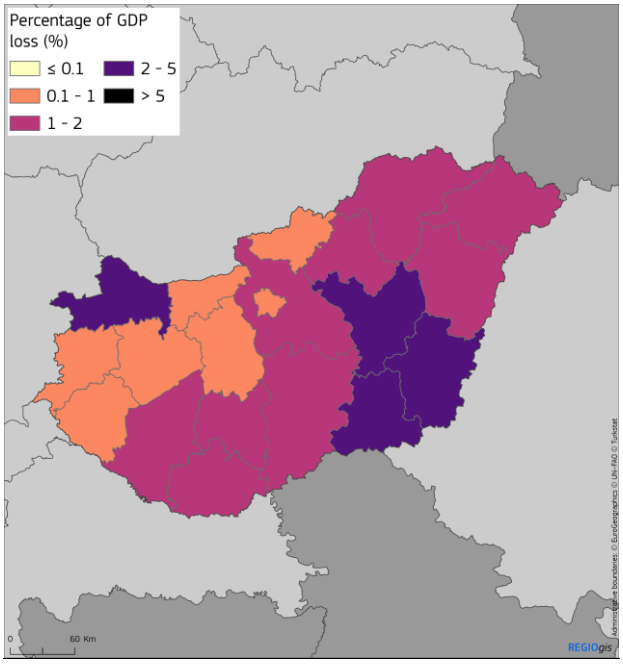
([413])Lennert J. et al., (2024). 'A magyarországi klímasérülékenység területi különbségei'. Tér és Társadalom 38(2):103–29.

([414])OECD (2023), 'Promoting nature-based solutions in municipalities in Hungary', OECD Environment Policy Papers, No. 39, OECD Publishing, Paris.

([415])Szabó, P. & Jozsa, V., Gordos, T., (2021). Cohesion policy challenges and discovery in 2021-2027. The case of Hungary. DETUROPE - The Central European Journal of Tourism and Regional Development. 13. 66-100.

their full potential due to high initial investment costs and the lack of corresponding investment resources as well as to long-standing legal constraints. With the exception of Közép-Dunántúl, all regions contain areas with distinct potential for geothermal energy production and related activities, which is a strategic opportunity.

Map A18.5: **Economic impact of climate change (2024)**



Source: European Commission and JRC

This Transport Annex presents the state of play and the challenges Hungary faces with the implementation of the trans-European transport network (TEN-T), the European Railway Traffic Management System (ERTMS), and road safety.

Five European transport corridors cross Hungary (Baltic Sea – Adriatic Sea, Baltic Sea – Black Sea – Aegean Sea, Mediterranean, Rhine – Danube, and Western Balkans – Eastern Mediterranean). The Hungarian TEN-T rail network is 3 669 km long (1 652 of which are on the core network). The road network is 2 706 km long (1 102 of which on the core network). Hungary has 405 km of inland waterways, three airports (including one core airport), eight ports (including two core ports) and nine urban nodes on TEN-T ([416]).

Rail infrastructure in Hungary has improved over the last two decades but the country lags behind in terms of rail network quality. Significant investments are needed on the core and extended core network to ensure compliance with TEN-T requirements.

On this issue, the Budapest node is currently a significant bottleneck for rail. The Hegyeshalom-Csorna-Porpác-Szombathely-Zalaszentiván line does not meet TEN-T requirements. This project, together with the modernisation of the Zalaszentiván-Nagykanizsa line for electrification and increased speed, will improve a vital north-south freight connection in western Hungary. The connection to the Adriatic ports on the east-west axis will be improved via a project encompassing modernisation of the Székesfehérvár-Lepsény line, including increases in axle load and speed. Moreover, harmonising technical and operational rules with the minimisation of national rules in line with the EU directives on rail interoperability and safety remains critical to ensuring seamless cross-border rail transport.

Implementing the ERTMS is essential to work to digitalise the railways and to modernise and harmonise railway operations across Europe. The ERTMS ensures the safety of rail networks by providing a unified signalling system that significantly reduces the risk of accidents. It also provides interoperability between national rail systems, improving cross-border train movements. Finally, the ERTMS enhances network capacity and operational efficiency, increasing the competitiveness of the rail sector.

By end of 2024 ([417]) **the ERTMS was in operation on 16% of Hungary's TEN-T rail network.** To meet its national plan's ERTMS roll-out target by 2035, Hungary aims to deploy it on an additional length of 528 km.

Infrastructure projects in Hungary have experienced delays due to the longer-than-expected preparation of procurement documentation as well as complaints and appeals submitted by the unsuccessful bidders. In some cases, public procurements had to be cancelled and repeated, since no bids were submitted or they exceeded the available budget. Issues related to public procurement and contract management have been detected. There have been cost overruns due to bids substantially exceeding cost estimates, which is in turn linked to a scarcity of construction material and workforce. One of the main rail infrastructure investments has been subject to appeals and successive cancellations of the environmental permits issued for this project.

The Hungarian National Safety Authority has to deal with difficult operating conditions. It still faces challenges related to organisation and leadership, the development of skills management, the regularity and effectiveness of supervision, and the proper functioning of vehicle authorisation.

