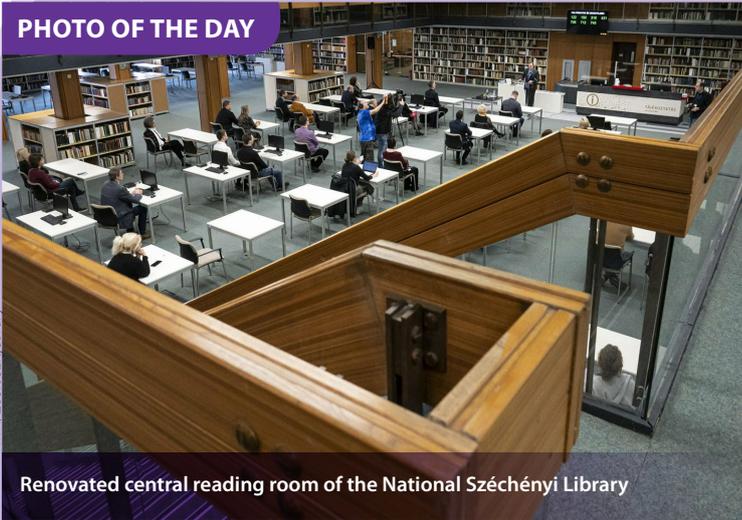


PHOTO OF THE DAY



Renovated central reading room of the National Széchényi Library

MTI/Zsolt Szegedváry

UPCOMING EVENTS

PM addresses army oath-taking in Budapest

Events related to the war in Ukraine

Liszt Cultural Festival opens

TOP STORY

ORBÁN CALLS FOR CEASEFIRE

Viktor Orbán has called for a Russia-Ukraine ceasefire and peace talks, and he has asked the central bank governor and the finance minister to take measures to reduce inflation “by half at the least” before the end of 2023.

Ceasefire and peace talks would result in economic relief, the prime minister said. As long as the war continues and the West responds by employing sanctions, neither inflation nor energy prices will fall, he said, insisting that Brussels had “messed up” sanctions and they were not coupled with proposals for price cuts, with Hungary having to pay extra for energy as a result. Whereas Hungary has been exempted from all sanctions that affect its energy market negatively the problem remains that since the country is part of a common European market it is still affected by the high energy prices, Orbán said. The ultimate solution to combatting high energy prices would be if the European Union dropped its sanctions policy, Orbán said. However, “a great struggle” would be needed for this to happen, he added. “There are those who talk about having to win the war but others, including Hungary, say that what’s needed is an immediate ceasefire followed by peace talks,” he said.

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ORBÁN ASKS CBANK GOV, FINMIN TO TACKLE INFLATION

Prime Minister Viktor Orbán said in a radio interview that he has asked the governor of the central bank and the finance minister to take measures to cut inflation “by half at the least” before the end of 2023. Orbán attributed rampant inflation to European Union sanctions against Russia, adding that “if only the EU saw” the connection between the two then some prices, including energy prices, “could be halved within days”. High inflation is not caused by market trends or the economy, it was “caused from outside, by politics”, he insisted. Orbán said his government was experienced in handling inflation as it had “inherited 10-15% inflation in 1998”. Inflation forces families to live off their savings, he said, adding that anti-inflationary measures therefore were “family protection measures”.

Meanwhile, Orbán said the Nord Stream gas pipeline explosion was a terrorist act, and “if any state had a role in it, that state is a terrorist state”. The last high-capacity pipeline delivering Russian gas to Europe from the south is the TurkStream, he noted. “If anybody blows it up or renders it inoperable, Hungary will view that as a terrorist attack and act accordingly,” Orbán said.

