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

» Evolution of business expectations
» Career starters, dual training and labour shortages
» Possible effects of the minimum wage increase

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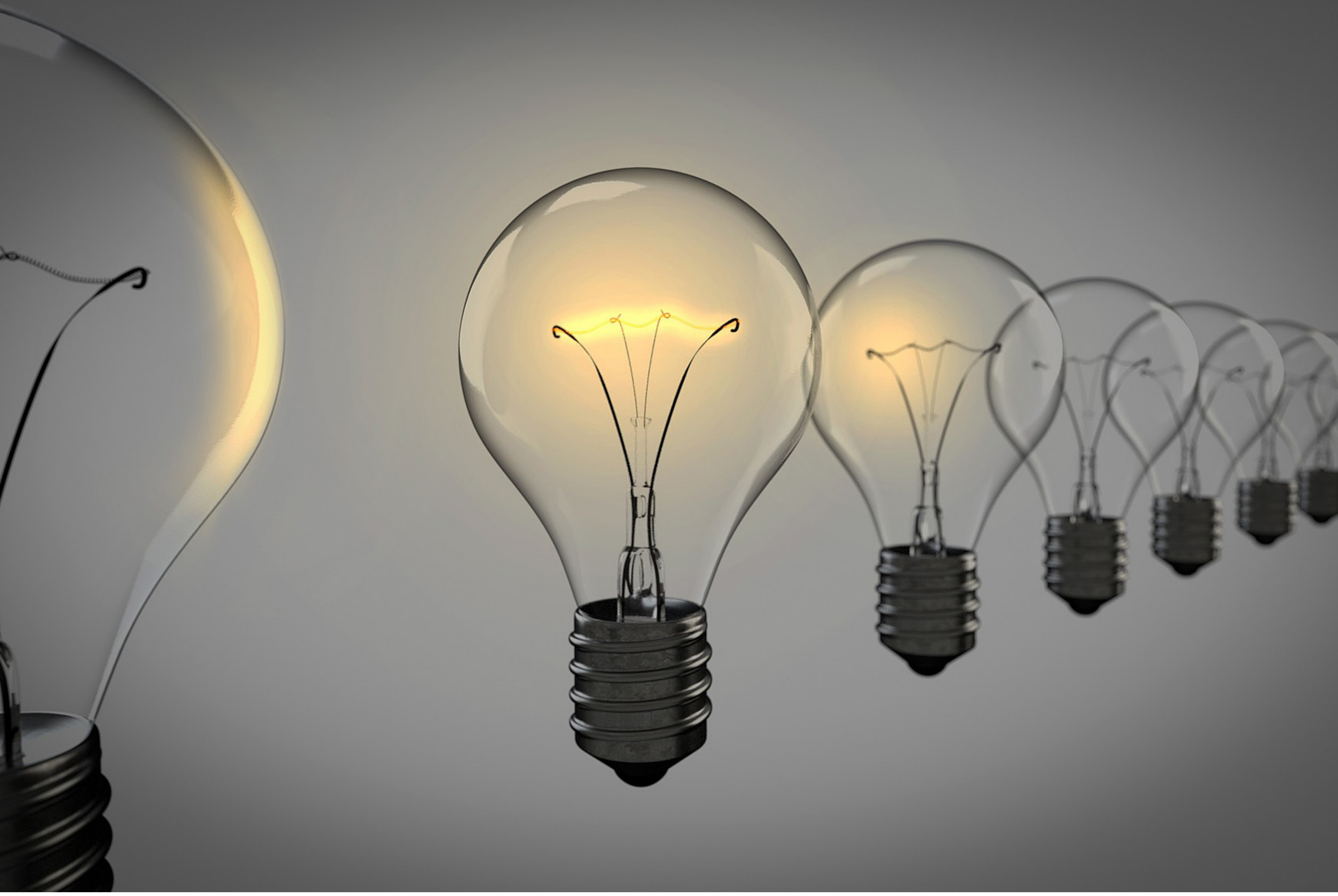
BUSINESS EXPECTATIONS

2025. NOVEMBER, DECEMBER

Nearly a **quarter** of businesses do not plan to invest at all in 2026.

