

Hungary

Rating report

Rating rationale

Strong record of robust growth dynamics and still-solid medium-term growth prospects:

Despite recent weaker performance, the Hungarian economy has a record of robust growth benefitting from large foreign investments and significant EU funding. Nevertheless, a substantial portion of current EU funds remains suspended. These represent all grants under the Recovery and Resilience Facility and grants and loans under RePowerEU, except for prepayments already received. In addition, Hungary has access to only EUR 12.8bn out of a total EUR 21.7bn in 2021-2027 Cohesion funding.

Economic performance is supported by private consumption in 2025 and 2026, while investment remains subdued. Major capacity-expanding foreign direct investments continue to support the medium-term economic outlook, but capacity under-utilisation and production delays remain a risk. We expect real GDP growth of around 0.6% in 2025, in line with 2024, and 2.0% in 2026.

Robust structure of external and public liabilities and an improving external position: Hungary's public debt profile demonstrates resilience to external shocks due to its elevated share of domestic financing, facilitated by its domestic retail programme, reducing dependency on external sources. The country's external liabilities mostly consist of direct investment, supporting Hungary's resilience to external shocks. Hungary's external position and international reserve adequacy remain robust, a key support to the ratings.

Rating challenges include: i) relatively elevated public debt with a raising interest-payment burden; ii) a sustained fiscal deficit reflecting limited fiscal flexibility; iii) weak governance indicators and lingering uncertainty regarding the inflow of substantial EU funds; and iv) heightened vulnerability to external shocks.

Foreign currency

Long-term issuer rating/Outlook

BBB/Stable

Senior unsecured debt/Outlook

BBB/Stable

Short-term issuer rating/Outlook

S-2/Stable

Local currency

Long-term issuer rating/Outlook

BBB/Stable

Senior unsecured debt/Outlook

BBB/Stable

Short-term issuer rating/Outlook

S-2/Stable

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Figure 1: Hungary's sovereign-rating drivers

Risk pillars		Quantitative		Reserve currency*	Political risk**	Qualitative****	Final rating
		Weight	Indicative rating	Notches	Notches	Notches	
Domestic economic risk		35%	a+	HUF	Hungary	0	BBB
Public finance risk		20%	a-			0	
External economic risk		10%	bb-			- 1/3	
Financial stability risk		10%	aaa			0	
ESG risk	Environmental factors	5%	bbb+	[+0]	[-0]	0	
	Social factors	7.5%	b+			0	
	Governance factors	12.5%	bbb-			- 1/3	
Sovereign Quantitative Model***		bbb+				-1	
Additional considerations						0	

*The reserve-currency quantitative adjustment applies to currencies in the IMF's Special Drawing Rights (SDR) basket.

**The political-risk quantitative adjustment is based on the World Bank's Political Stability & Absence of Violence/Terrorism index.

*** Scope's SQM signals an indicative credit rating of 'bbb+' for Hungary, which was approved by the rating committee.

****The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer.

For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings.

Credit strengths and challenges

Credit strengths

- Solid medium-term growth prospects
- Robust structure of external and public liabilities and an improving external position, enhancing the country's resilience to shocks

Credit challenges

- Elevated public debt with a high interest-payment burden
- Continuous fiscal deficits, reflecting limited fiscal flexibility
- Weak governance indicators, lingering uncertainty regarding the inflow of substantial EU funds
- Heightened vulnerability to external shocks

Outlook and rating triggers

The **Stable Outlook** reflects Scope's view that risks to the ratings are balanced.

