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MORNING ISSUE

PHOTO OF THE DAY

MTI/Tamás Vasvári

Somló Hill, near Lake Balaton, in fog

UPCOMING EVENTS

EU justice ministers meet in Brussels

Stats office CPI report for November, foreign trade for October

Govt budget report for November

Events related to the war in Ukraine

TOP STORY

GULYÁS: GOVT SCRAPS FUEL PRICE CAPS

Hungary's government is scrapping the price cap on fuel at the proposal of oil and gas company MOL, two days after the European Union slapped sanctions on crude from Russia, Gergely Gulyás, the prime minister's chief of staff, said late on Tuesday.

Gulyás lambasted EU sanctions on Russia, and insisted this was the reason why the government must terminate the 480 forint (EUR 1.6) price cap, which benefited Hungarian citizens. "The implementation of the sanctions has caused tangible disruptions to Hungary's energy supplies," Gulyás said. MOL said in a letter to the energy minister on Monday that it would be unable to ensure supplies without imports, he said. MOL has asked the government to ensure national fuel supplies by importing Brent crude oil, Gulyás said.

MOL chief Zsolt Hernádi said a quarter of station pumps had run dry at some point in the past few days, an unprecedented occurrence during MOL's existence. MOL has sold 2.2 billion litres of fuel this year, up from 1.5 billion last year, he said. Sales over the past week have totalled at 50 million litres, up by 60% from the same period last year, he said.

Answering a question, Gulyás said the price caps had been terminated at 11pm on Tuesday night. At that time, MOL's recommended price for a litre of 95-octane petrol was 641 forints, and 699 forints for diesel.

HERNÁDI OUTLINES FUEL SITUATION

National oil and gas company MOL chief Zsolt Hernádi said the company had served 2.2 million customers at the pumps last week, the equivalent of the peak of a "robust tourist season". It failed to fulfil 871 orders from corporate customers, he said. In the past days, turnover has almost doubled from last year, and was up by 2-and-a-half-fold from 2020, he said. Demand has spiked, consumers started stockpiling, and "a certain degree of panic ensued". Mol has reached the end of its capacity, he added.

Government price caps on fuel have been in effect for a year, and Mol has done everything it could to ensure secure supplies, Hernádi said. They supplemented about a quarter of the supplies from Slovakia, he said. Next year, the delayed effects of the EU sanctions and the new sanctions slated to enter into force on February 5 are expected to create a "new crisis", Hernádi said. Russian diesel banned from the EU will be then missing from the European markets, he warned. That will cause serious problems in the surrounding countries too, as the two-thirds of the production of the Bratislava refinery, which uses Russian oil, was exported, and so now falls under the restrictions, he said.

Hernádi said preparations must be made to turn to alternative routes should deliveries on the Druzhba pipeline be disrupted. "This is why imports must be restarted and storages refilled," Hernádi said. "We must act today to ensure that Hungary can have a stable, import-backed fuel market again by the beginning of next year," he added. "It is not good if something is expensive, but it is much worse not to have it," Hernádi added.

Hernádi said the company expected normal operations to resume fairly quickly "after the panic subsides" and the refinery in Százhalombatta returns to full capacity. In 2-3 months' time, importers will regain about 30% of the market, the same they possessed earlier, he said.

The government has reached an agreement with the EU to continue oil imports from Russia, yet the country needs imports from other sources to guarantee domestic fuel supplies. He said the price increase of gas, electricity and fuel had begun a lot earlier, but "the fact that it has become this steady can certainly be attributed to the Russian aggression [against Ukraine] and sanctions imposed on Russia in response". He said that scrapping the price caps would trigger inflation the rate of which would depend on the average price of petrol and diesel. The government has maintained the price caps scheme as long as possible, Gulyás said. Even with the price increase, Hungary will be among the lower one-third of countries in terms of fuel prices in Europe, he said.