Overall, business expectations for 2026 reflect moderate, cautious optimism. Although the number of firms investing or planning to invest is slightly narrowing, the structure of investment is favourable, supporting mainly a level or moderate growth in employment, with only minor layoffs. Expectations for the future are more positive than the current assessment of the situation, with more firms expecting their business position to improve by 2026.



The business expectations of domestic companies for 2026 reflect moderate growth prospects overall, characterized mainly by cautious optimism. The vast majority of companies do not expect a drastic downturn, but still see growth opportunities as limited. This duality—relative immunity to decline and cautious assessment of expansion—is clearly reflected in investment plans and expectations regarding employment, business conditions, and production volume.

Investment activity and structural characteristics

The investment behavior of businesses is one of the most important indicators of business expectations. According to the survey results, nearly half of businesses made some kind of investment in the first half of 2025, but the type and future development of investments paint a nuanced picture. Slightly more than a quarter of companies made only modernization and innovation investments, while a smaller proportion made only capacity expansion investments. It should be noted that nearly a fifth of businesses made both types of investments, which suggests the presence of more complex development strategies.

However, based on plans for the future, a slight decline in investment activity can be predicted. In the first half of 2026, the proportion of those planning only modernization or only capacity expansion investments may decrease, while the number of those who do not wish to make any investments at all may increase. Although the proportion of companies considering both types of investment is increasing, overall, a slight decline in the proportion of companies making investments is expected. This trend may pose a risk to economic growth, especially if the postponement of investments persists.

The impact of investments on employment

However, the labor market effects of investments paint a more favorable picture. More than a quarter of companies implementing or planning investments expect an increase in the number of employees, while in nearly three-quarters of cases, the number of employees will remain unchanged. The proportion of those forecasting a decline in headcount is negligible. This suggests that investments are not primarily aimed at downsizing, but rather at stabilizing operations, improving efficiency, or moderate expansion.

> Businesses do not expect a significant downturn in 2026, but remain cautious on the outlook for growth and investment.

In terms of sectoral breakdown, a significant employment-boosting effect can be observed in particular in transport and financial services, while in other sectors, such as agriculture or trade, maintaining headcount levels tends to dominate. Similar patterns emerge when broken down by region and company size: the impact of investments on the labor market is typically stabilizing rather than expansive or reductive.

Expected development of investment volume

Expectations regarding investment volume further reinforce the picture of moderate optimism. About one-fifth of companies expect their investment volume to increase in the first half of 2026, nearly half forecast no change, while the proportion expecting a decline is low. At the same time, it is noteworthy that one-quarter of companies do not plan any investment at all during the period under review. Expectations for the second half of the year show similar proportions, suggesting that businesses do not expect any significant change in their investment decisions in the short term.

Assessment of the business situation and expected developments

The assessment of the current business situation is fundamentally stable. The vast majority of businesses rate their current position as satisfactory or good, and only a small proportion consider their situation to be poor. Expectations for the future are even more favorable: a larger proportion of businesses expect their business situation to improve by 2026, while the proportion forecasting a deterioration continues to decline.

This dynamic suggests that a significant proportion of businesses perceive their current position as a temporary stagnation rather than a lasting decline, and expect improvement in the medium term, albeit to a moderate extent. However, the improvement in expectations is not uniform: there are significant differences between sectors and company sizes.

Expectations for production and service volumes

Expectations for production and service volumes also indicate a predominance of stability. The majority of companies do not expect any change in the coming year, but there is a significant – albeit not majority – proportion of those who expect growth, especially in the second half of 2026. The proportion of those expecting a decline is low in both halves of the year, confirming the picture that companies are not preparing for a general decline in demand or production.