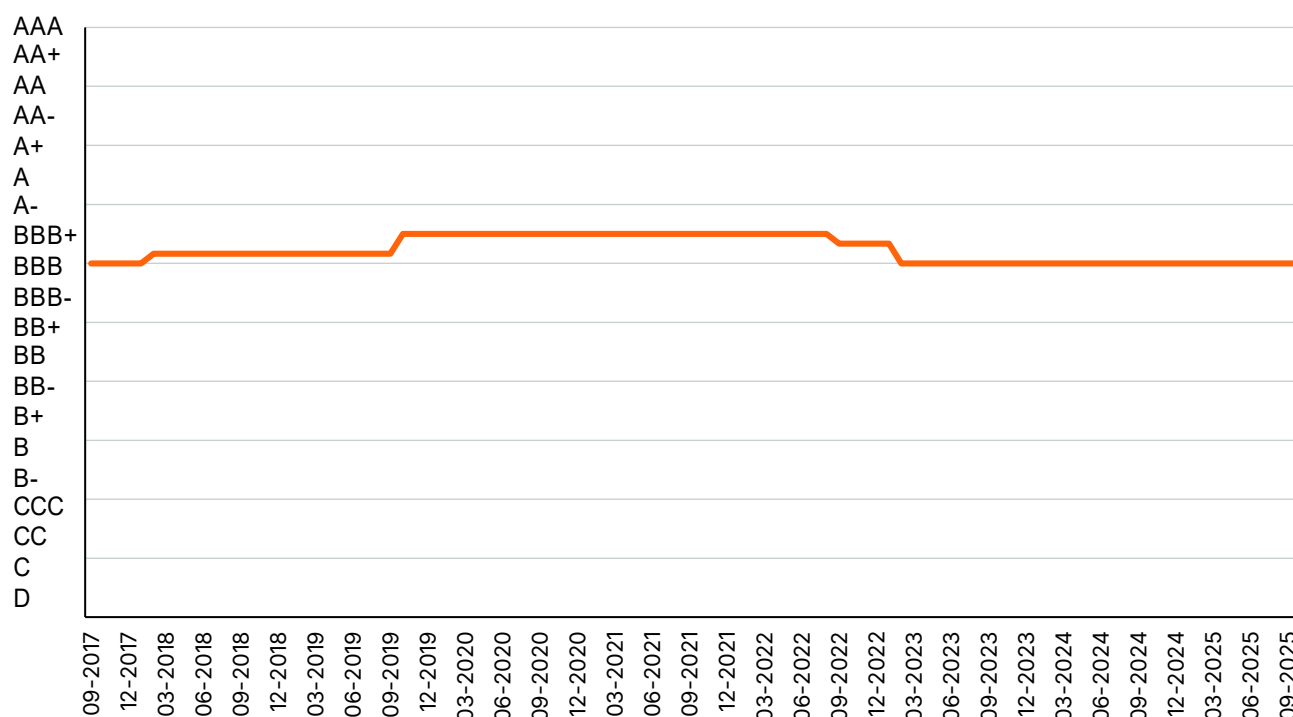
Positive rating-change drivers

- Improvement in public finances, resulting in a significant reduction in public debt in the medium term
- Materially improving external metrics and strengthened reserve adequacy

Negative rating-change drivers

- Significant worsening in the economic growth outlook
- Protracted fiscal deterioration, materially weakening debt sustainability
- Significant worsening of external metrics, weighing on reserve adequacy

Figure 2: Rating history



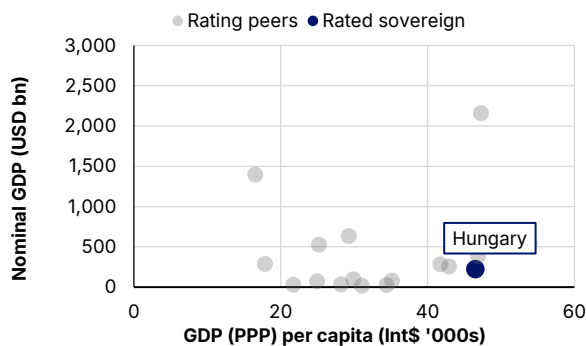
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of Hungary's Domestic Economic Risk

