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AUGUST

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

- Cautious outlook for production
- Exchangerate exposure and corporate adaptation
- International trends

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CAUTIOUS PRODUCTION OUTLOOK

2026. AUGUST

Most businesses are operating at medium or high capacity utilisation, but trends in order books continue to point to weak demand.

This chapter presents the production activity and capacity utilisation of domestic enterprises based on the results of the MNB–MKIK business survey conducted in the first quarter of 2026. The analysis covers trends in customer and supplier order books, current capacity utilisation, and companies' expectations for the next three months. According to 41 per cent of companies, customer order books have fallen compared with the same month last year; 36 per cent reported no change, whilst 18 per cent reported an increase. Overall, this points to a decline in demand.

CHANGES IN THE CUSTOMER ORDER BOOK

According to 41 per cent of companies, their order books had fallen compared with the same month of the previous year; 36 per cent reported no change, whilst 18 per cent reported an increase. Taken together, this points to a decline in demand. By company size, the majority in every category reported a decline, except for companies with more than 250 employees, where the proportion reporting growth (35 per cent) exceeded that of those experiencing a decline (24 per cent). Broken down by sector, the most unfavourable situation was observed in construction, manufacturing and trade, where nearly half of companies (48 per cent) reported a decline in their order books. In the business services sector, the largest proportion (42%) reported an unchanged order book, whilst in agriculture, the proportion reporting both an unchanged and a declining order book was 45% in each case. In a regional comparison, the proportion of companies experiencing a decline was highest in Northern Hungary (48 per cent) and the Northern Great Plain (44 per cent), whilst the highest proportion reporting growth was in Western Transdanubia (23 per cent) and Central Hungary (21 per cent).

CAPACITY UTILISATION IN THE PREVIOUS MONTH

Overall, capacity utilisation among companies presents a mixed picture: the highest proportions were reported for 100 per cent utilisation (16 per cent) and 80–89 per cent utilisation (16 per cent), whilst 12 per cent reported utilisation below 40 per cent. The majority of companies were therefore operating at medium or high capacity utilisation.

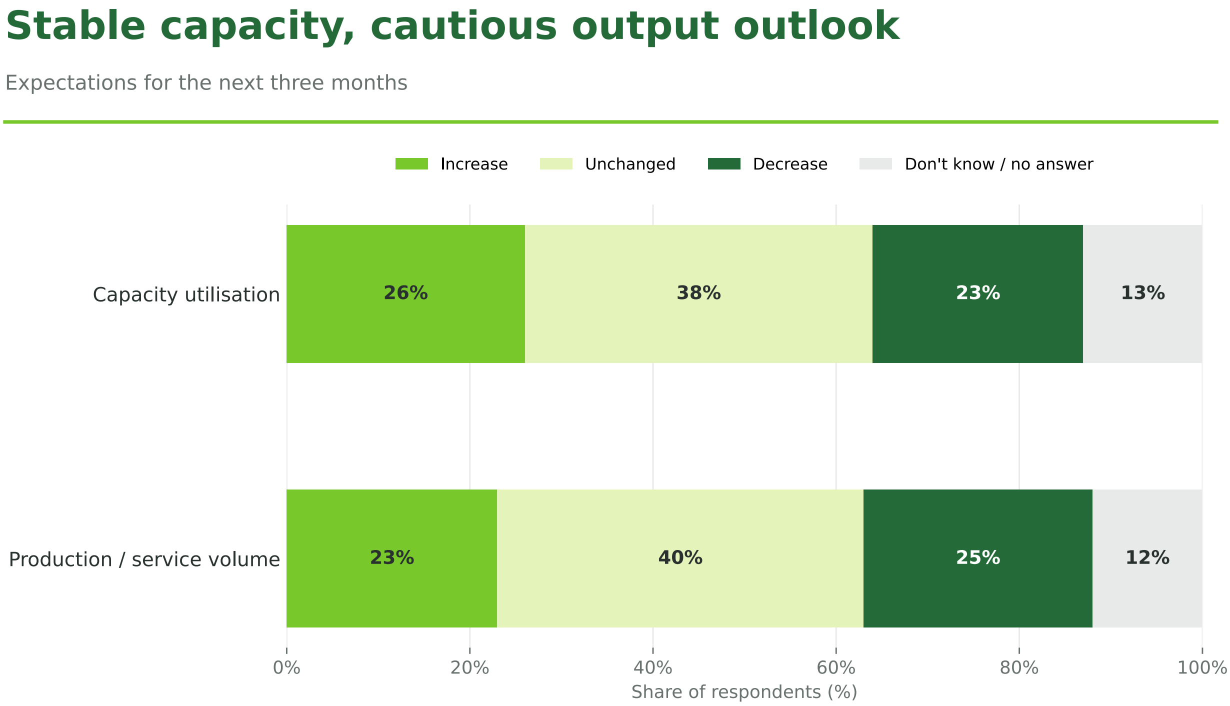
By company size, capacity utilisation was more favourable among larger firms: 28 per cent of companies with over 250 employees reported utilisation of 90–99 per cent, whilst among companies with 50–249 employees, the 80–89 per cent category was the most common (29 per cent). A lower utilisation rate of under 40 per cent was more common amongst smaller enterprises. By sector, the highest capacity utilisation was observed in business services, where 20 per cent reported full utilisation, whilst in agriculture the 80–89 per cent category dominated (23 per cent). In the manufacturing sector, utilisation of 70–79 per cent was the most common (20 per cent), whilst in the construction sector, a significant proportion reported low capacity utilisation of below 40 per cent (16 per cent). At regional level, the most favourable capacity utilisation rates were observed in Central Hungary, the Southern Great Plain and Western Transdanubia, where the 90–99 per cent and 100 per cent categories together accounted for 30–31 per cent. The lowest utilisation rates were recorded in Northern Hungary (18 per cent) and the Northern Great Plain (15 per cent) in the category below 40 per cent.