Order stock and demand conditions

The assessment of the current order stock fits well with the overall picture of business expectations. Nearly two-thirds of businesses report moderate demand, while about a quarter have a high order stock. The proportion of companies reporting low demand is relatively low, but there are significant differences between sectors. Financial services and transport are characterized by a particularly favorable demand situation, while low order books are much more common than average in the construction industry.

In terms of company size, high demand is more prevalent among the smallest companies, while medium-sized companies tend to be concentrated in the medium category. These differences suggest that demand conditions are strongly influenced not only by sectoral but also by structural factors.

02

EARLY CAREER EMPLOYMENT AND EXPERIENCES OF DUAL TRAINING

2025. NOVEMBER, DECEMBER

Only **one fifth** of companies currently employ a career starter or a dual apprentice.

Employment of entrants shows a slight pick-up in autumn 2025 among firms actually hiring, while the share of new hires is declining, indicating cautious labour market expectations. The hiring of new entrants is highly concentrated, mainly in tourism, industry and construction, as well as in large and foreign-owned enterprises. Demand is mainly for skilled, manual jobs. Participation in dual training is concentrated in a small number of enterprises, and its labour retention effect is mainly at the level of vocational training.

Based on the analysis of employment of early entrants, there is a moderate recovery in the number of firms actually hiring early entrants in autumn 2025, while the share of firms planning to hire early entrants has fallen compared to the spring survey. In a longer-term trend, employment of career starters followed a downward trajectory between 2018 and 2021, stagnating at a low level and fluctuating in a narrow band from the second half of 2022 onwards, at a subdued level compared to previous years. The share of enterprises planning to hire entrants followed a similar pattern: after a temporary increase after 2023, it declined again in the second half of 2025. Employment of entrants shows significant sectoral variations. A much higher than average proportion of new entrants are employed in tourism and hospitality, but they are also present in industry and construction. In contrast, lower rates are observed in financial services, transport and other services. Differences by company size are even more striking: while the employment of career starters is rare in micro enterprises, more than half of large enterprises employ them. Ownership is also an influencing factor: foreign (partly) owned firms employ significantly more career starters than purely domestic ones. There are significant differences in the employment of career starters by region. There are multiple differences between counties, partly due to different economic structures and sectoral specialisation. The Transdanubian regions tend to have higher rates, while Budapest and several eastern counties fall in the lower range, while some regions in Eastern Hungary, such as Békés and Heves, stand out with particularly high rates. The demand for young people starting their careers is predominantly for skilled young people, regardless of whether they have a school leaving certificate. In terms of specific jobs, the demand is concentrated mainly in areas requiring skilled and semi-skilled manual work, especially in construction, engineering and metalworking, and in trade and hospitality. Manufacturing, assembly and elementary industrial jobs are also heavily represented. Although IT, engineering and finance jobs also appear, they are much smaller in proportion and tend to target more specialised graduates. The role of agriculture and health care in the employment of new entrants is less pronounced. The second part of the research focused on the employment of students in dual training. The results show that participation in dual training is concentrated in a narrower range of enterprises: one fifth of firms currently employ such apprentices, while around one tenth have already done so in recent years. However, nearly two thirds of enterprises have never taken part in dual training. The take-up of dual training varies considerably across sectors. It is most prevalent in tourism and hospitality and construction, while it is scarce in financial services and transport. In terms of enterprise size, dual training is most common among the largest firms, but is also undertaken by some of the smallest enterprises, while the share is more moderate among medium-sized firms. Foreign-owned enterprises are one and a half times more likely to employ dual trainees than purely domestically owned enterprises. Again, there are significant regional differences, which are related to the sectoral and company structure of each region. On average, a few people are employed in enterprises that participate in dual training, while the share of pupils with special educational needs is very low. Financial incentives and

> Demand for entry-level workers remains tight, mainly in larger and foreign-owned companies

For apprentices, only about a third of firms continue to employ them after graduation.

