MONTHLY BULLETIN OF ECONOMIC TRENDS

2025

AUGUST

ON THE LATEST ANALYSIS FROM THE INSTITUTE OF ECONOMIC AND ENTERPRISE RESEARCH

- Quarterly business survey
- Labour demand expected in spring 2026
- International trends

Prepared by

Kása Richárd, analyst
Zsibók Zsuzsanna, analyst
Szenderák János, analyst
Szennay Áron, analyst

Research Manager
Molnár Endre Mihály,
research director

15 August 2025.

CONTENT

01

CAUTIOUS OPTIMISM IN THE SUMMER ECONOMIC CYCLE

2025. AUGUST

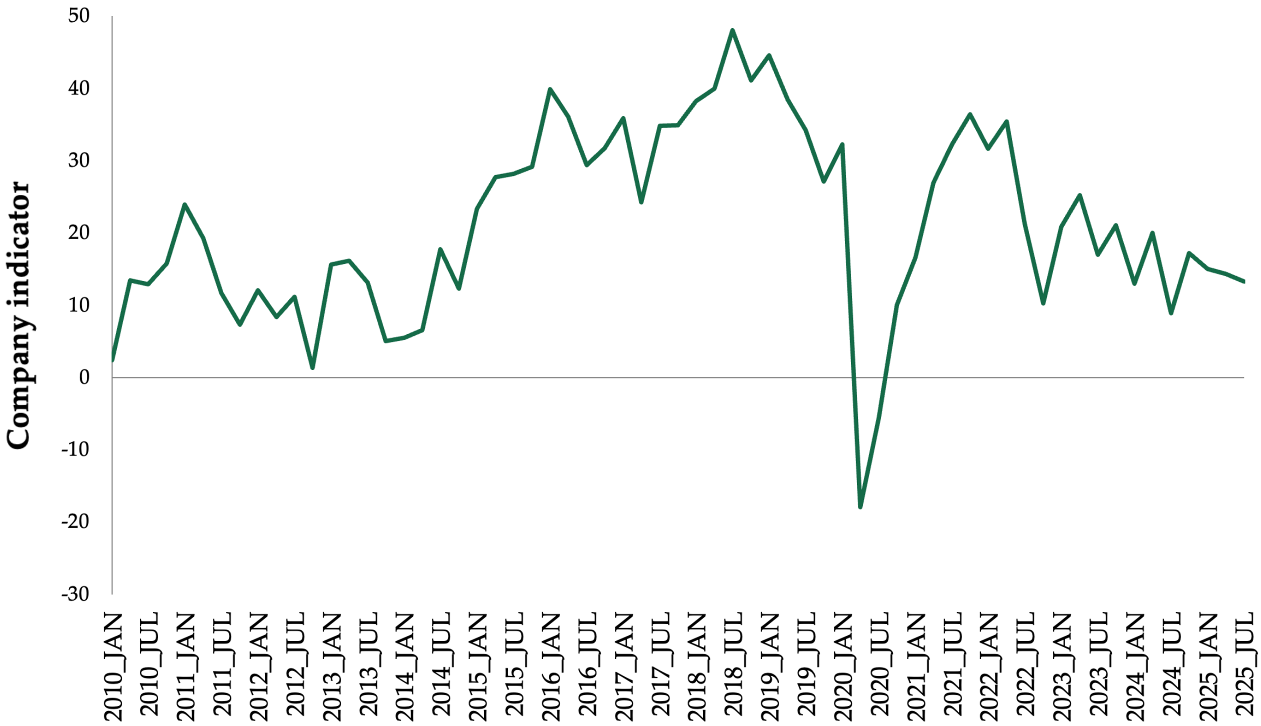
66%

of companies assessed their business situation positively

According to the 2025 Summer Business Outlook Survey, nearly two-thirds of domestic businesses are positive about their current business situation, indicating a gradual improvement in confidence. Investment intentions are picking up, especially in technology and energy efficiency improvements, while the labour market is showing more signs of stabilisation. At the same time, stagnating order books and uncertainty in external markets continue to prompt caution among industrial and export-oriented firms.