Concerning the government’s upcoming National Consultation survey, Orbán said the government habitually consulted the public

on important matters and used the outcome as a political tool “in fights in Brussels”. Orbán said the sanctions against Russia had been introduced in an undemocratic way, based on decisions by the “Brussels bureaucrats and the European elite”. “There’s still democracy in Europe and it matters what people think,” he said. In Hungary, the public is regularly involved in decision-making “about the most difficult questions facing Europe”, be it migration, the handling of the Covid-19 epidemic or the current sanctions, he added. Referring to migration, Orbán said “what we need ... is to protect our borders against illegal entrants”, adding that illegal border crossing was a crime. Rather than having crowds of illegal migrants at the Serbia-Hungary border, Serbia’s southern borders should be protected, which is “in everybody’s interest”, he said. Hungary’s borders must be protected, Orbán said. The country “won’t be turned into a refugee camp ... migrants will not enter, and we will not be told by others whom we should live together with”, he added. That latter decision “could exclusively be passed by a parliament elected by the Hungarian people and the government”, the prime minister said.

CBANK RAISES O/N COLLATERALISED LOAN RATE BY 950BP

Hungary’s central bank raised the rate for overnight collateralised loans by 950 basis points to 25% effective

Friday, the monetary council said in a statement. The council also decided to suspend the central bank’s one-week collateralised loan. Barnabás Virág, the deputy governor of the National Bank of Hungary, said the bank had introduced several measures to stabilise the financial markets, on Friday taking direct action to ensure that significant demand for foreign exchange liquidity in connection with energy imports is covered in the next few months. The central banker said in an online background briefing from Washington, DC, that current account items other than energy were positive, and the measure altered substantially supply and demand on the foreign exchange market. Also, from today a one-day T/N FX swap instrument and a one-day O/N rapid deposit tender will be offered each day at higher interest rates than before, at 17% and 18% respectively, he said, adding that hopefully these rapid tenders would last “a few days”.

Virág said Sept. inflation of 20.1% met the bank’s expectations and 85% of the month-on-month increase was due to energy prices, while food price inflation was on the back of the extreme summer drought. He said the bank expected the rate of inflation to increase somewhat in the coming months before gradually flattening to a peak. The current account deficit is bigger owing to the energy component, but other items are in surplus, and the surplus is increasing month on month, he said.

Addressing monetary policy, Virág said the stock of one-week deposits had



fallen by less than a third, while more than half of the liquidity is in long-term deposits. The bank's policy, he added, was to guarantee price stability, and maintaining market stability was an important aspect of this. The worsening international environment, he said, was behind the weakening of forint seen in the last two weeks.

JUSTICE MINISTER: EU GIVES HUNGARY MORE TIME TO TAKE REMEDIAL MEASURES

European Union justice and interior ministers voted to push back a deadline for Hungary to take remedial measures in the framework of a conditionality mechanism procedure by two months to Dec. 19, Justice Minister Judit Varga said late on Thursday. The Justice and Home Affairs Council took the decision on the extension "in light of the professional and efficient implementation of commitments Hungary has made in the interest of reaching an agreement with the [European] Commission", Varga said on Facebook.

SZIJJÁRTÓ: GOVT SIGNS STRATEGIC PARTNERSHIP WITH ALSTOM

The government has signed a strategic cooperation agreement with French engineering giant Alstom, the minister of foreign affairs and trade said on Friday. At the signing ceremony in Budapest, Péter Szijjártó said Alstom

could help to make Hungary "a local exception" in the face of impending recession in Europe. Investor confidence and securing further international investment projects is key to maintaining economic growth amid the current economic crisis, the foreign ministry quoted Szijjártó as saying. Alstom is a global market leader in train manufacturing, he said, noting that its plant in Mátránovák, in northern Hungary, is an important hub employing 650 people. Alstom is committed to expanding its activities and creating further jobs in Hungary, he added. Szijjártó noted that Alstom built the world's first hydrogen-powered train. Hydrogen, he added, would be a key component of energy security in the future, and offered further opportunities for cooperation. "Ensuring jobs for Hungarians and a predictable path to the future is a top priority for government economic policymaking in the current, extremely difficult situation," the minister said.

