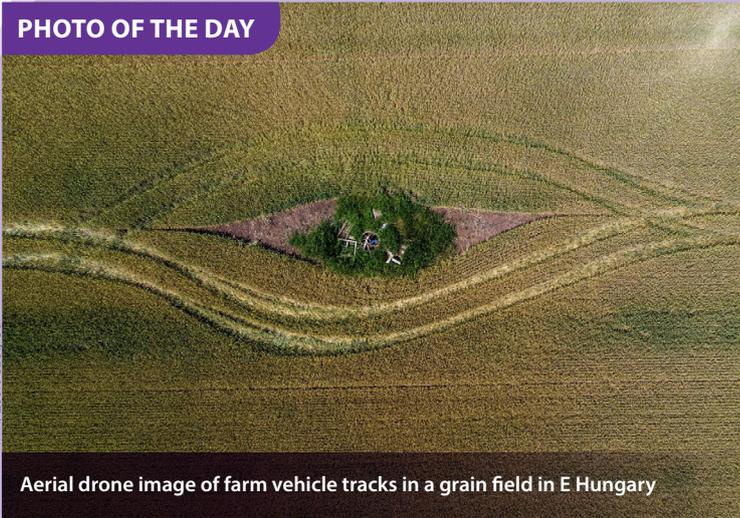


PHOTO OF THE DAY



MTI/Zsolt Czeglédi

Aerial drone image of farm vehicle tracks in a grain field in E Hungary

UPCOMING EVENTS

European Parliament holds plenary

EU justice ministers meet in Luxembourg

Stats office releases figures on guest nights in April

War in Ukraine

TOP STORY

NOVÁK: HUNGARY COUNTING ON CZECHS

Hungary is counting on cooperation with the Czech Republic, President Katalin Novák said after meeting Czech Prime Minister Petr Fiala in Prague.

Hungary is counting on cooperation on European sanctions policy and ensuring that Hungary receives the European Union funds it is entitled to, Novák said. Further, the Russia-Ukraine war must end as soon as possible and "our countries must provide all possible assistance to refugees and those in need," the president said on Facebook. "This requires not only words but also concrete actions and EU resources." "We expect Czech pragmatism in the cooperation regarding sanctions and to ensure that Hungary receives the EU funds it is entitled to. The forthcoming Czech EU presidency could also play a role in this," Novák said. Cooperation between Visegrad Group countries is "exceptionally important" for the Czech Republic as well. "It is great that we could speak openly and honestly with Prime Minister Fiala," Novák said. Novák and Fiala discussed trade, economic and energy cooperation, and the priorities of the Czech Republic's European Council presidency, which is scheduled to start on July 1, the Government Office said on Twitter.

Hungary Matters is an English-language newsletter produced and distributed by the Media Service Support and Asset Management Fund (MTVA) with content provided by Duna Media Service Provider exercises copyright over all content. No part of this publication may be copied, reproduced, redistributed or transmitted without prior written permission from the publisher, with the exception of copies made by individuals for private use, educational purposes or scholarly research, provided that such transmissions do not exceed the extent justified by the purpose and are not aimed at financial gain, even indirectly, and the source name are indicated at all times.

All rights reserved. Enquiries should be made to the English Help Desk at +361 441 9340
For MTI's real time coverage please visit <http://english.mti.hu>, <http://econews.hu>



PARLIAMENT EXTENDS WAR-RELATED SPECIAL LEGAL ORDER UNTIL NOV 1

Parliament voted on Wednesday to extend the state of special legal order in view of the war in Ukraine. The law on special legal order, expanded to include the descriptions "humanitarian catastrophe" and "war in a neighbouring country", was approved in a fast-tracked procedure with 116 votes in favour and 43 votes against. It aims to ensure that the government has all the tools needed to help people fleeing from the war and protect the country from its unfavourable economic effects. It is to remain in effect until 1 November, 2022.