the personal competences and attitudes of the pupils concerned are the main reasons for employing pupils with SNI, while social responsibility is also present, but to a lesser extent. Providing a supply of professionals is a less dominant motivation. The under-employment of SNI learners in dual training is mainly explained by the nature of the jobs and the lack of adequate mentoring and professional capacity. Concerns about productivity, infrastructure or financial incentives play only a minor role. Responses also indicate that many companies do not employ such students simply because of a lack of information or have not yet met an applicant with SNI status. More generally, barriers to participation in dual training are mainly structural and capacity-related. The size of companies, the lack of educational background, the administrative burden and the tendency to prefer to employ experienced workers all contribute to drop-out. In addition, lack of applicants, weak institutional cooperation and spatial disparities in training provision are also deterrents. Finally, the research also looked at the proportion of apprentices who stay in the company after the apprenticeship. The results show that around one third of firms continue to employ apprentices in the case of apprenticeship training, while this proportion is very low in the case of dual training in higher education, suggesting that the retention role of dual training is mainly at the level of vocational education.

03

LABOUR SHORTAGES

2025. NOVEMBER, DECEMBER

In autumn 2025, **16.3%** of enterprises with 10 or more employees had a permanent vacancy.

Among enterprises with 10 or more employees, one in six firms had a permanent vacancy in autumn 2025, a decreasing but still significant labour shortage compared to previous years. The shortage mainly affects skilled manual jobs, which remain unfilled for longer than intellectual positions. The phenomenon is highly dependent on company size and sector, being particularly concentrated in larger firms and in transport and industry.

In order to be comparable with previous results, the labour shortage survey focused on enterprises with 10 or more employees. The survey found that 16.3% of firms had a permanent vacancy at the time of the survey, i.e. roughly one in six enterprises. The indicator shows a downward trend compared to the peak in early 2022, and this moderation continued in autumn 2025, suggesting that overall labour market tensions have eased but remain substantial. The composition of vacancies is clearly shifting towards manual jobs. 9.4% of enterprises reported a shortage of skilled manual workers, while 7.4% reported a shortage of unskilled manual staff. Persistent vacancies in intellectual occupations are significantly less frequent: 3.3% for non-graduate intellectual occupations and 5.6% for graduate intellectual occupations. Not only the incidence of shortages, but also their "stickiness" is highest for skilled manual jobs: they remain vacant for an average of 4.1 months, while the vacancy period for non-graduate intellectual jobs is much shorter (1.2 months on average). The number of staff missing also varies: on average, a larger number of physical jobs than intellectual jobs would need to be filled in a given firm. The phenomenon is highly dependent on the size of the firm. The larger a firm, the more likely it is to have a permanent vacancy: the prevalence of staff shortages varies between 7% and 23% for different size categories. This is partly explained by the more complex labour needs, higher turnover and broader job structure of larger organisations, while smaller firms often have a narrower profile, a smaller staff base and in many cases less "visible" shortages because they simply do not open any positions. There are also significant differences by sector. The highest share of permanent vacancies is in transport (with almost three tenths of the total), followed by other services and industry. Agriculture, construction and tourism and hotels and restaurants reported lower than average rates of job vacancies. In the distributive trades, there were particularly low levels of vacancies, and in financial services there were virtually no persistent vacancies. By region, differences can be assessed at the regional level due to the low number of items: the regions do not differ drastically from the national average for the most part, but the higher values for Western Transdanubia, Southern Transdanubia and Northern Great Plain suggest that labour market shortages are more pronounced in certain regions, while Central Hungary and Central Transdanubia tend to be below average.