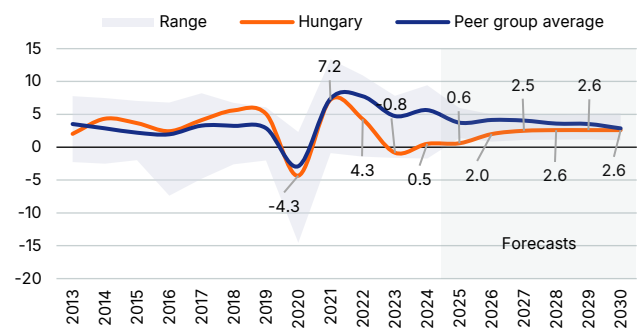
SQM ¹¹ indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a+	Growth potential and outlook	Neutral	0	Robust medium-term growth dynamics, albeit estimated potential growth has declined moderately
	Monetary policy framework	Neutral	0	Credible central bank, conservative monetary policy stance
	Macroeconomic stability and sustainability	Neutral	0	High reliance on external markets amplified by an economic structure dominated by energy-intensive businesses with complex value chains; large-scale foreign direct investments in key industries

Figure 3: Nominal GDP and GDP per capita (2024)



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



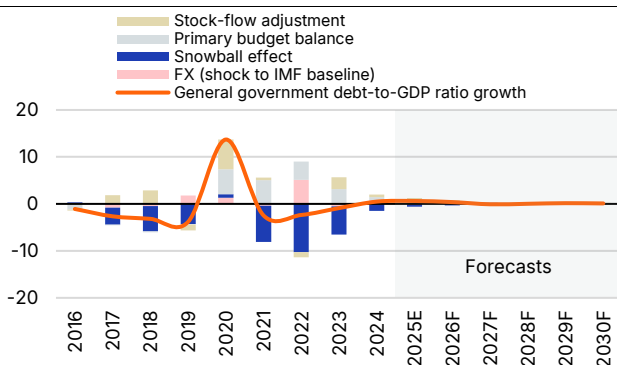
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of Hungary's Public Finance Risk

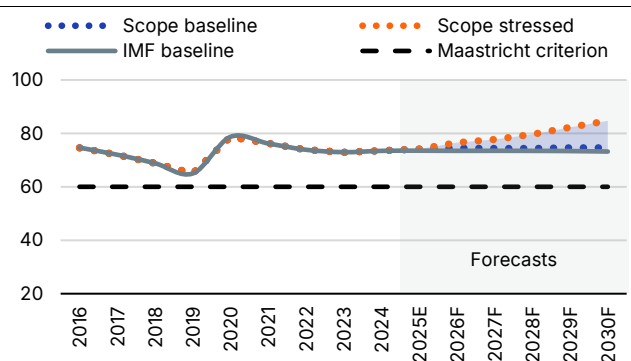
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a-	Fiscal policy framework	Neutral	0	Track record of primary surpluses; limited fiscal space with relatively elevated budget deficits expected in the medium-term
	Long-term debt trajectory	Neutral	0	Elevated debt burden expected to remain broadly stable in coming years; long-term debt trajectory supported by robust nominal growth prospects
	Debt profile and market access	Neutral	0	Resilient debt profile and solid domestic investor base; High share of foreign-currency denominated debt at around 30%