FIDESZ MEP: 'WE REJECT EUROPEAN LEFT'S PETTY ATTACKS'

Balázs Hidvéghi, an MEP of Hungary's ruling Fidesz, has said: "We reject the series of petty attacks by the European left which have already created division and which weaken the EU's ability to act in a crisis situation". Commenting on the plenary debate on the rule of law situation in Poland and the European Commission's approval of the recovery plan for that country, Hidvéghi said the approval had come after several months of delays for Poland in accessing funding it is entitled to. "The fact that the

commission finally took this decision shows that all previous attacks and accusations against Poland were nothing other than political hysteria and blackmail with no real grounds," the MEP told MTI. "Left-wing and radical left deputies, groups and forces" in the European Parliament were bent on continuing their "petty accusations and political blackmail" and their "ideological attacks against the Christian Democratic Polish government the same way they have been acting against Hungary for a long time," Hidvéghi said. EU member states must bond together and respect each other "when there is a war next door". "This is the only way to make common decisions at a time when Europe is threatened by an economic, migration and energy crisis," he said.

The MEP said it was high time the commission approved Hungary's recovery plan, insisting that "Hungary is entitled to receive those funds, because the country has done all it could to prepare an appropriate plan". "It is time for the commission to act on this because in a war situation what is needed is unity," Hidvéghi said, adding that Hungary had taken in the largest number of refugees in proportion to its population. "The act of withholding funding that Hungarians are entitled to is part of a series of political-ideological attacks, it must be accepted that the EU is composed of 27 member states

with a wide range of traditions, cultures and decisions, and creating harmony among these needs mutual trust and respect," he said.

SZIJJÁRTÓ: LOGISTICS KEY SECTOR

The government sees logistics as a key sector, a benchmark of the economy's versatility in a changing world economy, Péter Szijjártó, the minister of foreign affairs and trade, said on Wednesday. The minister spoke at an event where logistics company Revesz Transz announced a 3.2 billion forint (EUR 8.2m) investment to build warehouses in Tiszaújváros and Kazincbarcika, in north-eastern Hungary. The investment is supported by a 1.4 billion government grant and will create 100 jobs, he said. The sector has faced "serious challenges" in recent years but has ensured uninterrupted supplies in Hungary even during the hardest of times, he said.

The sector's production value grew by 39% the first quarter of 2022, surpassing 1,000 billion forints, he said. Last year, it made up 5.5% of GDP, with 290,000 employees in the sector moving some 310 million tonnes of goods, he said. The government has supported 29 logistics investments in the past eight years, contributing to 4,000 new jobs, he said. The new investments are linked to growing demand from oil and gas company MOL and chemical manufacturer BorsodChem, he added.

SZIJJÁRTÓ: HUNGARY'S INTEREST LIES IN STRONG EU WITH STRONG MEMBER STATES

Hungary's interest lies in a strong and united European Union, but this requires first and foremost strong member states rather than a United States of Europe, the foreign minister said in parliament on Wednesday, answering a question by a co-ruling Christian Democrat lawmaker. The Hungarian government does not agree with the "extremist and erroneous" concept aimed at creating a United States of Europe, a concept that "would eternally weaken the nations in Europe", the foreign ministry quoted Péter Szijjártó as telling Imre Vejkey. "Only strong member states will make a strong EU. And a nation can only remain strong if it insists on preserving its traditions, national, cultural, religious and historical values," Szijjártó said. Brussels has attempted "to weaken this bond" over the past years, he said, adding that this could lead to "a weakening of member states and thereby of the EU as a whole".

OPPOSITION PARTIES SLAM DRAFT BUDGET AS 'AUSTERITY BUDGET'

Opposition parties have slammed the Hungarian draft budget submitted on Tuesday as "an austerity budget". Jobbik deputy leader Dániel Z. Kárpát said the budget contained austerity

measures to the tune of 2,000 billion forints (EUR 5.1bn), "including indirect effects". He insisted the government was allowing multinationals and banks to pass growing burdens on to consumers. By refusing to cut VAT on basic foods and children's items, the government is taking the value of family allowances out of people's pockets multiple times, he said.