According to company feedback, persistent shortages are most often found in occupations and jobs requiring physical presence, tangible professional routine and often specific qualifications. Construction (e.g. carpenters, bricklayers, tilers, electricians, machine operators), manufacturing and engineering (welders, locksmiths, machinists, machine operators, maintenance, quality assurance technicians), and retail and catering (salespersons, cashiers, cooks, waiters) are particularly affected. There is also a significant shortage in logistics (truck and bus drivers, forklift truck drivers), while in some areas, such as engineering and IT, it is difficult to replace more highly qualified workers. Company data on vacancies suggest that shortages are not only a "momentary" phenomenon: some jobs remain unfilled for a long time on average. There is a wide spread in the wages offered, while the number of staff lacking can also vary considerably from one company to another, indicating that labour shortages can be both a localised problem concentrated in a single job, but in some cases a larger-scale risk that has a significant impact on operations. The identification of the reasons for shortages reveals that companies consider not only the quantity of available labour but also its quality to be a key factor: a high proportion of responses indicate a lack of candidates with the right skills, experience and work culture. Wage levels are also an important factor, while working conditions, transport, working hours or the disincentive to work abroad are mentioned much less frequently. Public employment is virtually absent as an explanatory factor. The free-word responses further nuance the picture: companies mention training and supply problems, ageing of the professions, lack of specific skills, as well as factors related to working conditions and motivation (work ethic, commitment, interest of young people, recruitment difficulties) and disadvantages due to geographical location.

04

SURVIVAL STRATEGIES

2025. NOVEMBER, DECEMBER

Two thirds of firms say that a 10% wage increase will cause at least this much cost shock.

The planned increase in the minimum wage and the guaranteed minimum wage by 2025 is perceived by most businesses as a significant cost shock, especially in labour-intensive sectors and among micro, small and medium-sized enterprises. Surveys show that the primary reaction of firms is to raise prices and adopt a more cautious employment policy, while wage increases alone do not encourage meaningful efficiency investments.

Raising the minimum wage and the guaranteed minimum wage has been a recurring topic of debate in Hungary for years, but the impact of the planned wage increases for 2025 is being faced by businesses in a particularly sensitive economic environment. Results from a recent nationally representative survey and a large sample of business consultations show that the majority of firms feel that wage increases are not only unavoidable but also a significant cost shock, and that a significant part of their decisions are short-term adjustments. Almost two-thirds of businesses believe that a 10% increase in the minimum wage and guaranteed minimum wage would mean at least as much, and in many cases even more, cost increase for them. This perception is particularly strong for firms that operate in a labour-intensive way, i.e. where the share of personnel costs in their cost structure exceeds 40 percent. These firms typically operate in the service sector, construction and certain manufacturing industries, where wage increases are quickly and directly reflected in operating costs. The most common business response is clearly price increases. More than half of all firms indicated that they internalise some or all of the increased wage costs in the price of their products or services. The proportion is even higher among smaller companies, while large companies are more cautious in using this instrument. For the latter, there is more scope for reorganising internal costs or improving efficiency, while for micro and small enterprises, price increases are often the only immediate solution. But the impact of wage increases does not stop at lower wage bands. The vast majority of enterprises experience wage rigidities: an increase in the minimum wage indirectly increases the wage demands of those in higher wage bands. Almost two thirds of firms expect workers earning above the minimum wage to expect at least an equal wage increase, which adds to cost pressures. This impact particularly affects micro, small and medium-sized enterprises, where the wage structure is flatter and there is less scope to manage internal differences. Measures directly affecting workers also feature prominently in the responses to cost increases. More than half of the enterprises indicated that they would introduce a staff freeze, reduce benefits, modify working patterns or, as a last resort, consider redundancies. While mass redundancies are not common, the risk of redundancies is noticeably higher among small firms and labour-intensive firms. Businesses' expectations on competitiveness are mixed. According to the representative survey, a majority feel that wage increases will not significantly change their market position, but half of the most affected enterprises, especially micro and small enterprises, fear that they will be at a disadvantage compared to their competitors. These firms are also more likely to experience negative consequences for their employees. Overall, the short-term effects of the minimum wage increase are clear: the primary response of businesses is to raise prices, pass on costs and become more cautious in their employment decisions. The results of the research suggest that wage increases alone do not stimulate efficiency-enhancing investment, but rather trigger forced adjustment, especially among smaller firms.

> Wage increases bring cost pressures, not a wave of investment.