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

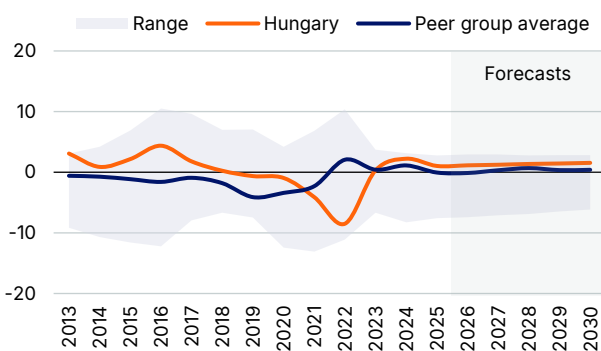
¹¹ Sovereign Quantitative Model

External economic risk

Overview of Scope's assessments of Hungary's External Economic Risk

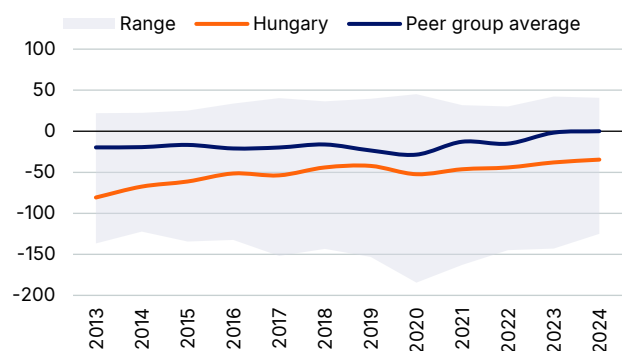
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb-	Current account resilience	Neutral	0	Long-run track record of stable current account receipts with a manufacturing sector highly integrated in global supply chains
	External debt structure	Neutral	0	External liabilities mostly consist of direct investment and equity rather than debt-creating flows
	Resilience to short-term external shocks	Weak	- 1/3	High refinancing needs; reliance on external demand and foreign capital

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



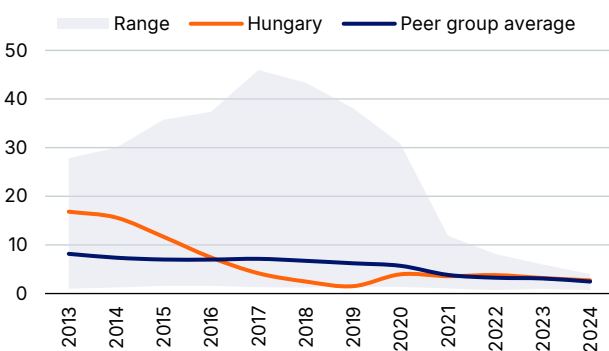
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of Hungary's Financial Stability Risk

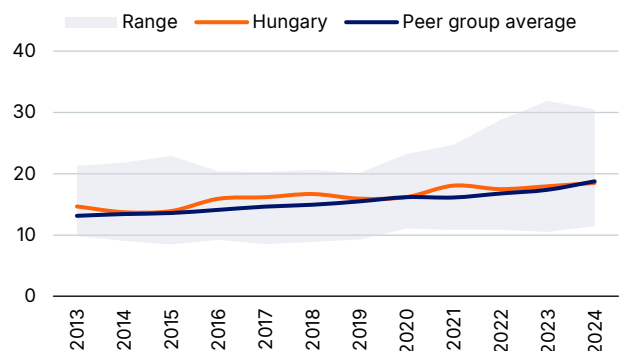
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	High capitalisation and liquidity levels; resilient profitability
	Financial sector oversight and governance	Neutral	0	Effective supervisory control; timely and comprehensive regulatory measures
	Financial imbalances	Neutral	0	Macroprudential measures underpin financial stability; moderate private sector debt

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



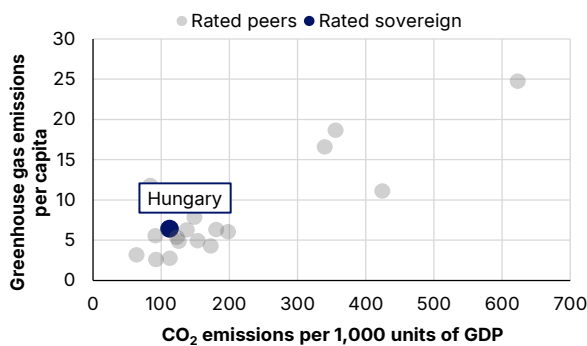
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of Hungary's ESG Risk