Based on the 2025 Summer Business Outlook Survey, the assessment and expectations of domestic businesses are balanced, but business sentiment remains cautious. Overall business confidence is showing an improving trend, especially among small and medium-sized enterprises, while the trend in industrial and external order books continues to indicate caution. Investment intentions are picking up, while signs of labour market adjustment are strengthening, particularly in services. The business climate for the majority of companies is stable or improving. Almost two thirds of respondents were positive about their current business situation, while expectations for the next six months are also overwhelmingly optimistic. In particular, firms operating in the Central Hungary and Western Transdanubia regions showed a more optimistic attitude, partly explained by stronger internal demand and a more predictable business environment. However, the assessment of order books is less clear. Among industrial companies, a number of respondents reported sluggish or declining order volumes. Over the past six months, 42% of firms reported stagnating or declining order books, particularly among export-oriented firms, where the impact of weakening global demand and external market uncertainties is most strongly felt. Domestic orders, on the other hand, are showing an improving trend, especially in the services and trade sectors. Investment propensity is showing a moderate upward trend, especially in the areas of technological upgrading and energy efficiency. 31% of firms plan to make some investment in the next six months, and cost-cutting and efficiency-enhancing solutions continue to dominate their development goals. A predictable regulatory environment and the availability of targeted support programmes remain key to boosting investment activity. Signs of labour market adjustment are increasingly visible. The majority of firms do not plan to reduce their workforce, while hiring intentions are subdued. Data show that 18 percent of firms plan to expand, while only 7 percent plan to reduce. Labour shortages are increasingly a structural problem, especially among skilled workers, while smaller firms are often forced to compete with larger players at lower wage levels.

> 31%: a third of firms plan to invest in the next six months.



External market activity remains limited. Among exporting firms, only moderate growth is expected in the next six months due to stagnating external demand and global logistical challenges. Less than a quarter of respondents see an increase in export volumes as realistic, while almost the same number of respondents see a decrease in export orders. Uncertainty in the export market continues to be compounded by exchange rate risks and competitiveness difficulties. Overall, the business outlook for companies reflects a gradual improvement, but caution remains. Stabilisation in domestic demand and a more predictable economic environment should boost confidence, but growth prospects in the export and industrial sectors are not yet clear. Investment and labour market movements are also pointing towards a gradual recovery, but their durability will depend to a large extent on the external economic environment and the support instruments available.

