

Country in focus: Hungary



A CHANCE FOR IMPROVING RELATIONS WITH THE EU, FINALLY

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In April, Hungary faces its most competitive election since 2010, with polls generally suggesting a win for the opposition Tisza Party. A Tisza victory would likely lead to an improvement in relations with the EU and would increase the chances of unlocking frozen EU funds – though in the absence of a constitutional supermajority, institutional constraints could limit policy implementation. By contrast, a renewed Fidesz mandate would likely reinforce the current policy trajectory and leave Hungary's strained relationship with the EU largely unresolved.

In April, Hungary will head into its next parliamentary election after sixteen years of near-continuous parliamentary supermajority rule by the Viktor Orbán-led Fidesz – Hungarian Civic Alliance. Since returning to power in 2010, Fidesz has governed with repeated constitutional majorities, enabling the party to fundamentally reshape Hungary's political and economic institutions. A new constitution was adopted in 2011 and numerous institutional reforms have consolidated the governing party's influence across the state apparatus.

Economically, the Orbán administrations have built a growth model centred on attracting foreign direct investment (FDI), particularly export-oriented manufacturing linked to the German automotive value chain. The strategy has been complemented by policies aimed at achieving near full employment, through labour-market reforms and strong industrial expansion. For much of the 2010s, this model delivered robust growth and declining unemployment.

At the same time, Hungary's foreign-policy orientation has shifted gradually away from a strongly Atlanticist stance toward a strategy labelled the 'Eastern Opening', which has sought closer economic ties with countries such as China and Russia, while maintaining membership of Euro-Atlantic institutions. Relations with Brussels have deteriorated significantly during this period, due to concerns over rule-of-law violations, corruption, and the erosion of democratic checks and balances. As a consequence, a substantial portion of EU funds has been frozen, which has weighed on public investment and has dragged down Hungary's expected medium-term growth trajectory.

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Against this background, the upcoming election represents the most competitive contest since 2010 and may mark a turning point for both the country's political trajectory and its economic-policy framework.

Electoral system favours the incumbents

Hungary operates a mixed electoral system, combining proportional representation with single-member districts. Of the 199 parliamentary seats, 93 are allocated from national party lists, while 106 are elected in single-member constituencies. The electoral rules and district boundaries were introduced by the current governing majority, and [previous analysis](#) suggests that, under the present system, every parliamentary election since 1998 would have produced a Fidesz victory.

As of March 2026, the electoral outcome remains uncertain. Recent polling has nevertheless suggested a strong challenge from the main opposition force, the Tisza Party, led by Péter Magyar. Polling results vary significantly, depending on the source. Polling companies associated with the government show Fidesz leading by roughly 5-6 percentage points among the overall population, and by around 6-7 percentage points among likely voters. Independent polling institutes report the opposite: Tisza leading by between 5 and 8 percentage points among the population and between 8 and 14 percentage points among likely voters.

The [Partizán Electoral Barometer](#), which aggregates polling data and translates it into seat projections, currently estimates the probability of a Tisza victory at 79%, with the likelihood of a Fidesz victory 13% and of a hung parliament roughly 8%. It also suggests around a 28% probability that Tisza could obtain a constitutional supermajority of at least 133 seats.

However, even if Tisza appears to lead in many polls, the structure of the electoral system complicates the translation of vote share into parliamentary seats. Fidesz historically benefits from both the district design and the concentration of its voters in key constituencies. In addition, the governing party likely retains a larger pool of undecided voters who lean toward it who could mobilise closer to the election. As a result, electoral simulations suggest that Tisza would likely need to outperform Fidesz by at least 4 percentage points in the national vote, if it is to secure a parliamentary majority.

Scenario 1: A Tisza victory: pivot to the West and improved governance

A victory for Tisza would represent the first change of government in Hungary since 2010. However, the magnitude of such a victory would have enormous consequences for the functioning of any future administration.

Over the past 16 years, Fidesz has consolidated its influence across a wide range of state institutions. Many of the individuals heading key institutions are closely associated with the governing party, and their mandates extend well beyond the next parliamentary cycle. Recent institutional changes have further entrenched this situation. After Katalin Novák resigned as president in 2024, in the wake of a controversial presidential pardon granted in a case related to child abuse, she was replaced by Tamás Sulyok, formerly president of the Constitutional Court. His position in the court was then filled by former Prosecutor General Péter Polt, whose previous role was taken over by his chief of staff.

This reshuffle ensured that key positions will remain occupied by figures associated with Fidesz for some time to come: the country's president is expected to remain in office until 2029; the president of the Constitutional Court until 2037; and the prosecutor general until 2034. In addition, the leadership of the State Audit Office is secured until 2034 and the governorship of the Hungarian central bank until 2031.

