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- Macroeconomic outlook
- Employment
- International trends

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CONTENT

01

MACROECONOMIC OUTLOOK

2025. JULY

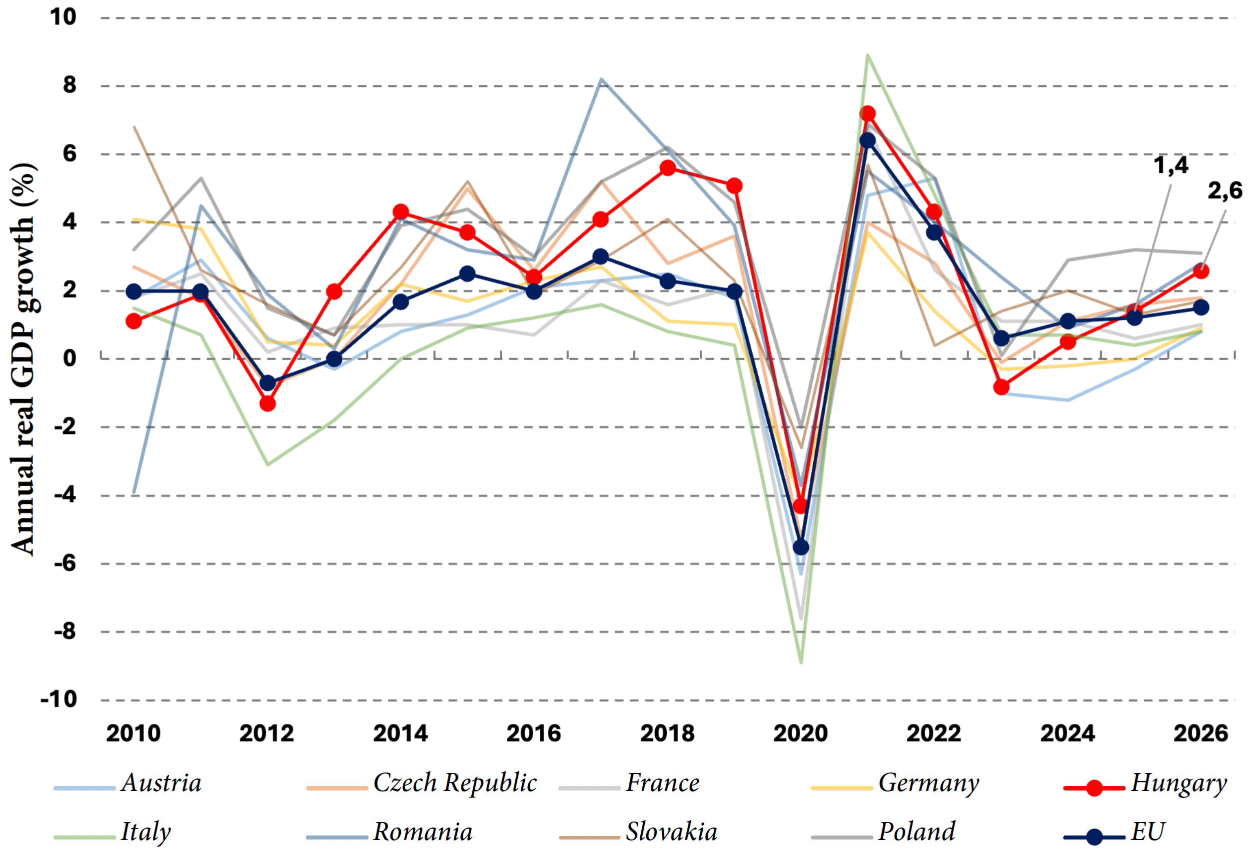
Domestic GDP growth in 2024 only

0,5%

In 2024, the EU economy grew moderately (1.1%), while Hungary expanded by only 0.5%, the lowest among the V4, mainly due to the German economic slowdown, the freezing of EU funds and high inflation. Although inflation in Hungary has fallen dramatically from 17.1% in 2023 to 3.7%, the IMF forecasts that it could temporarily rise again in 2025, while economic uncertainty in Germany has jumped to record highs.