Fig. 1
Development of the GVI Quarterly Business Climate Indicator

Source: GVI 2025

02

EXPECTED LABOR DEMAND IN SPRING 2026

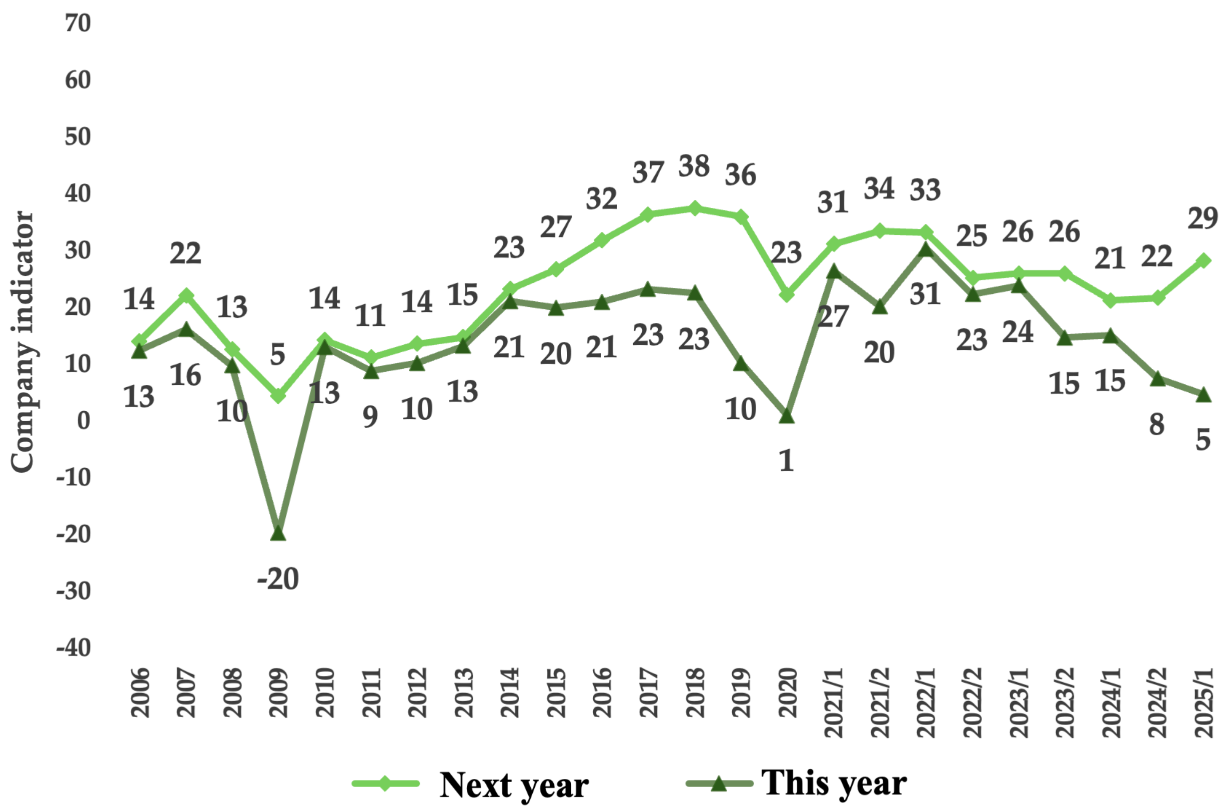
2025. AUGUST

In the first half of 2025

5%points

more companies increased their workforce than reduced it.

According to the employment balance indicator for the first half of 2025, 5 percentage points more companies increased their headcount than reduced it, which is down from 8 points a year earlier. Business expectations remain optimistic, but the data show weakening hiring, particularly in industry and agriculture. Regionally, there is a high degree of optimism in Budapest and some rural counties, while at the sectoral level, services and finance are expected to show higher job growth.

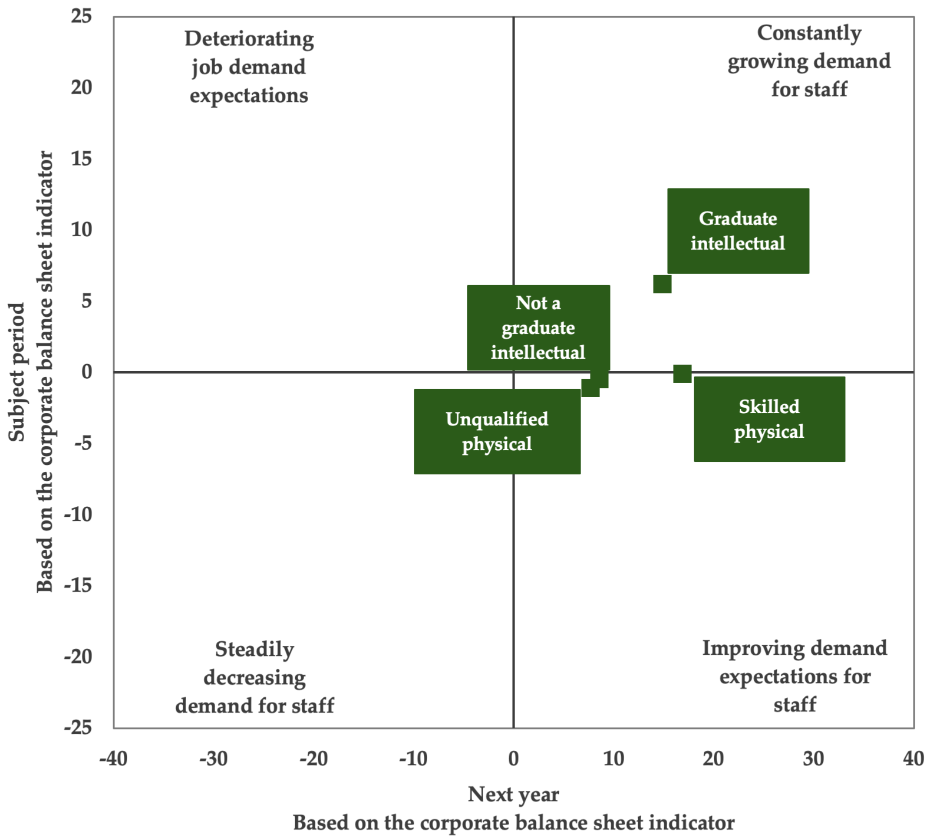


Based on the results of the first half of 2025 Forecast, in the first half of 2025, 5 percentage points more companies increased their headcount than reduced it. This compares with 8 percentage points a year ago, meaning that the proportion of companies expanding their workforce has fallen, a trend that is also clearly visible in industry and agriculture in the 2026 forecast. The opposite movement between business expectations and actual data is typical of the employment balance indicator from 2023 onwards. In sectors requiring physical labour (e.g. construction, agriculture), it is not easy to attract new labour, while the effects of recent economic problems are proving to be long-lasting. A recurrent pattern is clearly visible in the time series of the two indicators of business expectations of the labour market: in certain periods, the gap between the two values widens significantly. This was the case for several years from 2015 onwards, and the latest measurements suggest that this will continue to be the case in 2024-2025. The widening of the gap means that businesses are much more and increasingly optimistic about employment prospects for the coming year than they are about the current situation (despite the worsening situation, expectations are improving).