FINMIN: IMF SEES HUNGARY ECONOMIC GROWTH AMONG HIGHEST IN REGION

The International Monetary Fund (IMF) has bumped up its projection for Hungary's economic growth in 2022 to 5.7%, among the highest in the region, according to the finance ministry. Finance Minister Mihály Varga, attending the annual meeting of the World Bank and IMF in Washington, DC, said the current period was very

different compared with 2008 when the government looked to the IMF for solutions to problems. Since 2010, Hungary has provided various exemplary responses to economic policy questions, such as a flat-rate personal income tax, the early repayment of forex loans and the introduction of crisis taxes -- initially heavily criticised, he noted -- but even the IMF now acknowledges the success of Hungarian policymaking centred round a labour-based economy, he added.

Over the past 10 years, the IMF has gradually come round to the approach that during a crisis, economic stimulus and support for families can bring faster and better results than austerity, he said. The IMF expressly supported this approach during the pandemic, he said, adding that this an important change of approach. Varga acted as deputy chairman at a plenary meeting of the International Monetary and Financial Committee, representing a group of countries which includes Austria, the Czechia, Slovakia, Slovenia, as well as Belgium, Luxembourg and Turkey, the ministry said. Commenting on the effects of the Russia-Ukraine war, Varga said the European economy had been hit hard and the damage would be difficult to reverse. "The sanctions-fuelled energy crisis poses extraordinary costs on individual countries, and our group therefore considers it extremely important to boost energy security and support the changeover to renewable energy," he added.

KTK: 'LEFT HINDERING PAY HIKE FOR TEACHERS'

The government is committed to further increasing salaries for teachers, while "it is the leftist parties that are hindering" its efforts, the government's information centre (KTK) said in a statement on Friday. Reacting to strike actions and demonstrations staged by teachers nationwide on Friday, the KTK underlined the government's commitment to enacting "unprecedented pay hikes" as soon as the government agrees with the European Union on unlocking funding. According to the statement, the government aims to raise teachers' average salaries to 80% of the average of professionals in Hungary by 2025. The KTK added that teachers' salaries could increase by 21% next year, 25% in 2024, and they could be 29-30% higher than their current wages in 2025.

Representatives of the leftist parties, however, "keep on working in Brussels to prevent Hungary from receiving the funds it is entitled to," the statement said, adding that "a higher increase than earlier planned" could be financed from those monies. Concerning the strikes, the KTK said that "legally organised strikes are a form of legitimate expression with no consequences", adding that teachers "participating in a legal strike action" would face no penalties. Despite what leftist parties claim, the statement said, "there are no mass dismissals whatever" and "so far only 5 teachers who have repeatedly participated in illegal strikes have been dismissed."

NÉZŐPONT: EVERY SECOND HUNGARIAN THINKS EU SANCTIONS HURT EUROPE

Every second Hungarian is of the opinion that European Union sanctions hurt Europe more than Russia, while only 12% believe the opposite, a survey by Nézőpont Institute released on Friday shows. The results of phone interviews of 1,000 people from Oct. 3 to 5 show that 32% believe the sanctions equally hurt Europe and Russia. Among left-wing supporters, 24% said the sanctions hurt Europe more, while 28% said they hurt Russia more, while 43% said both sides suffered equally. At the same time, among supporters of the ruling parties, seven out of ten people said the sanctions hurt Europe more than Russia; only 2% said they hurt Russia more than Europe and 23% said they harmed both sides equally.

NAVRACSICS: BIG GDP GAP BETWEEN BUDAPEST AND OTHER REGIONS

The gap between Budapest and Hungary's other regions in terms of GDP per capita is still large, Tibor Navracsics, the minister of regional development, said on Friday. Large cities and other regions require different development approaches, he told a conference organised by the Századvég think-tank.

Budapest, the strongest engine of Hungary's economy, can help other

regions, and ways must be found to enable this to happen, Navracsics said, adding at the same time that creating regional hubs could take some of the burden off Budapest and play a positive role in economic and regional development for the whole country. Budapest and rural regions "play in a different league", he said. At the same time, it is not easy for the Hungarian capital which must compete with such cities as Prague, Vienna, Bratislava and Warsaw, he added.