Amid geopolitical uncertainties, trade wars and increasing sustainability pressures, EU27 real GDP growth was 1.1% in 2024, 0.5% percentage point higher than the year before. Hungary's real GDP growth was only 0.5% in 2024, driven mainly by consumption growth and the performance of the services sector. This was the lowest among the V4 countries, mainly due to the prolonged German deflation, lower investment due to the blocking of EU funds and relatively high inflation. Against this, forecasts point to an improving trend in the coming years. According to the International Monetary Fund (IMF) projections for 2025 and 2026, real GDP growth in the EU could reach 1.5% in 2026 and 2.6% in Hungary. However, Germany's deteriorating economic performance could be a cause for concern as Hungary is its leading economic partner. This is illustrated by the Economic Policy Uncertainty Index (EPUI), a measure of economic uncertainty about global and regional policies, which is based on a quantification of newspaper reports on policy-related economic uncertainty. Although the index is not calculated for Hungary, it shows that for Germany, while the index stood at 210 points in January 2021, it had risen to over 1300 points by April 2025. This significant rise could have implications for GDP figures for Hungary in the future.

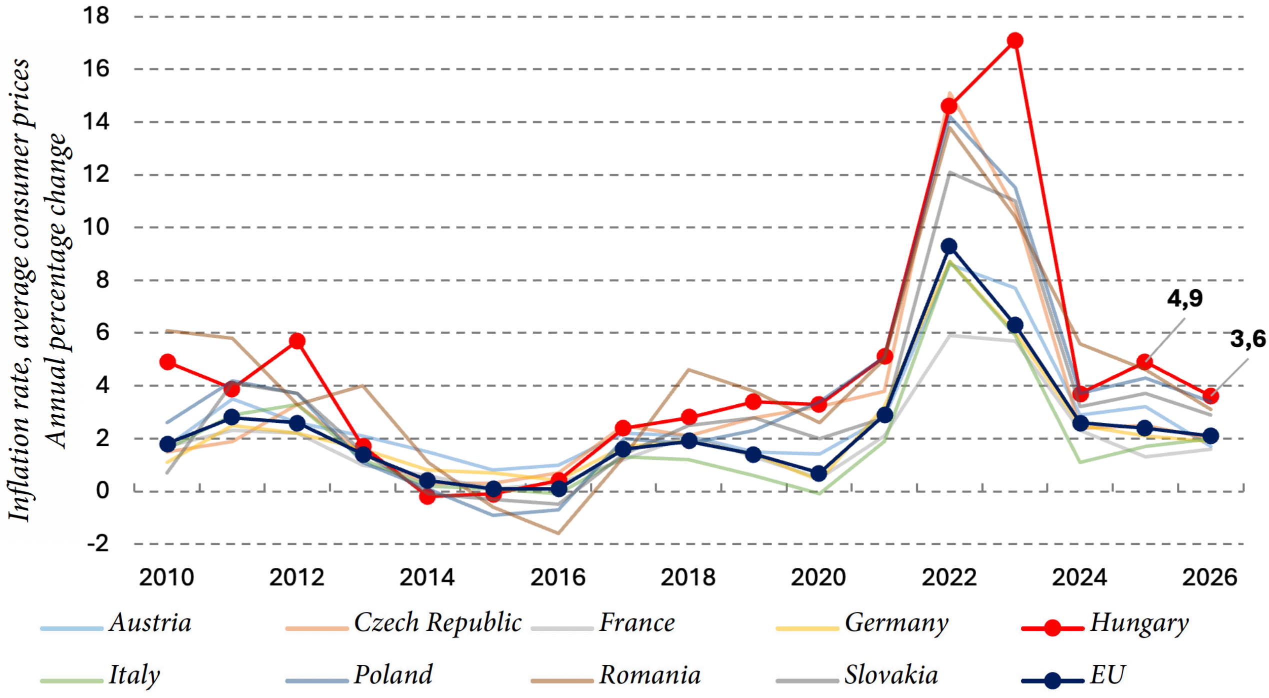
> In 2024, Hungary's GDP grew by just 0.5%, the lowest among the V4.