Fig. 2
Employment balance indicator for 2025 and 2026

Source: GVI 2025

Equilibrium indicator: the values shown in the figure are equilibrium indicators on a scale of 100. In all cases, the equilibrium indicator is the difference between the ratio of enterprises increasing their staff numbers to enterprises reducing their staff numbers. Thus, the indicator can take values between -100 and +100, -100 if all firms are in a downsizing situation and +100 if all firms are in a positive situation.
Graph interpretation: a one-point shift in the balance indicators shown in the graph corresponds to a one percentage point change. The grey line shows the actual data for the year in question and the orange line shows the plans and expectations for the following year. Example: In the second half of 2024, the balance indicator for the year in question was 8 points.



ture and greater reliance on human resources. Despite the differences in the operating logic of agricultural and industrial firms, their staffing expectations are similar. According to the Spring 2025 Forecast, the only occupation with steadily increasing demand is that of intellectuals with a degree. For the other employment categories (non-graduate intellectual, unskilled manual and skilled manual), the balance indicator for the year under review is close to zero, while labour market expectations for 2026 show an improvement for these three categories of workers.

Budapest has the highest level of optimism regarding the improvement in employment (the equilibrium indicator is 43 points), mainly due to the services, financial and technology sectors, which are driven by a strong and diversified economy, and the concentration of the labour market (presence of highly skilled labour). The optimistic expectations of companies in the rural counties with a high balance indicator (Szabolcs-Szatmár-Bereg: 35 points, Tolna: 31 points) may be due to industrial investment and lower labour costs. For the counties with a score below 20 points, factors such as the prominent role of industry and manufacturing (e.g. Komárom-Esztergom: 14 points) or the lack of restructuring of former industrial activities (e.g. Szabolusz and Szolnok: 14 points) may play a role. Borsod-Abaúj-Zemplén: 15 points), or the general weakness of the industrial sector (Nógrád: 19 points, Baranya: 14 points). Fejér county has the lowest indicator, with only 8 points. Almost all sectors are more likely to plan to increase their workforce than industry. The most significant difference with industry is measured for finance and other services. These two sectors are more resilient to economic difficulties than industry, due to their fundamentally more adaptable na-

Fig. 3
Labour demand by employment group (2025-2026)

Source: GVI 2025

Explanation: the two axes in the graph represent the general employment balance indicator. The vertical axis shows the values of the employment balance indicator for the current year and the horizontal axis shows the values of the employment balance indicator for the following year. The upper right segment is "Continuously growing demand for employees", where the majority of companies are expanding their workforce in both 2025 and 2026. The opposite is the lower left segment, where both the current situation and future expectations are unfavourable, i.e. a reduction in staff numbers is expected in both years. The origin represents the neutral position: in this position, the positive and negative companies are balanced in their assessment of the present and the future. The distance from the origin can be interpreted in this way: the further away a position is from the origin, the more positive or negative assessments are in the majority. Thus, based on what we have seen so far, the degree of horizontal positive displacement from the origin expresses the degree of optimism about future recruitment.