05

CAN DEVELOPMENT REPLACE WAGE PRESSURE?

2025. NOVEMBER, DECEMBER

Almost **50%** of micro-enterprises say training is not a realistic solution to wage pressure.

The minimum wage increase puts a permanent wage squeeze on businesses, which in principle could be addressed through efficiency gains and technological improvements, but in practice this is highly dependent on firm size and sector. Automation and training are more realistic for medium and large firms, while short-term survival strategies continue to dominate among micro and small firms.

Raising the minimum wage and the guaranteed minimum wage not only represents a short-term cost shock for businesses, but also raises strategic questions: can firms address the persistent wage squeeze through efficiency gains, technological improvements or training? The answer is complex, according to the results of a comprehensive survey of companies: the opportunities are there in principle, but implementation is highly dependent on company size and sector. A large majority of companies believe that training and developing workers can achieve moderate efficiency gains. The majority of companies believe that improvements of 10-20% at most are realistic, while almost a quarter see no significant potential for improvement in this area. The perception of training is closely related to the size of the company: while larger firms are more open and optimistic, almost half of micro firms do not consider efficiency gains through training as a realistic option. A similar dichotomy can be observed for technological improvements. Around 70% of businesses consider it theoretically feasible to replace part of their workforce with automation or digitalisation in the 3-5 years ahead. However, in practice, this is a realistic option mainly for medium and large enterprises. The majority of micro-enterprises do not believe that it is feasible to invest in their company in a way that would significantly reduce labour requirements, partly due to a lack of resources and partly due to a lack of knowledge. There are also marked differences at sectoral level. Industrial and some service firms see a much higher share of opportunities in technological improvements, while construction and trade have a much narrower scope. This suggests that tackling wage pressures would require different instruments not only according to company size but also according to the type of activity. The perception of state aid further complicates the picture. The overwhelming majority of businesses consider tax reductions and tax breaks to be the most useful aid, i.e. they prefer those instruments that provide immediate and administratively simple relief. Training and technological support is seen by far fewer people as a real help, especially among micro and small enterprises. These firms often feel that the application systems are complicated, that it is difficult to raise the own resources and that the return on investment is uncertain. The expert interviews confirm the results of the questionnaire. Chamber and industry experts interviewed agree that a minimum wage increase is only sustainable in the longer term if business productivity increases. At the same time, they point out that technological and training improvements are often out of reach for smaller firms, which are the ones most exposed to rising wage costs. The overall picture is clear that structural responses to wage pressures - automation, digitalisation, training - are more likely to work in the medium to long term, and are a realistic alternative for larger, more capital-intensive firms. For micro and small enterprises, short-term survival strategies remain dominant. This dichotomy suggests that the effects of wage policy choices can create a lasting differentiation in the business sector if not combined with targeted, size-sensitive development incentives.

> 70% of companies see an opportunity for automation, but in practice it is mainly larger companies that can take advantage.

06

INTERNATIONAL TRENDS

2025. NOVEMBER

		Actual data	Expectations	Previous period
Germany	Unemployment Rate	***	***	6,2
	Manufacturing Purchasing Managers Index	48,2	49	49,6
	IFO Business Climate Index[1]	88,1	88	88,4
France	INSEE Business Climate Index[2]	98	98	96,7
EU	Economic Sentiment Indicator (ESI)[3]	***	***	95,5
USA	Unemployment Rate	***	***	4,4%**
	CB Consumer Confidence Index	88,7	89	94,6
	Manufacturing Purchasing Managers Index	48,2	49	52,5
China	Manufacturing Purchasing Managers Index	49,2	49	49

[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; ** Estimate based on expectations; *** Data not available at the time of the study