Adding to the uncertainty of the macroeconomic environment, there are also persistent tensions in global trade relations and energy markets, which may indirectly dampen investment and external trade. Although inflation has eased in most EU Member States, interest rates remain high, limiting borrowing and the pace of economic recovery. The future growth path of the Hungarian economy will therefore depend to a large extent on whether the German economy recovers from the current weakness and on stabilising inflows of EU funds and boosting domestic investment activity. The improving GDP data expected by the IMF therefore bode well for the outlook, but external risks, in particular German economic uncertainty, could remain a major constraint.

Fig. 1
GDP growth rates in the EU and individual Member States

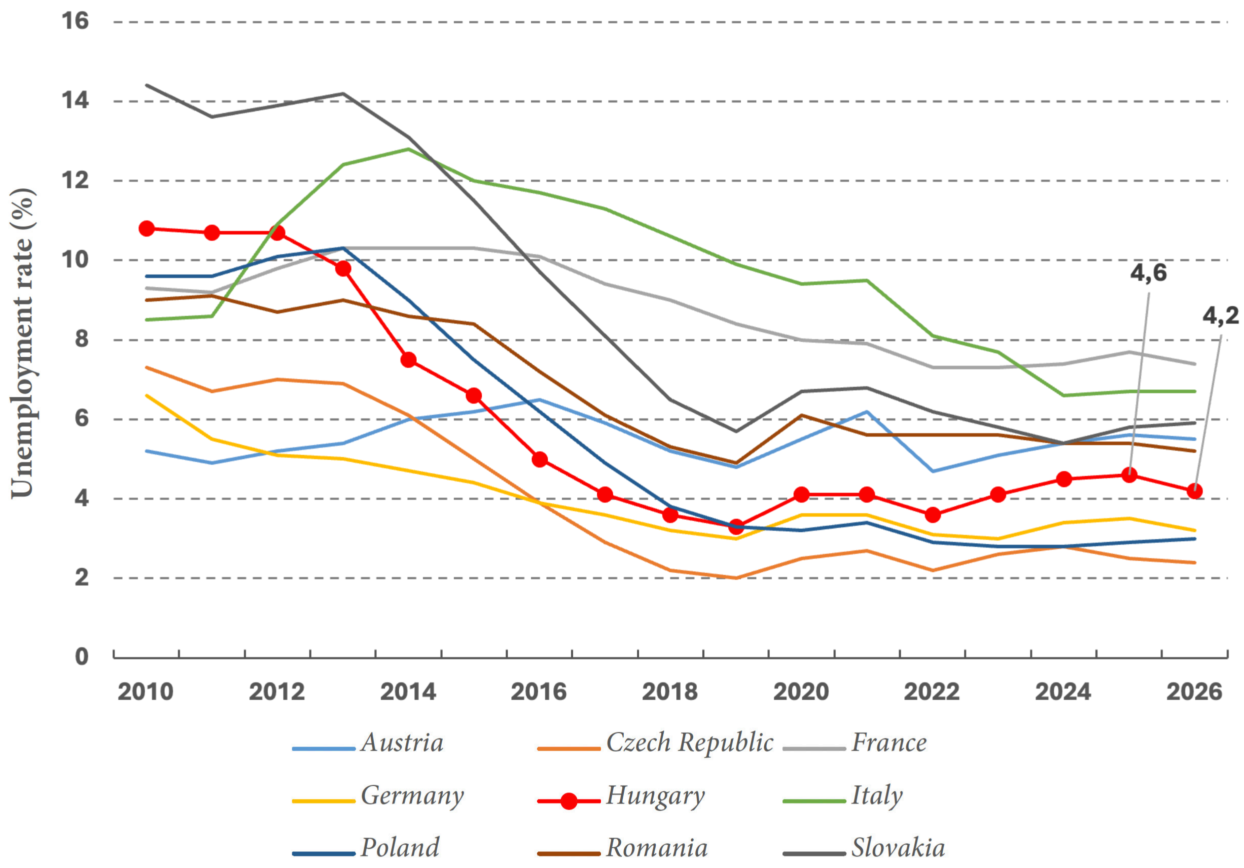
Source: GVI 2025



Average consumer price inflation was 2.6% in the EU in 2024, compared with 3.7% in Hungary. In the latter case, this is significantly lower than the 17.1% inflation rate in the previous year, which was an outlier even in a period of economic and political instability. The IMF forecasts that Hungary's inflation rate could rise again in 2025 (to 4.9%) and then fall to 3.6% in 2026. The EU inflation rate could fall slowly to 2.1% in 2026. Inflation rates have also fallen significantly in recent years. After 2019, all Member States' markets have been significantly affected, in particular by the coronavirus epidemic, the Russian-Ukrainian war and the resulting economic changes, especially in the energy market. Although inflation rates fell significantly in all member countries in 2024 and 2025, they normalised at a higher level than the 2% target generally targeted.