CHANGES IN CAPACITY UTILISATION

Overall, 23 per cent of companies reported that capacity utilisation was at the same level as in the same month last year, whilst 14 per cent reported a level of 80–89 per cent and 11 per cent reported a level of 90–99 per cent. Thirteen per cent of companies experienced higher capacity utilisation (above 100 per cent) compared with last year, whilst 21 per cent reported utilisation below 70 per cent, indicating a moderate deterioration overall.

By company size, larger firms are in a more favourable position: 31 per cent of companies with over 250 employees reported capacity utilisation at the same level as last year, whilst 29 per cent reported higher capacity utilisation than last year. Among firms with 50–249 employees, the 80–89 per cent category was the most common (25 per cent). Lower capacity utilisation, below 70 per cent, was reported at a higher rate among smaller enterprises.

By sector, the proportion of unchanged capacity utilisation was highest in business services (26 per cent), followed by manufacturing and wholesale and retail trade at 20 per cent and 21 per cent respectively. Low capacity utilisation was more prevalent in the construction sector, with 12 per cent of firms reporting levels below 40 per cent. At regional level, capacity utilisation remained unchanged compared with last year, most notably in Central Transdanubia (29 per



cent) and the Southern Great Plain (27 per cent). The proportion of utilisation below 70 per cent was highest in the Northern Great Plain (27 per cent), Northern Hungary (24 per cent) and Central Transdanubia (24 per cent). The highest increases in capacity utilisation compared with last year were reported in Central Hungary (16 per cent) and Western Transdanubia (17 per cent).

Overall, 38 per cent of companies expect capacity utilisation to remain unchanged in three months' time compared with the previous month, whilst 26 per cent expect an increase and 23 per cent a decrease. This indicates moderately positive expectations, as the proportion of companies expecting growth is slightly higher than that of those forecasting a decline.

Larger firms are more optimistic: only 11% of companies with over 250 employees expect capacity utilisation to decline, compared with 24% of firms with 0–9 employees. Agriculture has the strongest growth expectations (31%), while construction is the most pessimistic (27% expect a decline). Regionally, growth expectations are highest in Western Transdanubia (31%) and Central Hungary (28%), whereas declines are most frequently anticipated in the Southern (28%) and Northern Great Plain (26%).

Fig. 1
Trends in capacity utilisation and production/service volumes.

Source: Based on data from MNB and MKIK, GVI

02

EXCHANGE RATE EXPOSURE AND ADAPTATION

2026. AUGUST

Larger and industrial companies face significant foreign exchange exposure in their revenue and costs; yet the majority of businesses do not use hedging transactions.

This chapter presents the exchange rate and foreign currency exposure of domestic enterprises based on the results of the MNB–MKIK business cycle survey conducted in the first quarter of 2026. The analysis touches the ratio of costs to revenues denominated in foreign currency, the euro exchange rate taken into account in business planning, and pricing responses to exchange rate fluctuations. It examines in particular the use of hedging transactions to mitigate exchange rate risk and the differences between various corporate groups.

