

HUNGARY



HIGHLIGHTS

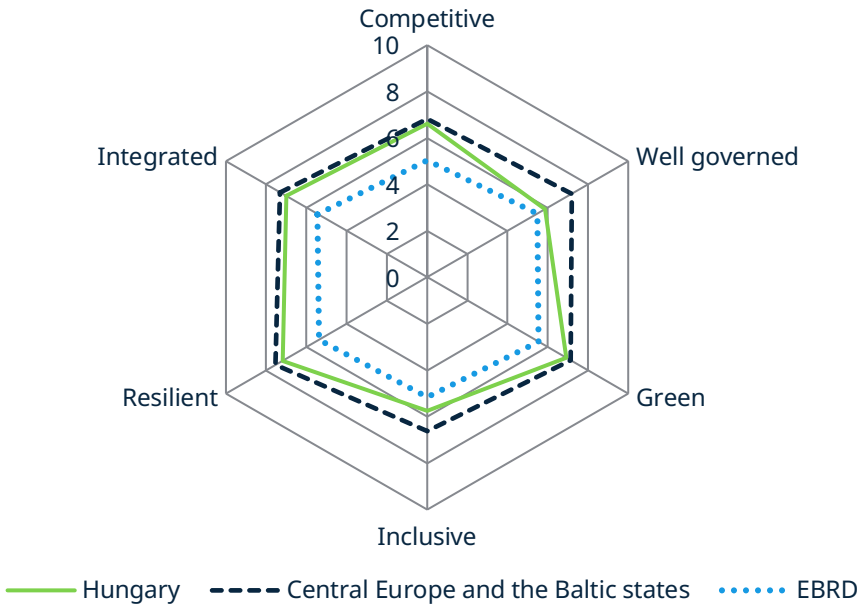
- **Economic growth picked up after three years of stagnation. Real gross domestic product (GDP) grew by 1.8 per cent year on year in the first half of 2026, its fastest pace since 2024, despite a negative contribution from net exports.** Inflation stood at 2.1 per cent in September 2026, among the lowest rates in the European Union (EU). The government more than doubled its original 2026 deficit target, from 3.7 per cent to 7.5 per cent of GDP, and expects public debt to reach 77.5 per cent of GDP by the end of 2026.
- **Hungary moved closer to regaining access to substantial EU funding.** In July 2026 the Council of the EU approved a revised €10 billion Recovery and Resilience Facility (RRF), around 4.6 per cent of GDP, with payments subject to the European Commission's verification of completed milestones. In September, the Commission proposed releasing €4.2 billion in suspended cohesion funding, around 1.9 per cent of GDP, subject to approval by the Council of the EU.
- **A record drought cut output at the nuclear plant that supplies half of the nation's electricity.** Water levels on the Danube fell to a record low in August 2026, leaving too little cooling water and forcing reliance on imported power. A government package for grids, storage and household solar followed, with the first tender for new wind capacity since 2011.

For more information about country macroeconomic developments, please consult our latest Regional Economic Prospects report.

KEY PRIORITIES FOR 2027

- **Anchor fiscal consolidation in a credible medium-term framework.** The government is aiming to significantly reduce the fiscal deficit in the coming years within a new medium-term fiscal framework. It is vital that durable measures to reduce the primary deficit and put public debt on a downward path are adhered to and supported by robust fiscal rules and realistic macroeconomic assumptions.
- **Improve conditions for private investment before EU grants end.** The Recovery and Resilience Facility (RRF) closes at the end of 2026 and Hungary's cohesion spending lags the EU average. Shallow capital markets, subsidised lending, retail price caps and sectoral taxes worth over 2 per cent of GDP deter private investors.
- **Diversify energy supply and make it resilient to drought.** More than 90 per cent of the country's oil imports came from Russia in 2025, and low river levels forced cuts to electricity output in 2026. Electricity prices for firms remain far above the EU average, fuelled by weak competition and high grid charges.

ASSESSMENT OF TRANSITION QUALITIES (1-10)



For more on reforms and transition qualities, see Chapter 5 of the Transition Report 2026-27.

KEY REFORMS AND POLICY DEVELOPMENTS[1]

Progress towards restoring access to EU funding

- Following a political agreement in May 2026 the Council of the EU approved Hungary's revised €10 billion RRF in July, with payments remaining conditional on the European Commission's verification of completed milestones.
- In September 2026 the European Commission proposed releasing €4.2 billion in suspended cohesion funding and restoring access to Erasmus+ and Horizon Europe, subject to approval by the Council of the EU. RRF payments remain due by the end of 2026.

1 From the fourth quarter of 2025 to October 2026.

Anti-corruption framework strengthened

- Senior public officials and their relatives must now declare their assets under a law adopted in June 2026, which also allows the Integrity Authority, the state anti-corruption body, to examine the declarations and suspend risky procurement.
- In July 2026 the European Commission approved Hungary's request to join the European Public Prosecutor's Office, with participation taking effect in August.

Rule by decree ends as the "state of danger" lapses

- The "state of danger", the emergency legal order in force since 2020 under which the government could suspend the application of laws, expired in May 2026.
- The European Commission had identified prolonged rule by decree as a source of legal uncertainty for business. Parliament voted in June 2026 to abolish the Sovereignty Protection Office, which investigated journalists and civic groups.

Public-service media and the media regulator restructured

- The mandates of the Media Council, the broadcasting regulator, were terminated in June 2026 and the country's public-service media were reorganised into a new broadcaster and a separate national news agency.
- Oversight passed to a board with equal government, opposition and industry representation. Rules on state advertising, which the European Commission has identified as a potential lever of political influence over the media, remained unchanged.

Drought exposed the power system and accelerated the return of wind power

- Record low water levels on the Danube in August 2026 shut down most capacity at the Paks nuclear plant, which supplies around half of the nation's electricity.
- An HUF 868 billion (€2.4 billion) RRF-backed programme supports grid and renewable energy investment. In September 2026 the first wind capacity tender since 2011 opened for at least 700 megawatts, as part of plans to add 4 gigawatts by 2030.

Distorting taxes and price controls partly removed

- The carbon dioxide quota tax – a levy on the sale of corporate carbon permits, which the Court of Justice of the European Union (CJEU) found to be incompatible with EU law – was abolished in July 2026.
- The capped retail price for motor fuels was withdrawn in June 2026. The government is also planning to withdraw the margin caps on food and pharmacy products (which were referred to the CJEU by the European Commission), although the date of withdrawal has not yet been set.