Socialist lawmaker Zoltán Vajda, the head of parliament's budgetary committee, said in a video posted on Facebook that the budget was anticipating much larger revenues and much smaller expenditures than this year's, "and only staggering austerity can account for the difference". The social, health-care sector and pensions will be the biggest losers of the 2023 budget, he said. Welfare spending, at 24.6% of GDP this year, will drop to 23.6% in 2023, he said. Contrary to the government's assertion that the budget would save money on ministries, they are set to receive nearly 9,200 billion forints in 2023, as against 7,500 billion in 2022, he added.

László Toroczkai, leader of the radical Mi Hazánk (Our Homeland) party, told a press conference the budget reflected the government's acknowledgement of the need for agriculture and food industry developments in the face of a looming food crisis. At the same time, he called for further windfall taxes on the "profiteers of the coronavirus pandemic" such as IT giants and multinational companies "with German roots". Toroczkai slammed the government decision to exclude small

companies and municipalities from the cap on energy costs, a measure extended from private consumers during the coronavirus pandemic.

Ruling Fidesz said in response that the parties "now invoking austerity and inflation have made it clear multiple times over the past months that they would scrap the cap on household utility bills, push the country into war, and mire Hungarians in the energy sanctions". Inflation is soaring in Europe due to the war in Ukraine and Brussels sanctions, and Hungary's government has introduced unique measures to protect families and pensioners, the statement said.

DK CALLS ON GOVT TO PRESERVE UTILITY PRICE CUTS FOR MUNICIPALITIES

The opposition Democratic Coalition (DK) is submitting a draft proposal requesting that the government maintain the cap on energy costs for local governments. Deputy DK leader Erzsébet Gy Németh noted at an online press briefing that the utility price scheme had been expanded to small companies and local authorities during the coronavirus pandemic. The financial situation of local governments has stayed the same after the expiration of the special legal order imposed in response to the pandemic, she said. Ahead of the elections [in April], "the government spent money as if there was no tomorrow," she said. "Now, the coffers are empty

and Hungarians, families, local governments and small companies will pay the price," she added.

LMP CALLS FOR WAGE INCREASE TO MATCH INFLATION IN PUBLIC SECTOR

The co-leader of opposition LMP called for wage increase in the public sector to match inflation on Wednesday. Máté Kanász-Nagy told a press conference that raising the salaries of Prime Minister Viktor Orbán and other government members was not enough for guaranteeing the quality of public services.

The salaries of teachers, social workers, nurses and elderly care workers also need to be increased, he said. Parliament is scheduled to hold a debate later in the day on a proposal in line with which Orbán would "take care of" increasing the wages of the members of the government. Under the proposal, the rate of increase would also be decided by the prime minister, Kanász-Nagy said. He added that Orbán's salary had increased by 233% in the past 12 years, while the salaries for state secretaries have gone up by 75.5%. The problem is not that leaders get more money but that public sector workers again get neglected, he said. Answering a question, he said that in addition to a one-time wage increase matching inflation, teachers' wages should also be tied to the minimum wage. If Hungary wants to close the gap with

Austria in terms of teachers' wages by 2030, then they must increase by 100,000 forints (EUR 260) annually, he said.