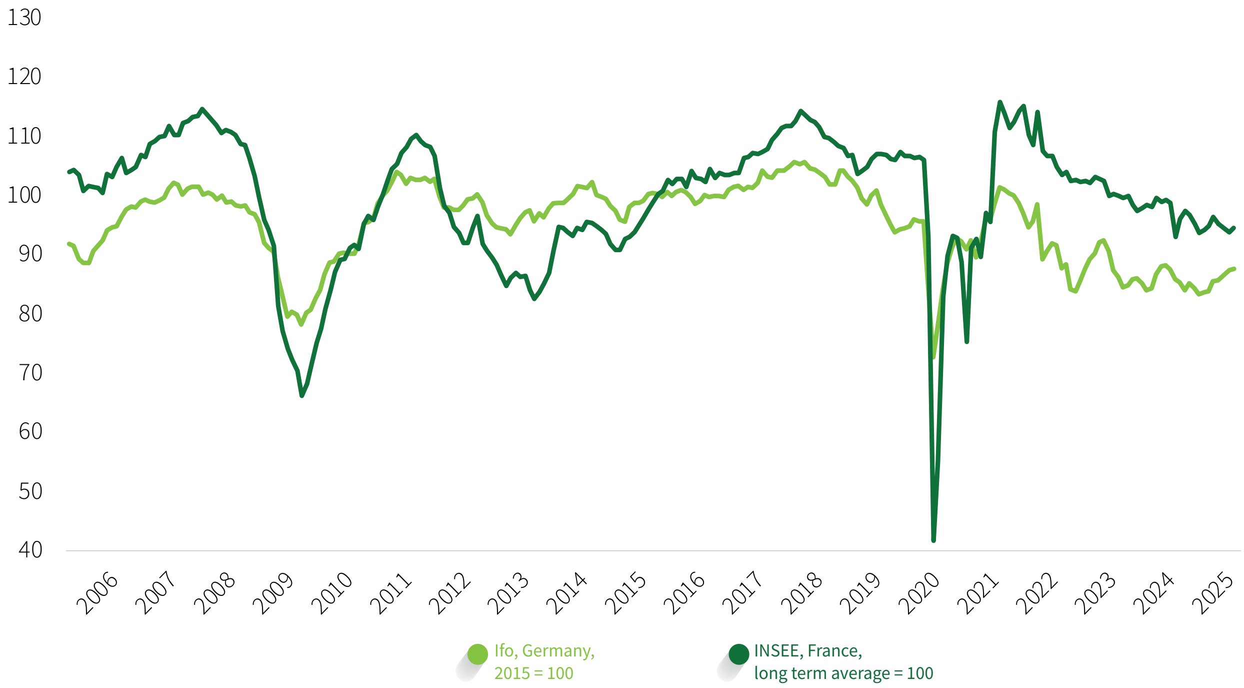
03

INTERNATIONAL TRENDS

2025. AUGUST

		Actual data	Expectations	Previous period
Germany	Unemployment Rate	**6,3%**	6,3%	6,3%
	Manufacturing Purchasing Managers Index	**49,8**	50,2	49,1
	IFO Business Climate Index[1]	**89**	89,5	88,6
France	INSEE Business Climate Index[2]	**96**	96	96
EU	Economic Sentiment Indicator (ESI)[3]	**94,9**		95,3
USA	Unemployment Rate	**4,3%**	4,3%	4,2%
	CB Consumer Confidence Index	**97,4**	96	97,2
	Manufacturing Purchasing Managers Index	**48,7**	49	48
China	Manufacturing Purchasing Managers Index	**49,4**	50	49,3

[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 August 2025, indicators for the German economy continued to show a mixed picture. The unemployment rate remained at 6.3%, unchanged from July, and a similar rate is expected for September. The manufacturing Purchasing Managers' Index (PMI) rose to 49.8 points, close to the 50 mark indicating expansion, but still in contraction territory. The IFO Business Confidence Index came in at 89.0 points, the highest reading since May 2024, and the outlook for September suggests a further small improvement is likely. In France, the INSEE business confidence index was unchanged at 96 points in August, still below the long-term average. The European Union's Economic Sentiment Index (ESI) eased to 94.9 points, down 0.3 points from July, and further stagnation or slight weakening is likely in September. In the US, the unemployment rate rose to 4.3%, a slight increase from 4.2% in July, and a similar level is expected in September. The Conference Board's consumer confidence index fell to 97.4 points, a setback from July, and is likely to remain around 95-97 points for the month ahead. The ISM manufacturing PMI improved to 48.7 points, but continues to point to contraction, while the S&P Global alternative index now stands at 53.0 points, indicating expansion in the sector. In China, the official manufacturing PMI rose to 49.4 points, a marginal improvement from July, but still a contraction; at most, a level of around 50 points is likely by September.

Fig. 4
Business confidence in Germany and France, based on the Ifo and INSEE business climate survey, January 2005 – August 2025

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

CONTACT

MKIK GVI
1054 Budapest, Szabadság tér 7.
Tel: 1/235-05-84
e-mail: gvi@gvi.hu
Internet: http://www.gvi.hu

In case of publication please cite as follow:
HCCI IEER: *Monthly Bulletin of Economic Trends*,
15 August 2025, Budapest.