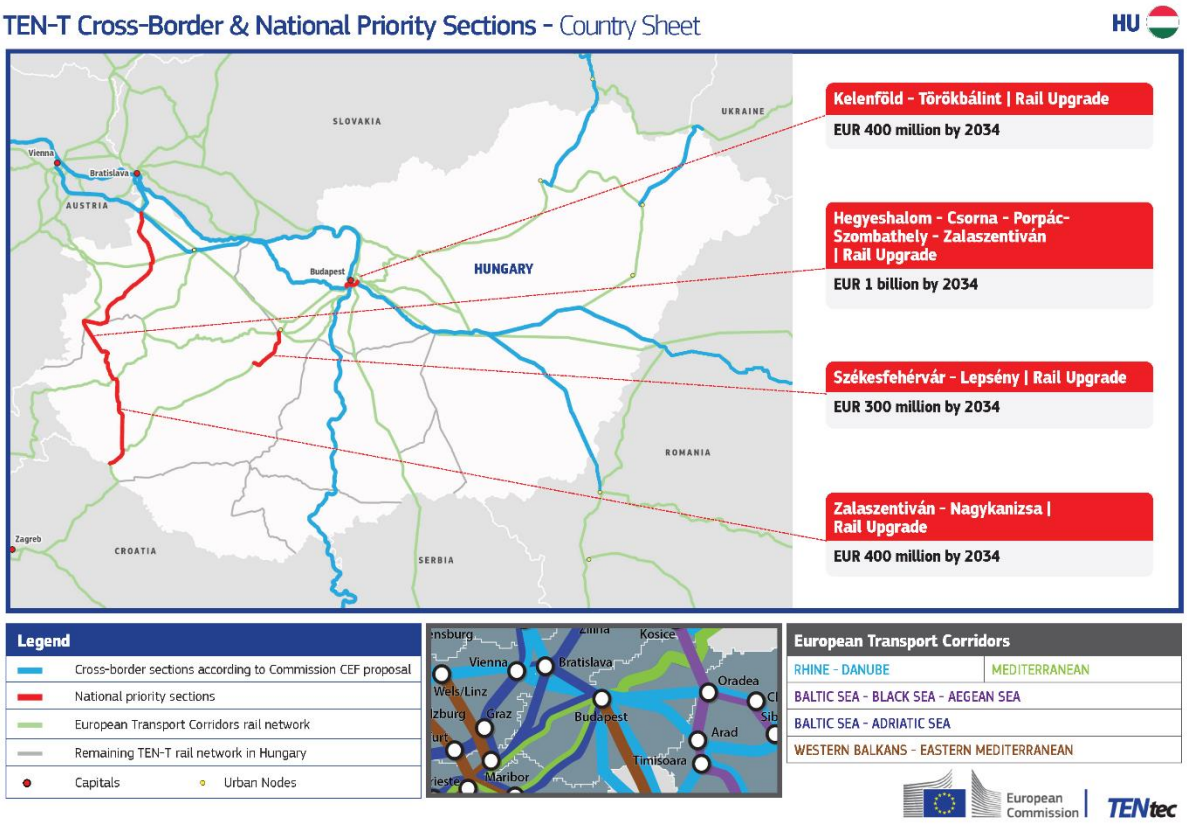
([416])TENtec Information System, according to Reg. 2024/1679.

([417])Based on ERTMS – Third work plan of the European coordinator Matthias Ruete.

Table A19.1:**ERTMS deployment in Hungary.**

ERTMS in Hungary				
TEN-T rail network	ERTMS (trackside) in operation			Min. estimated cost of additional deployment until 2035
	year	length	% of total TEN-T	
3667 km	end 2024	597 km	16 %	
	by 2035	1 125 km	31 %	EUR 127 million

Map A19.1: **TEN-T Cross-Border & National Priority Sections in Hungary.**



Road crashes impose an enormous social, economic and health burden on the EU economy. The external socio-economic costs of fatal, serious and minor injuries have remained persistently high despite the progress made in reducing crash frequency and severity. These resources could otherwise fuel innovation, education, healthcare and other crucial public investments ([418]).

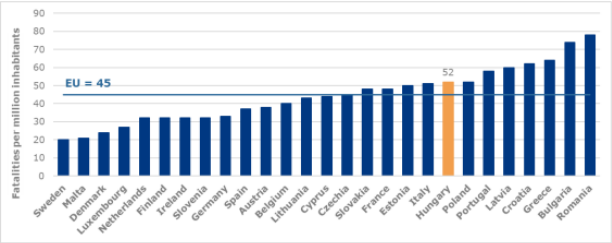
In 2024, Hungary, with 52 fatalities per million population was above the EU average of 45 per million. Compared with the EU average, the distribution of fatalities in Hungary shows a high proportion of fatalities aged between 25 and 49 and of cyclists within urban areas. The proportion of fatalities on roads outside urban areas and on motorways was also relatively high. The highest proportion of serious injuries was recorded within urban areas, with the figures for seriously injured powered-two-wheeler riders and cyclists being relatively high.

Based on the latest available data, Hungary has made reasonable progress but needs to

([418])Report on the implementation of the EU Road Safety Policy framework at the Mid-Point, COM(2026) 77 final.

do more to be on track towards meeting the 2030 target of halving the numbers of road fatalities. Additional efforts are needed to improve progress on serious injuries, which could be addressed either by prioritising the relevant policies or by exploring other relevant activities with an emphasis on crashes within urban areas, vulnerable road users and post-crash care ([419]).

Graph A19.1: **Hungary's road fatalities per million, 2024**



Source: Report at the Mid-Point – Hungary, SWD(2026) 45 final.

([419]) More details in Report on the implementation of the EU Road Safety Policy framework at the Mid-Point – Hungary, SWD(2026) 45 final.