COE NOTES HUNGARY IMPROVEMENTS IN FIGHTING MONEY LAUNDERING, TERRORIST FINANCING

Hungary has improved measures to combat money laundering and terrorist financing, with positive steps taken by the authorities resulting in an upgrade of Hungary from "partially compliant" to "largely compliant", Moneyval, the Council of Europe's expert body against money laundering, said in a report released in Strasbourg on Wednesday. Moneyval (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Finance of Terrorism) said that its review had focused on Hungary's enhanced due diligence requirements for correspondent banking relationships, obligations for financial groups and companies register. Hungary has demonstrated good progress in the level of compliance with FATF (Financial Action Task Force) standards in these three areas, the report said. Full compliance has been achieved with five of the 40 FATF recommendations constituting the international Anti-Money Laundering and Terrorist Financing (AML/CFT) standard, it said. Hungary retains minor deficiencies in the implementation of

32 recommendations where it has been found "largely compliant". Three recommendations (on non-profit organisations, on new technologies, on cash couriers) remain "partially compliant", it added. Hungary has no "non-compliant" ratings, the expert body said in its report. "All in all, Hungary has succeeded in meeting the general expectation of Moneyval for countries to have addressed most - if not all - of the technical compliance deficiencies within five years after the adoption of the mutual evaluation report," it said. "Hungary will remain in enhanced follow-up and will continue to report back to Moneyval on progress to strengthen its implementation of AML/CFT measures. Hungary is expected to report back in two years' time," it added.

FIDESZ MEP: HUNGARY DOING EVERYTHING IT CAN FOR PEACE IN UKRAINE

Hungary is doing everything possible to help bring about peace in Ukraine, Kinga Gál, an MEP of ruling Fidesz, said in Strasbourg on Wednesday, noting that the country had backed all six of the EU's sanctions packages against Russia. Hungary supported the first five sanctions packages as they were, and the sixth one on phasing out Russian oil imports on the condition that it would not apply to pipeline deliveries, Gál told MTI. She said Prime Minister Viktor Orbán had been successful in protecting the Hungarian

government's cap on utility costs at last week's summit of European Union leaders. He was the only leader to stand up for the interests of Hungarian families, but at the same time worked to find a common solution in the interest of European unity, Gál added.

She said there were more and more predictions being made about serious economic problems hitting Europe. "Europe must not find itself in a worse situation than Russia after the sanctions are introduced; we cannot cause more damage for our own peoples," Gál said. "This should be the main factor in the decision making."

Hungary firmly condemns war crimes, Gál said, adding that they should not go unpunished and that Russian aggression "cannot be defended". She noted that Hungary was helping Ukraine by taking in some 10,000 Ukrainian refugees a day and undertaking "one of the largest humanitarian aid operations" in its history. Meanwhile, Gál said Hungary opposed sanctions against religious leaders because "such measures make it harder to establish peace".

FIDESZ MEP: EP REJECTS CLIMATE TAX PROPOSAL, 'BIG WIN FOR FIDESZ'

MEPs have voted down a revision of the EU emissions trading scheme, Fidesz MEP Edina Tóth said on Wednesday, insisting the vote was "a big win for Fidesz MEPs" who fought against the climate tax being broadened to cover people

and families. "The vote shows clearly that the climate package is bleeding from several wounds," Tóth said in a statement, adding that it enjoyed neither political nor social support. Brussels' plan would make citizens and families pay for its green policies, she said, calling this "unacceptable". Major polluters should bear the costs of greening, not ordinary people, the statement added. The tax would also put the Hungarian cap on household utility bills in danger and stoke inflation, the statement said. Fidesz MEPs will carry on fighting against the proposal, she added.

A majority of MEPs today rejected the proposal to broaden the EU's carbon trading scheme, introduce a carbon tax and create a social climate protection fund.

POLICE: OVER 10,000 REFUGEES ARRIVE FROM UKRAINE ON TUESDAY

Fully 5,535 people crossed into Hungary directly from Ukraine on Tuesday, while another 4,932 from Ukraine crossed from Romania, the national police headquarters (ORFK) said. Police issued temporary residence permits valid for thirty days to 19 people, ORFK told MTI. Holders of such permits must contact a local immigration office near their place of residence within thirty days to apply for permanent documents, it added. Budapest police received 174 refugees,

81 children among them, arriving by train, said ORFK.