The Budapest Agglomeration Development Council has been set up to handle the problems faced by Budapest and its agglomeration, and it is expected that decision-makers from Budapest and settlements that maintain ties with the capital on a daily basis should work together when making development policy decisions, he said. He presented the development of new circular settlements, stating that the current transport infrastructure enables daily commuters to Budapest from cities such as Székesfehérvár, Tatabánya, Kecskemét and Hatvan located 50-60km from the capital. Even an additional ring is currently in development around 100-120km from Budapest, involving cities such as Veszprém and Eger, he added. He said that the cities of Pécs, Szeged, Debrecen, Miskolc and Győr form an external ring, and they could be developed into regional economic hubs serving areas beyond the borders. Transport infrastructure development plays an important

role in the development of networks, Navracsics said. In 2010 it took an average of 37 minutes to reach a motorway from any point in Hungary and this was reduced to 28 minutes by 2019, he added.

Márton Nagy, the minister of economic development, told the conference that funding priority must be given to the regions outside Budapest and its agglomeration. In the past eight years, 40% of all financing went to the capital, and together with its surrounding areas, this rose to 50%, he said. The funding gap between the capital and the rest of the country is too large, and there are not enough programmes for regional development and the development of poorer regions, he added. He noted that GDP per capita in Budapest is 140% of the EU average, while the same is below 44% in some counties. And while 27% of companies operate in Budapest, 40% of sales revenue is generated in the capital, he said, noting similar disparities in unemployment and payroll data. Rather than the gap narrowing in the past 12 years, it has "opened up slightly", Nagy said. "This trend must be reversed", and the mechanism for distributing funds changed, he added.

FIDESZ: HIGH TIME KARÁCSONY CAME UP WITH SOLUTIONS, NOT EXCUSES

It is high time that Gergely Karácsony, the mayor of Budapest, came up with

solutions "instead of excuses", Fidesz said on Friday. "Yet again we're at the point where the mayor constantly complains that Budapest is going bankrupt and will not survive 2023," the ruling party's Budapest chapter said on Facebook, adding that after 3 years in charge it was time for the mayor to take responsibility. Fidesz accused Karácsony of wasting Budapest taxpayers' money for the last three years, referring to the 5 billion forint overshoot for renovating Chain Bridge and 1 billion spent on advertising among other money wastage. It also said Budapest had paid hundreds of millions of forints in fines because it had fouled up public procurements. Meanwhile, delays to investments were putting up their costs, the Facebook post added.

MORE THAN 11,000 REFUGEES ARRIVE FROM UKRAINE ON THURSDAY

Fully 6,214 people crossed into Hungary directly from Ukraine on Thursday, while another 5,157 crossed from Romania, the National Police Headquarters (ORFK) said. Police issued temporary residence permits valid for thirty days to 241 people, ORFK told MTI on Friday. 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 received 41 people, 11 children among them, by train, ORFK said.

HUNGARY CONSTRUCTION OUTPUT FLAT IN AUGUST

Hungarian construction sector output in August was flat in an annual comparison, the Central Statistics Office (KSH) said on Friday. In July output had grown by an annual 3%, KSH noted. Output of the buildings segment grew by 5.5%, while civil engineering fell by 8.5%. In absolute terms, output came to 555.9 billion forints in August. The buildings segment made up 65% of the total.

MVM GROUP SIGNS CORPORATE FINANCING AGREEMENT WITH ICBC AUSTRIA

Hungary's MVM Group has signed a corporate financing agreement worth 250 million euros with ICBC Austria to ensure its financial stability, MVM on Friday.

MVM said it would do everything to ensure security of supplies amid the energy crisis and unpredictable trends in the European and global markets, and was working to "build a broad safety net" in terms of financing. MVM economic deputy head László Fazekas said in the statement that the agreement would contribute to further expanding the financial resources necessary for Hungary's energy security and would further increase MVM's financial stability, as well as the confidence of lending markets in MVM's long-term outlooks. MVM and ICBC Austria are in negotiations on further opportunities to strengthen medium- and long-term cooperation, Fazekas added.