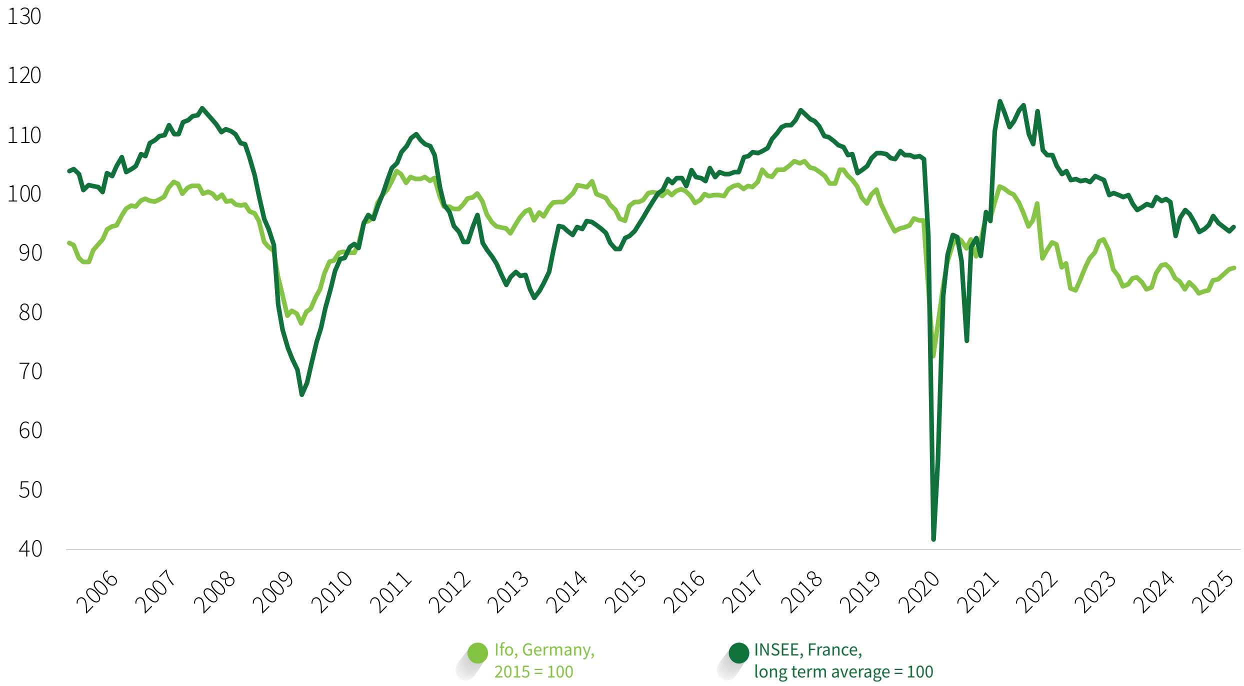


Fig. 1
Business confidence in Germany and France, based on the Ifo and INSEE business climate survey, January 2005 – November 2025

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

Overall, the global economic outlook continued to deteriorate in November 2025, with the cautious signs of stabilisation seen in previous months fading in many regions, while weakness in manufacturing became more pronounced. In Germany, the Manufacturing Purchasing Managers' Index fell to 48.2 points, pointing to a deepening contraction and in line with a slight deterioration in the ifo Business Confidence Index. Although no recent data on the unemployment rate for November was available, the outlook suggests that the labour market is more likely to remain stagnant, or at most slightly deteriorate, in the period ahead. In France, on the other hand, a moderate positive shift was observed, with the INSEE business confidence index rising to 98 points, which, while still below the long-term average, points to a cautious improvement, mainly due to a more stable performance of the services sector. The November reading for the European Union as a whole of the Economic Sentiment Index (ESI) was not uniformly released, but forecasts suggest at most a slow, fragile improvement in the coming months, without any meaningful turnaround. In the US, economic sentiment deteriorated in November, with the Conference Board's Consumer Confidence Index falling sharply, while the ISM Manufacturing PMI fell to 48.2 points, again remaining well within the contractionary range. While the labour market remains relatively stable, expectations for the period ahead are already pointing to a slowdown rather than a recovery. In China, the manufacturing PMI improved slightly from October to 49.2 points, but remains below the 50-point threshold.

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