CATHOLIC CHARITY OPENS HELP CENTRE IN BUDAPEST

The Hungarian Catholic Charity on Wednesday opened a help centre for Ukrainian refugees who plan to stay for a prolonged period of time in Hungary, with a view to supporting their integration, the charity said on Wednesday. The charity is managing a complex programme providing long-term help, with 66 families supported so far, it said in a statement. Gábor Écsy, the charity's national director, noted at the centre's inauguration that the project has been implemented in partnership with the Catholic Relief Service (CRS). Refugees are being helped to find housing and a job as well as schools for their children and psychosocial support, Écsy said. The charity has also set up a helpline (06 80 630 179) with Ukrainian speakers on hand.

HUNGARY REPORTS 1,646 NEW CORONAVIRUS INFECTIONS, 24 DEATHS

Fully 24 people with Covid-19 symptoms died last week, while 1,646 new infections were registered, koronavirus.gov.hu said in a weekly release of data on Wednesday. Altogether 6,410,533 people have been vaccinated, with 6,197,127 having received a second jab, 3,879,935 a third,

and 301,588 a fourth. The number of active infections went down to 21,821, while hospitals are caring for 292 Covid-19 patients, of whom eight are intubated on a ventilator. Since the start of the coronavirus epidemic, 1,921,486 people have been officially confirmed as having contracted the virus, while the number of deaths has risen to 46,571. Fully 1,853,094 people have made a recovery.

HUNGARY TRADE BALANCE SHOWS EUR 475 M DEFICIT IN APRIL

Hungary's trade balance showed a 475 million euro deficit in April, the Central Statistical Office (KSH) said in a first reading of data. Hungary had a trade deficit for the tenth month in a row, KSH said. Exports rose by an annual 12.1% to 11.052 billion euros and imports climbed by 21.1% to 11.527 billion. Trade with other European Union member states accounted for 77% of exports and 70% of imports.

Magyar Bankholding analyst Gergely Suppan said that with growing investments and consumption the foreign trade balance was expected to deteriorate further, but in the second half of the year it could stabilise with

the easing of the global chip shortage and new production capacities coming online. Because of the war in Ukraine, the trade balance may end up being negative for this year, after a 1.9 billion euro surplus in 2021, he added.

Századvég chief macro analyst Gábor Regős said the weakness of the automotive sector was proving to be a drag on export growth, while also noting that consumption and investments are boosting imports.

INDUSTRIAL OUTPUT SLOWS AS AUTOMOTIVE SECTOR SPITTERS

Output of Hungary's industrial sector rose by an annual 3.1% in April, slowing from 3.6% in the previous month, as output of automotive companies continued to shrink, the Central Statistical Office (KSH) said in a first reading of data. Adjusted for the number of working days, output increased by 4.7%. Month on month, output fell a seasonally and working day-adjusted 1.6%. While automotive sector output declined, KSH said output of the other two big industrial sector segments -- computers, electronics and optical equipment, and food, drink and tobacco products

-- rose over headline growth. In January-April, industrial output rose by 4.9% from the same period a year earlier.

Analysts told MTI that the industrial production data came in according to expectations, though the outlook was hard to assess. Gábor Regős of the macroeconomic unit of the Századvég Institute said the effects of the war could still be seen in the data, though production had not been weighed down too much so far. Vehicle production was off-kilter due to a dearth of raw materials from Ukraine and Russia, though supply-chain difficulties predated the war, he said. Economic growth may pick up in the second quarter at the earliest, he added. Gergely Suppan of Magyar Bankholding said it was "reassuring" that vehicle orders still had a high backlog, and investments in Hungarian industry meant that its performance had diverged from that of Germany. Notwithstanding the effects of the war in Ukraine and high global inflation, the economic recovery is boosting demand, and the rebooted defence industry may deliver Hungary big revenues, Suppan said, adding that output was likely to grow by 5-6% in the full year.