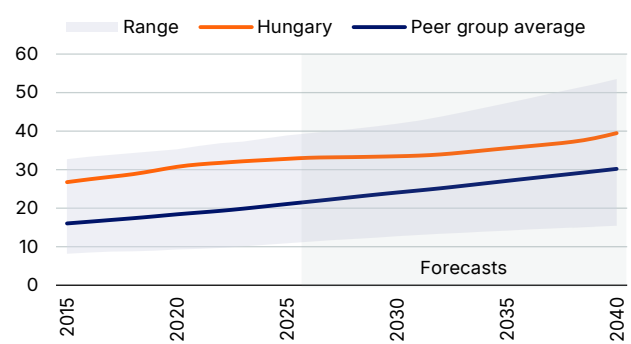
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb+	Environmental factors	Neutral	0	Some exposure to climate risks via agricultural sector; elevated reliance on fossil fuel imports
	Social factors	Neutral	0	Significant employment gaps and high regional inequalities, mirroring those observed among peers
	Governance factors	Weak	- 1/3	Ongoing institutional challenges; limited policy predictability and lingering uncertainty regarding the inflow and absorption of substantial EU funds

Figure 11: CO₂ emissions per GDP (2023), mtCO₂e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

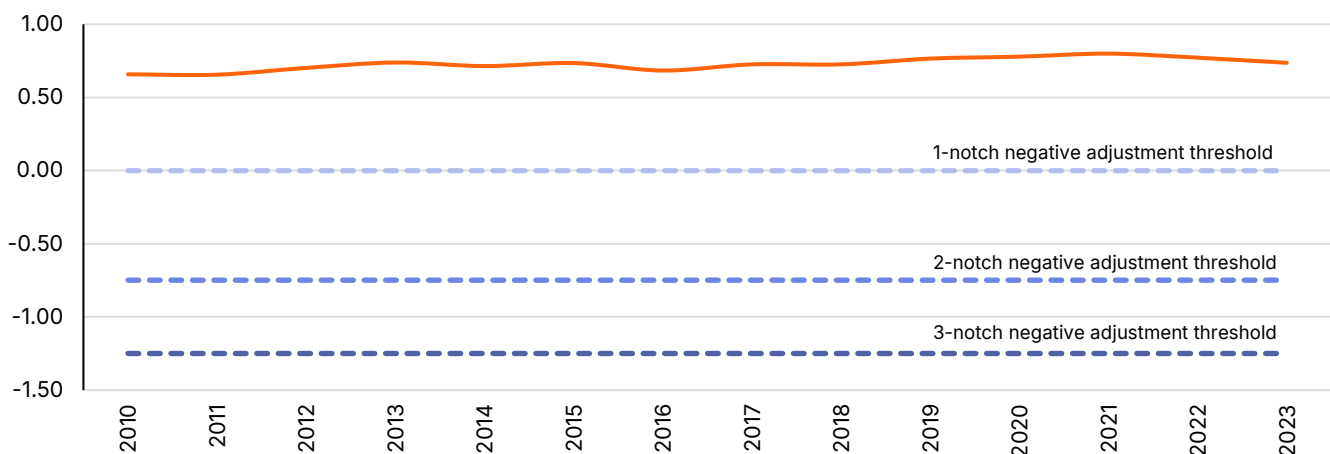
IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	Euro	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	29.3	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	1	1	1	1	0

Source: IMF, Scope Ratings

Political-risk adjustment

Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Hungary, 3-year moving average