For nearly two-thirds (63 per cent) of the businesses included in the first-quarter 2026 business survey, typically less than 10 per cent of their total annual costs are incurred in euros or other foreign currencies. For 11 per cent, this proportion is more than 10 per cent but less than 30 per cent, whilst for 6 per cent it ranges between 30 and 49 per cent. For 8 per cent of respondents, this figure accounts for 50–74 per cent of costs, whilst 6 per cent stated that the proportion of costs incurred in foreign currency ranges between 75 and 100 per cent. Six per cent of businesses were unable or unwilling to answer the question.

In terms of costs, foreign-currency exposure varies according to company size, as measured by staff numbers – essentially increasing monotonically. Whilst the typical proportion of costs incurred in euros or other foreign currencies exceeds 10 per cent in only 22 per cent of firms with fewer than 10 employees, this figure rises to 40 per cent in the 10–49 employee category, 61 per cent for medium-sized firms, and 72 per cent for large firms. Only 5 per cent of micro-enterprises reported that at least three-quarters of their costs are incurred in foreign currency; for small enterprises, this proportion is 7 per cent, and for medium-sized enterprises, 9 per cent. In contrast, this proportion is significantly higher – 22 per cent – for enterprises employing at least 250 people. The currency composition of costs also varies by sector, reflecting the specific characteristics of each sector. In terms of costs, low foreign exchange exposure – at less than 10 per cent – is most common in the construction industry and in business services (in 73 per cent of enterprises in both sectors), and is also above average in agriculture (68 per cent). Just over half (53 per cent) of businesses operating in the retail sector reported that less than 10 per cent of their costs are incurred in foreign currency, whilst in the manufacturing sector the figure is significantly lower, at just 35 per cent of respondents. At the same time, high foreign currency exposure of between 75 and 100 per cent is also characteristic of the manufacturing sector (15 per cent) and is higher than average in the retail sector (11 per cent). In the business services sector, the construction industry and agriculture, the proportion of respondents indicating high foreign currency exposure is below average, at 3 per cent, 2 per cent and 0 per cent respectively.

When broken down by region, there are minor differences in enterprises' cost-side foreign exchange exposure compared with employee size categories or sectors; however, a few regional peculiarities are worth highlighting. The proportion of enterprises in which costs incurred in foreign currency account for less than 10 per cent of total annual costs varied between 55 and 70 per cent across the different regions. The lowest proportion was observed in Western Transdanubia (55 per cent), whilst in the Northern Great Plain, Southern Transdanubia and Central Transdanubia, this proportion stood at 69 per cent and 70–70 per cent respectively. We also found a relatively low proportion in Central Hungary (59 per cent). The proportion of costs incurred in foreign currency—ranging from 75 to 100 per cent—was highest in the Central Transdanubia region, at 11 per cent, which was significantly higher than in the other regions. This proportion was also above average in the Central region (7 per cent). In the other regions, lower figures of between 4 and 6 per cent were observed. In the Western Transdanubia region, the proportion of costs incurred in foreign currency in the 50–74 per cent range was higher than in other regions, at 9 per cent, which is the same as the figure for Central Hungary.

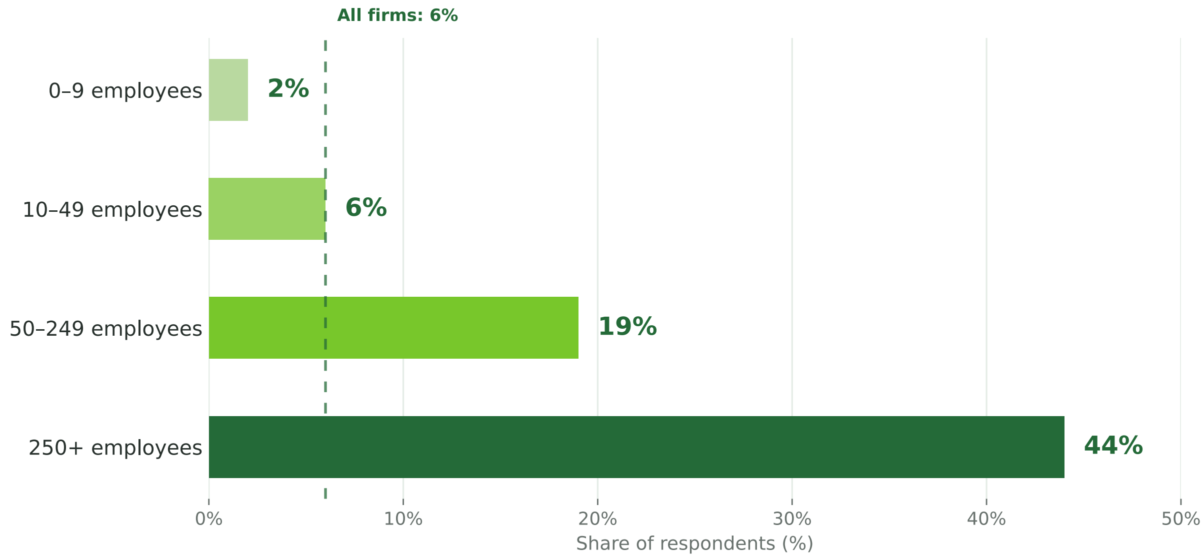
The share of the euro and other foreign currencies within total annual turnover shows a similar overall picture to that of costs. For nearly two-thirds of enterprises (64 per cent), this share typically remains below 10 per cent. For 9 per cent of them, the figure ranges between 10 and 29 per cent; for 5 per cent each, it is between 30–49 per cent and 50–74 per cent respectively; and 11 per cent of enterprises have a share of foreign currency revenue exceeding 75 per cent.