Fig. 2
Inflation rate developments in the EU and individual Member States

Source: GVI 2025



Unemployment rates have developed favourably in some EU countries. Of the Member States analysed, France had the highest unemployment rate in 2024, exceeding 7%, and is not expected to see a significant decrease in the coming years. The lowest was in the Czech Republic, with an unemployment rate of 2.8% in 2024. For Hungary, the unemployment rate was 4.5% in 2024, and the IMF projects a difference of only a few percentage points over the next two years. In the case of unemployment rates, it is worth adding that the existence of wage inequalities at EU level is still a major problem, as is the uneven distribution of labour value added at regional level. One of the priorities for the European Union is to reduce youth unemployment, which is a major problem in some Member States. It is also worth adding that unemployment rates do not provide critical information on the match between a worker's qualifications and the job or the value added production potential of the occupation (Figure 3).

Fig. 3
Trends in unemployment rates in EU Member States

Source: GVI 2025

02

EMPLOYMENT

2025. JULY

35%

of domestic companies employed part-time staff

In the EU, 17-18% of 15-64 year olds work part-time, while in Hungary the rate is only 5%, one of the lowest in the EU. According to the 2025 survey, 34.8% of domestic enterprises employ part-time workers, mainly in Central Hungary and in the accommodation and financial services sector. The share of part-time employment increased moderately after 2017, then stabilised at around one third, and was typically more prevalent among larger and foreign-owned companies.