While the institutional independence of bodies such as the Constitutional Court or the central bank is, in principle, a cornerstone of democratic checks and balances, the unusually long mandates, combined with strong political alignment with the current governing party, mean that most key institutions would remain beyond the influence of any potential new government for the entirety of the next parliamentary cycle. In practice, this could create significant institutional friction and limit the room for manoeuvre of a future administration, particularly in areas related to fiscal oversight, monetary policy coordination and the investigation of alleged corruption cases. A constitutional supermajority would therefore be crucial in terms of enabling a new government to replace or reform the leadership of key institutions.

The Tisza Party's manifesto outlines a broad economic reset, centred on restoring growth through improved governance and reintegration with European institutions. It promises to unlock frozen EU funds, restore investor confidence and reduce corruption, while at the same time increasing spending on healthcare, pensions, social benefits and public-sector wages.

On the revenue side, however, the proposed reforms appear relatively limited. Beyond a reduction in personal income taxes and the introduction of a wealth tax on billionaires, the programme does not outline any comprehensive tax reform capable of generating substantial structural revenue. The fiscal space needed for higher spending is therefore expected to arise primarily from stronger growth, lower borrowing costs, renewed EU transfers and efficiency gains associated with reduced corruption.

Among these assumptions, the most likely short-term change would be a normalisation of relations with Brussels and the gradual unlocking of frozen EU funds. Other improvements, such as in growth performance and governance, are possible, but would likely take longer to materialise. Tisza's programme also commits Hungary to meeting the Maastricht criteria by 2030, implying a medium-term ambition to prepare for euro adoption. Achieving this objective would depend heavily on the stance of the Hungarian National Bank, whose leadership would remain outside the control of the government under current constitutional rules.

Overall, Tisza's programme is ambitious, but it relies on arguably overly optimistic assumptions regarding the speed at which governance improvements and growth acceleration could materialise.

A clearer picture of the likely economic orientation of a Tisza government can be obtained by examining the individuals expected to shape economic policy. Péter Magyar would remain the central political figure. A former Fidesz insider, he has spoken in positive terms about several economic policies implemented after 2010, but has generally shown limited engagement with the technical details of economic policy making.

A key role would likely be played by András Kármán, the party's tax and budget expert and the candidate mentioned most frequently as a possible finance minister. After a career as a central banker, between 2010 and 2011 he served as state secretary in the Ministry for National Economy during the second Orbán government. He reportedly left the position because his views were more liberal and

market friendly than those prevailing at the time in the ministry, which was pursuing a number of unorthodox and market-disrupting policies, including sector-specific taxes, such as the banking-sector levy. He later worked at the European Bank for Reconstruction and Development and at Erste Bank.

Another prominent figure is István Kapitány, formerly a global executive at Shell plc, who is expected to oversee economic development and energy policy. His priorities include energy-efficiency measures, maintaining current household energy subsidies and diversifying Hungary's energy imports away from Russian sources.

Taken together, these figures suggest that although Tisza differs markedly from Fidesz in terms of political positioning and foreign-policy orientation, the two parties share certain similarities in their broad economic philosophy. Both support an investment-driven growth model and close integration with international manufacturing supply chains. The most pronounced differences relate to governance standards and geopolitical alignment, particularly Tisza's clear commitment to Euro-Atlantic cooperation.

Scenario 2: A Fidesz victory: muddling through

A Fidesz victory remains plausible, despite current polling trends. Given the institutional configuration described above, a simple parliamentary majority would likely be sufficient for the governing party to maintain its policy direction, as most key institutional positions are already held by its allies.

The Hungarian economy has underperformed since the last election. Growth has been constrained by a combination of external shocks, frozen EU funds and a sharp decline in public investment. More fundamentally, the limitations of the existing growth model may be becoming apparent. The FDI-driven strategy of the 2010s successfully expanded manufacturing capacity and pushed unemployment to historically low levels. However, the model has also generated structural weaknesses – in particular, relatively low value added in production, weak domestic innovation capacity and limited productivity growth outside export-oriented manufacturing sectors. Hungary is now close to full employment and is increasingly reliant on migrant workers to staff new production facilities – something that sits uneasily with the government's strongly anti-immigration political stance.

Although the current Minister for National Economy, Márton Nagy, may not remain in his position even if Fidesz wins again, there are few indications that the government intends to fundamentally revise its economic strategy.

One flagship proposal announced by Viktor Orbán is the expansion of the '100 new factories programme' into a '150 new factories programme'. This initiative appears to double down on the existing manufacturing-led growth model. Yet Hungary's economic challenges appear to stem less from a lack of factories and more from the limited value added and productivity associated with existing production structures. Increasing domestic value added would likely require stronger investment in education, research and innovation. However, public spending in these areas has remained relatively stagnant over the past decade, making it hard to envisage any rapid improvement in the country's innovation capacity.