Sector-specific characteristics are also evident in terms of the proportion of foreign currency revenue. In the construction sector, the proportion of respondents whose foreign currency revenue is less than 10 per cent is particularly high (77 per cent). In the case of economic services and agriculture, this proportion also exceeds the average (70 per cent and 65 per cent respectively); however, in the manufacturing sector, the proportion of such enterprises was only 32 per cent. The proportion of enterprises with a high share of foreign currency revenue is exceptionally high in the manufacturing sector, at 38 per cent, whilst in the other sectors it ranged between 3 and 8 per cent, significantly lower than this.

Having outlined foreign currency exposure, it is worth examining the forint/euro exchange rates that enterprises used in their business planning for the current year. The majority of respondents

Currency hedging is primarily a large-firm practice

Share of firms using currency hedging instruments, by company size



who specified a particular exchange rate – 16 per cent – based their planning for the current financial year on an assumed forint/euro exchange rate of between 390 and 399. A similar proportion, 14 per cent, based their plans on an exchange rate of between 380 and 389 forint to the euro, whilst 12 per cent based their plans on a rate of between 400 and 409 forint to the euro. In the event of more extreme fluctuations in the value of the domestic currency – with an exchange rate above 410 forint to the euro or below 379 forint to the euro – 2 per cent and 3 per cent of businesses respectively had made their plans (of the latter, 1 per cent were those planning on the basis of an exchange rate below 370). For 45 per cent of survey respondents, the euro exchange rate is not a factor in their planning, whilst a further 8 per cent did not know or did not answer.

Significant differences can be observed across the company size categories defined by headcount. The smaller the company, the higher the proportion of respondents for whom the euro exchange rate is not a factor in corporate planning. The relevant responses ranged from 10 to 53 per cent across the different headcount categories. In every company size category, the largest proportion of respondents indicated one of the three exchange rate bands between 379 and 410. Among micro-enterprises, responses were

Fig. 2
Hedging against exchange rate risk is mainly practised by large companies

Source: Based on data from MNB and MKIK, GVI

evenly split between the 380–389, 390–399 and 400–409 forint/euro exchange rate bands, at 11 per cent each. Among small enterprises, the 390–399 forint per euro exchange rate was selected by the largest proportion of entrepreneurs (23 per cent), whilst among medium-sized companies, the majority (29 per cent) planned on the 380–389 range, with a further 25 per cent opting for the 390–399 level. One-third (33 per cent) of companies employing at least 250 people anticipated an exchange rate of between 390 and 399; however, in this category, the proportion of those planning for an exchange rate of 410 or above was also higher than in other categories (6 per cent, compared with just 2 per cent in each of the other categories).

03

INTERNATIONAL TRENDS

2026. AUGUST

		Actual data	Expectations	Previous period*
Germany	Unemployment Rate	**6,40%**	6,40%	6,40%
	Manufacturing Purchasing Managers Index	**54,3**	54,1	52,2
	IFO Business Climate Index[1]	**88,8**	87,2	86,7*
France	INSEE Business Climate Index[2]	**98**	98	97
EU	Economic Sentiment Indicator (ESI)[3]	**98,4**	97,5	97,1*
USA	Unemployment Rate	**4,10%**	4,10%	4,10%
	CB Consumer Confidence Index	**89,4**	90,3	90,2*
	Manufacturing Purchasing Managers' Index	**54,6**	55,2	55,6
China	Manufacturing Purchasing Managers' Index	**49,8**	49,7	49,2

[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 additional data: https://www.bloomberg.com/markets/economic-calendar
*Retrospective adjustment