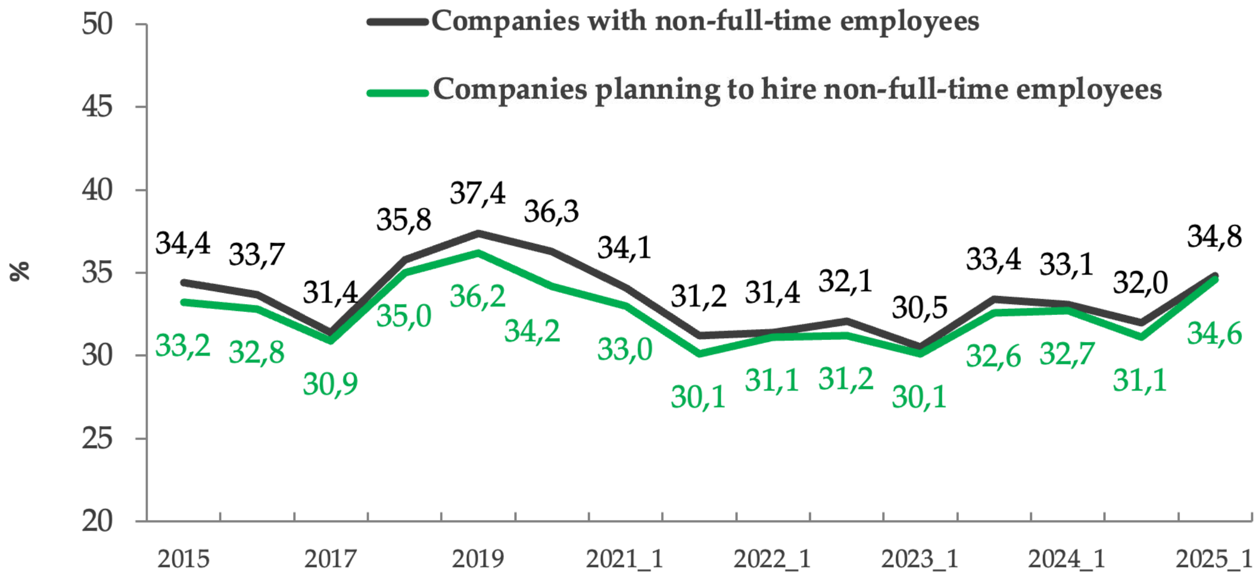


Fig. 4
Evolution over time of indicators describing non-full employment

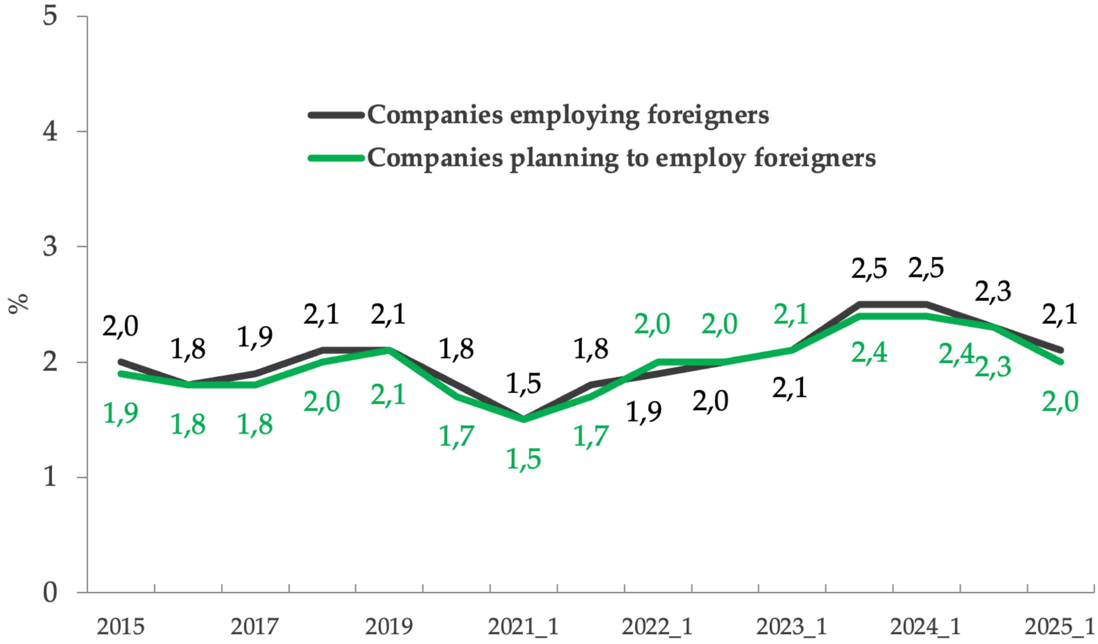
Source: GVI 2025

Note: The values in the graph show the percentage of enterprises that employed part-time employees in each year. Firms responded from 2015 onwards for 1 September, while data for 2021_1, 2022_1, 2023_1 and 2024_1 are for 1 March. Percentages are weighted according to the distribution of registered enterprises by region, size category and sector.

According to Eurostat data, on average 17-18% of workers in the EU aged 15-64 are employed part-time, a figure that has not changed significantly over the last decade. In Hungary, this share was only 5%, with only the Czech Republic (5%), Slovakia (3%) and Bulgaria (2%) behind in the ranking. In some Member States, such as the Netherlands, the share of part-time employment was already 38% in 2010 for social and family policy reasons, compared to 42% a decade later. After 2012, the share of part-time employment started to decline and typically ranged between 4.0% and 4.2%, except in the years of the currency crisis (2020, 2021), when it temporarily increased to 4.6%.