Another potential lever for economic growth relates to EU funding. The Hungarian government has indicated that unless frozen EU funds are released, it could veto the next EU budget negotiations. This strategy fits into the broader narrative promoted by the government regarding a potential 'sovereigntist' shift within the European Union. Should parties that advocate a more sovereigntist and less integrationist approach to EU governance gain influence in major Western European governments following upcoming elections, Budapest could potentially see an improvement in its relations with Brussels. At present, however, the likelihood and timing of such a political realignment remain uncertain.

Conclusion

Hungary's next parliamentary election could have far-reaching implications for both its domestic political system and its economic trajectory.

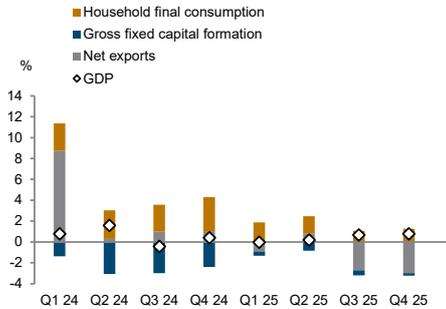
A Tisza victory would likely lead to a rapid normalisation of relations with the European Union and potentially unlock significant EU funding. At the same time, institutional constraints and the ambitious nature of the party's economic programme could complicate implementation, particularly if the new government does not obtain a constitutional supermajority.

A Fidesz victory would imply policy continuity and institutional stability, but may also prolong the structural weaknesses of the current growth model, particularly if relations with the European Union remain strained and public investment continues to lag.

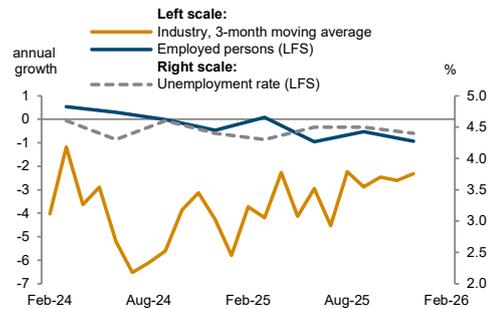
For investors and economic observers, the election therefore represents not only a political contest, but also a key moment for assessing the future direction of Hungary's economic model and its place within the European economy.

Hungary

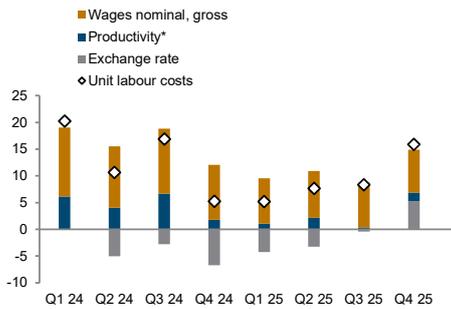
Real GDP growth and contributions
y-o-y



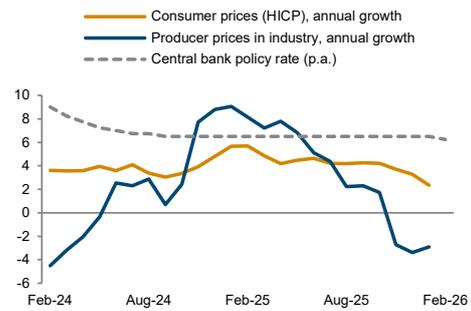
Real sector development
in %



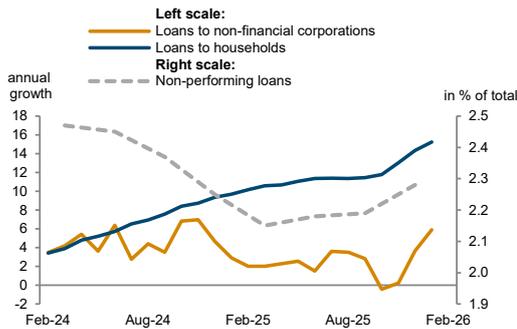
Unit labour costs in industry
annual growth rate in %



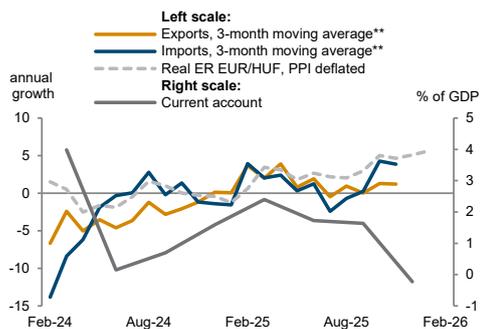
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

*Note: HICP - Harmonised Index of Consumer Prices, NPISHs - Non-profit institutions serving households.

Source: wiiw Monthly Database incorporating Eurostat and national statistics. Baseline data, definitions and methodological breaks in time series are available under: <https://data.wiwi.ac.at/monthly-database.html>