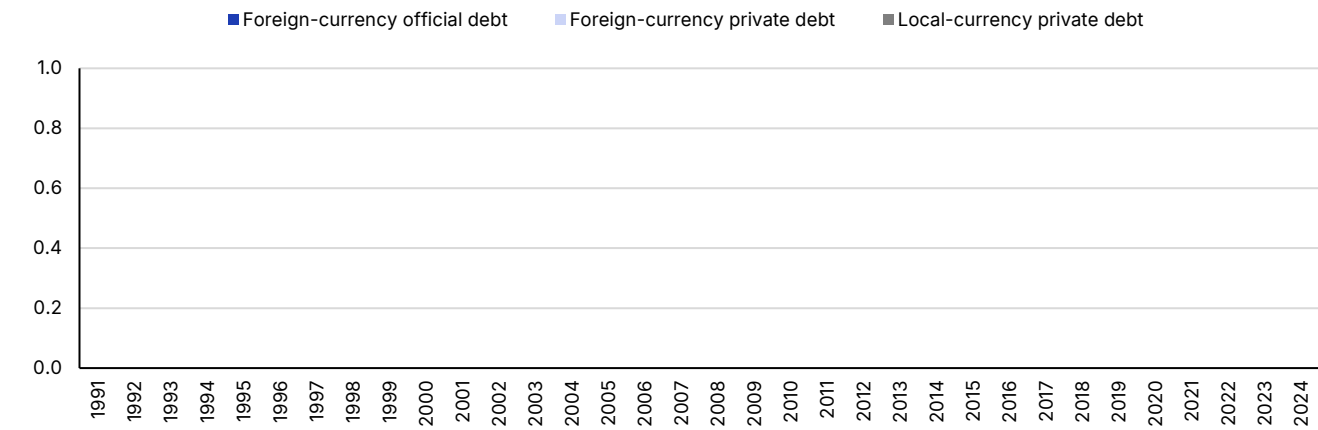


Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix 1. Sovereign default history, USD m



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).
Source: [Bank of Canada–Bank of England Sovereign Default Database](#), Scope Ratings.

Appendix 2. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
Georgia
Greece
Romania

*Select publicly rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix 3. Economic development and default indicators

IMF Development Classification	Emerging market and developing economy
5y USD CDS spread (bp) as of 6 October 2025	114

Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2019	2020	2021	2022	2023	2024
Domestic Economic	GDP per capita (PPP), Int\$ '000s	IMF	35.6	35.5	39.1	43.9	45.1	46.5
	Nominal GDP, USD bn	IMF	164.9	158.5	183.3	178.3	214.1	223.1
	Real growth, %	IMF	5.1	-4.3	7.2	4.3	-0.8	0.5
	CPI inflation, %	IMF	3.4	3.3	5.1	14.6	17.1	3.7
	Unemployment rate, %	WB	3.4	4.3	4.0	3.6	4.1	-
Public Finance	Public debt, % of GDP	IMF	65.0	78.7	76.2	73.9	73.0	73.5
	Net interest payment, % of government revenue	IMF	4.9	5.0	5.1	5.3	8.5	9.9
	Primary balance, % of GDP	IMF	0.1	-5.3	-5.0	-3.9	-3.2	-0.8
External Economic	Current-account balance, % of GDP	IMF	-0.6	-0.9	-4.1	-8.5	0.3	2.2
	Total reserves, months of imports	WB	2.5	3.6	3.0	2.5	2.8	-
	NIIP, % of GDP	IMF	-42.3	-52.4	-46.3	-44.2	-38.0	-34.6
Financial Stability	NPL ratio, % of total loans	IMF	1.5	4.0	3.6	3.8	3.2	2.7
	Tier 1 ratio, % of risk-weighted assets	IMF	15.9	15.1	17.0	17.3	16.3	18.5
	Credit to the private sector, % of GDP	WB	33.2	37.6	38.4	35.9	32.8	32.4
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	138.4	139.8	133.9	121.3	112.7	-
	Income share of bottom 50%, %	WID	22.6	22.7	22.7	22.7	22.7	-
	Labour-force participation rate, %	WB	74.6	75.0	76.2	77.2	78.1	78.2
	Old-age dependency ratio, %	UN	29.8	30.7	31.4	31.8	32.2	32.5
	Composite governance indicators*	WB	0.4	0.4	0.4	0.3	0.3	-
	Political stability, index	WB	0.8	0.8	0.8	0.8	0.7	-

*Average of the following five World Bank Worldwide Governance Indicators: Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality.

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Applied methodologies

[Sovereign Rating Methodology](#), January 2025

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