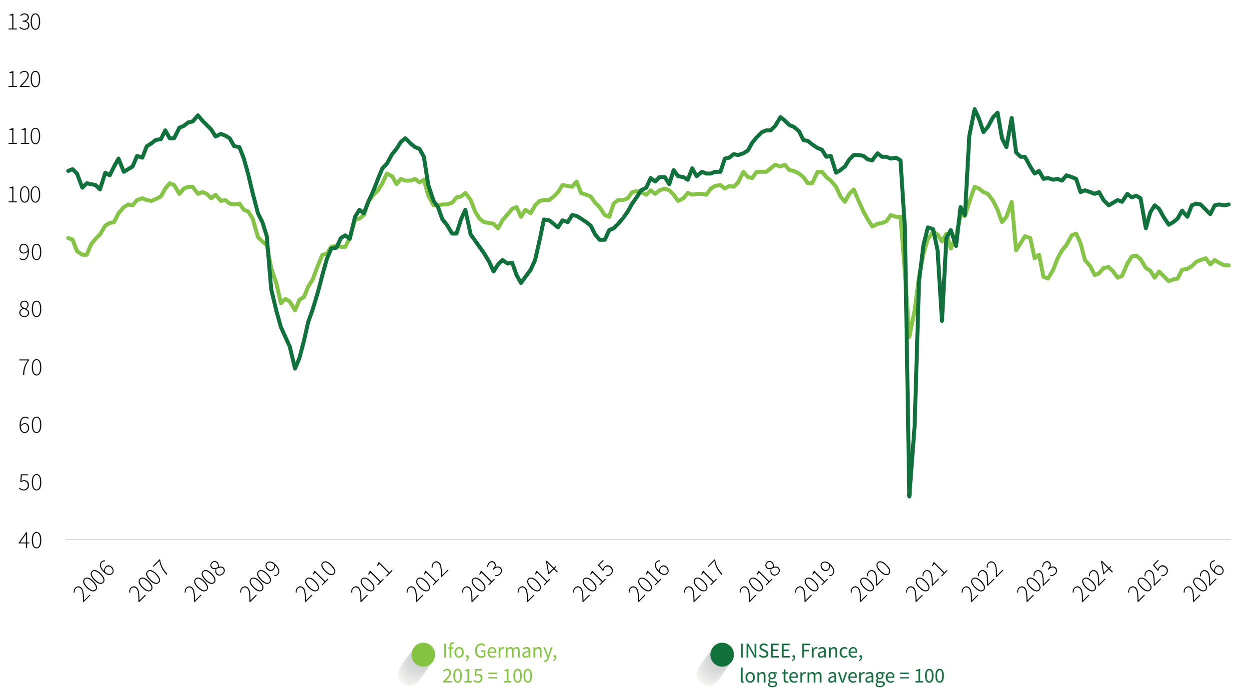


Fig. 3
Assessment of business confidence in Germany and France, based on the Ifo and INSEE business climate surveys,
January 2005 – August 2026

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

In August 2026, the global economic outlook improved somewhat compared to July: business sentiment in Europe continued to improve, Germany's manufacturing sector strengthened significantly, whilst consumer confidence in the United States weakened. In China, industrial activity improved but remained within the range indicating a downturn.
In Germany, the unemployment rate remained unchanged at 6.4 per cent. The manufacturing Purchasing Managers' Index rose from 52.2 points to 54.3 points, exceeding the preliminary figure of 54.1 points. The IFO business confidence index also improved significantly: it rose from 86.7 points to 88.8 points, exceeding the forecast of 87.2 points.
In France, the INSEE business confidence index rose from 97 points to 98 points, but remained below the 100-point level indicating the long-term average. The eurozone's ESI economic sentiment index rose from 97.1 points to 98.4 points, exceeding the forecast of 97.5 points. The data indicate a gradual improvement in European economic sentiment. In the United States, the unemployment rate remained unchanged at 4.1 per cent. However, the Conference Board's consumer confidence index fell from 90.2 points to 89.4 points, falling short of the forecast of 90.3 points. The manufacturing Purchasing Managers' Index (PMI) edged down from 55.6 points to 54.6 points, but continued to signal clear expansion.

In China, the official manufacturing Purchasing Managers' Index rose from 49.2 points to 49.8 points, slightly exceeding expectations. However, the index remained below the 50-point threshold, meaning that manufacturing performance continued to show a slight decline.
The outlook for September points to a cautious improvement. In Germany, a strengthening of industrial activity and business confidence may signal a favourable turnaround, whilst in France and the eurozone, the improvement in sentiment is likely to continue. In the United States, weakening consumer confidence and, in China, the fragility of industrial output are adding to the uncertainty.

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