Based on the results of the first half of the 2025 Forecast survey, 34.8% of the surveyed firms employed non-full-time employees, which was mainly dominated in Central Hungary (38%), and in accommodation services (55%) and financial intermediation (40%). By size category, part-time employment increased with enterprise size. By type of ownership, more than half (52%) of foreign (partly) owned enterprises had part-time employment. The share of enterprises with part-time employees showed a moderate increase after 2017, rising from 31% to 37%. However, thereafter it slowly declined and remained stable at around one third (Figure 4). There are significant regional differences in the share of enterprises planning to employ part-time workers. While in the counties of Veszprém, Hajdú-Bihar, Somogy and Vas the share of enterprises planning to employ part-time workers ranged between 10-20%, the share was over 40% in the counties of Pest, Bács-Kiskun, Nógrád, Csongrád-Csanád and Heves and close to 50% in Zala.

The share of employment of foreigners in Hungary was only 0.9% in 2024, which was considered low in the EU (9.6%). Only Slovakia (0.5%), Romania (0.3%) and Bulgaria (0.2%) reported lower values. While the share in the EU as a whole increased by almost one and a half times between 2010



and 2024, it remained practically stagnant in Hungary. In the EU, the recruitment of foreign workers accelerated after 2010, partly due to migration processes and the opening of labour markets in older Member States to workers from Central and Eastern European countries. Even though the crown crisis temporarily curbed the growth of the indicator, the rate rose steeper than before after 2022. According to the March 2025 Forecast Survey, the share of firms employing foreign workers nationally was 2.1% and 2.0% of firms in March 2025 planned to employ foreigners in the coming year. This rate was higher in the Central Hungary region (2.5%) and only (1.2%) in the Eastern part of the country. Among enterprises that were partly or wholly foreign-owned, the share of foreign employees was particularly high at close to 12%. The employment of foreign workers was also closely correlated with the increase in the size of the enterprise: while only 0.1% of enterprises with fewer than 10 employees employed foreign workers, the share rose to 24% for enterprises with 50-249 employees and to 47% for enterprises with more than 250 employees. In industry, the share of firms employing foreign workers was more than double the national average (5.3%), but the share was also higher than the national average in transport and storage (3.1%) and accommodation services (2.3%). 2.0% of enterprises planned to employ foreigners in March 2025 (Figure 5).

At county level, Komárom-Esztergom and Budapest were the counties with the highest rates of foreign employment (3.8% and 3.4% respectively), but the lowest rates were found in Szabolcs-Szatmár-Bereg (0.7%) and Vas, Borsod-Abaúj-Zemplén, Békés and Tolna (all below 1%).

Fig. 5
Evolution over time of indicators describing employment of foreigners

Source: GVI 2025

Note: The values in the graph show the percentage of companies that employed foreign workers in each year. Firms responded from 2015 onwards for 1 September, while data for 2021_1, 2022_1, 2023_1 and 2024_1 are for 1 March. Percentages are weighted according to the distribution of registered enterprises by region, size category and sector.

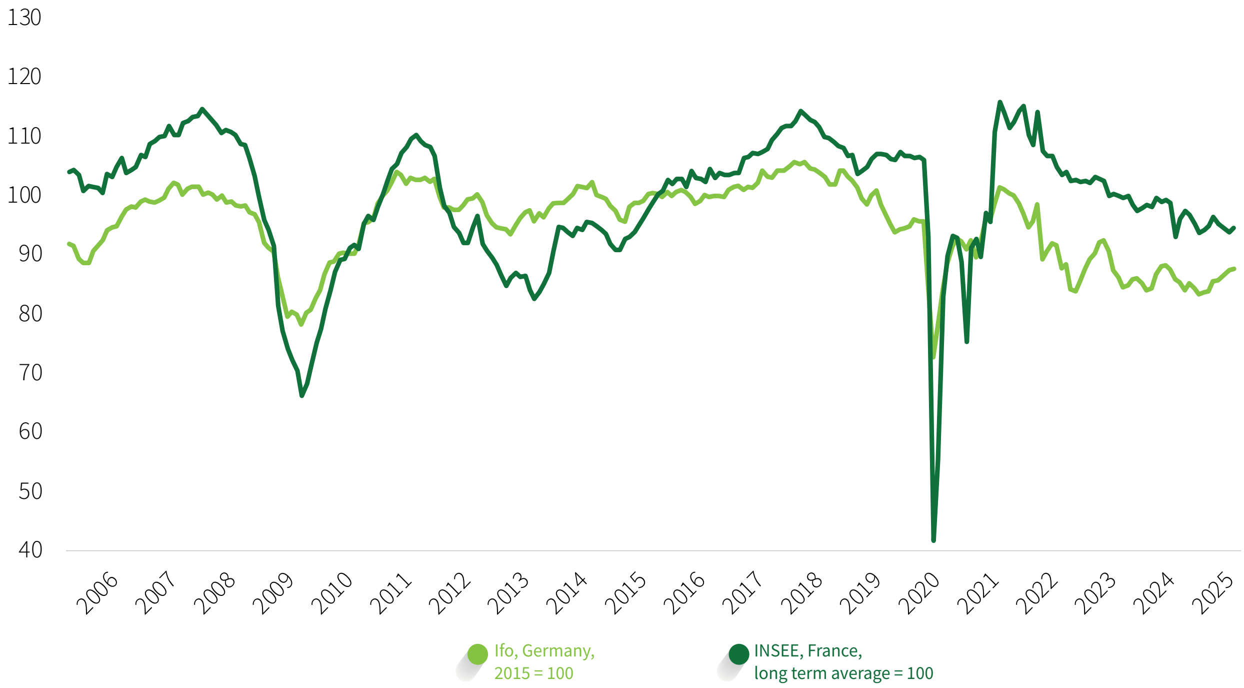
03

INTERNATIONAL TRENDS

2025. JULY

		Actual data	Expectations	Previous period
Germany	Unemployment Rate	**6,3%**	6,5%	6,2%
	Manufacturing Purchasing Managers Index	**49,1**	50	49
	IFO Business Climate Index[1]	**88,6**	89	88,4
France	INSEE Business Climate Index[2]	**96**	96	95,6
EU	Economic Sentiment Indicator (ESI)[3]	**95,3**		94
USA	Unemployment Rate	**4,2%**	4,3%	4,1%
	CB Consumer Confidence Index	**97,2**	95,9	93
	Manufacturing Purchasing Managers Index	**48**	49	49
China	Manufacturing Purchasing Managers Index	**49,3**	50	49,7

[1] https://www.ifo.de/en/survey/ifo-business-climate-index-germany
[2] https://www.insee.fr/en/statistiques?debut=0&theme=30&conjoncture=23
[3] https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/business-and-consumer-surveys/latest-business-and-consumer-surveys_en
Source of more data: https://www.bloomberg.com/markets/economic-calendar
*Retrospective adjustment



In July 2025, German economic indicators showed a mixed picture. The unemployment rate remained stagnant at 6.3%, but forecasts for August suggest a slight increase to around 6.5%. The manufacturing Purchasing Managers' Index (PMI) improved to 49.1 points, still in contraction territory, but expected to be near the 50 mark, indicating expansion, by August. The IFO Business Confidence Index stood at 88.6 points, a slight improvement from June, and is forecast by the market to rise to 89 points in August. In France, the INSEE Business Confidence Index remained at 96 points in July, still below the long-term average (100 points), and no significant change is expected based on the outlook for August. The European Union's Economic Sentiment Index (ESI) rose to 95.3 points, a slight improvement in confidence but still below the average level, and a similar reading is expected in August.

In the US, the unemployment rate was 4.2% in July, a slight increase from 4.1% in June, and a further slight increase is expected in August (4.3-4.4%). The Conference Board's Consumer Confidence Index rose to 97.2 points, a modest improvement but still below the expansionary level of above 100 points. The manufacturing PMI fell to 48.0 points, indicating a continuation of the contraction, although an improvement is likely for August. In China, the official manufacturing PMI fell to 49.3 points, marking the third consecutive month of contraction in the manufacturing sector and the trend suggests that it could remain below 50 points in August.

Fig. 6
Business confidence in Germany and France, based on the Ifo and INSEE Business Climate Surveys, January 2005 - July 2025

Source: www.ifo.de, www.insee.fr

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