Answering another question, Gulyás said that MOL had written "an entirely clear" letter to the energy minister concerning the safety of Hungary's energy supplies. "This is why we could not wait any longer. We would have loved to maintain the price caps, but it has become impossible," he said. Gulyás noted that while Hungary had managed to maintain the price cap scheme for 13 months, there were countries elsewhere in Europe where petrol cost an equivalent of 1,000 forints per litre. "This, if you will, we can call success, it is just too bad that it is over," he said, adding that the government expected no chaotic situation to develop in future because "the option of imports would be restored". Hernádi, answering a question, said the fuel price caps had caused a great loss to MOL and was "a painful period" for the company. He said fuel deliveries to small pumps would be gradually increased.

SZIJJÁRTÓ: TRIESTE PORT SET TO START OPERATING IN 2026

Hungary has signed a 45 million euro agreement clearing the way for the start of development work on a port the country is establishing in Trieste, with a view to making it operational by 2026, the minister of foreign affairs and trade said in Rome on Wednesday. Hungary purchased the plot to give Hungarian businesses quicker and easier access to sea ports, the foreign ministry cited Péter Szijjártó as saying after talks with Italian Deputy Prime Minister Matteo Salvini. Hungary presented its development plan to establish a port capable of handling 2.5 million tonnes of goods a year, Szijjártó said. Hungary aims to make Trieste one of central Europe's most important ports through the joint development programme, the minister added.

Szijjártó praised Salvini, saying that "Europe still has politicians in leadership positions who are sober-minded when it comes to migration". He said Salvini knew what it was like "when someone puts the protection of their country's and Europe's security over liberal hypocrisy". He said that like the Hungarian government, Salvini saw the security risks posed by immigration and had the courage to speak out against them. "It's important for the voices speaking out against illegal migration to become one and as loud as possible, and to force Brussels to stop supporting migration," Szijjártó said.

The minister said Hungary was under pressure both from the constant flow of refugees from Ukraine and "the illegal migrants keeping the southern border under siege". The Hungarian authorities have prevented 225,000 people from crossing the country's border illegally so far this year, he said, adding that criminal proceedings were under way against more than 1,500 people smugglers, some of whom had fired on police officers. Migration should be stopped rather than managed, Szijjártó said, adding that if Brussels refused to change its "pro-migration policy", Hungary could expect even greater pressure on its southern border, with the number of illegal entry attempts potentially exceeding the numbers seen in 2015.

Regarding economic ties, Szijjártó said cooperation with Italy, one of the world's most developed economies, could help Hungary avoid recession. Italian businesses make up the ninth largest investor community in Hungary, Szijjártó said. Italy is Hungary's fourth biggest trading partner, with bilateral trade turnover reaching a record 12 billion euros last year, and expected to increase by 20-25% this year, he added. Szijjártó is scheduled to meet Italy's ministers for economic development and energy later in the day. He will also meet the head of the United Nations' World Food Programme and the head of the Italian space agency, with whom he will sign a memorandum of understanding on the peaceful use of space.

GOVT OFFICIAL: HUNGARY TO SEND DISINFECTANTS TO BOSNIA-HERZEGOVINA

Hungary's government is sending disinfectants to the Bisce (Bihács) region in Bosnia-Herzegovina, near the Croatian border, that is especially hard-hit by illegal migration, a government official said on Wednesday. Tristan Azbej, the state secretary for aiding persecuted Christians and the coordinator of the Hungary Helps scheme, said the aid will be sent to 29 public institutions. The region has seen 10,000 arrivals in the past year, "which brought about a deterioration of public safety and pollution while a large part of the citizens, who used to live from tourism, lost their jobs," he said. The migrants are squatting in buildings where an epidemic is spreading, he insisted.

OPPOSITION DEMANDS PROTECTION FOR HUNGARIANS AFTER GOVT SCRAPPING FUEL PRICE CAPS

Opposition parties on Wednesday called on the government to provide protection for citizens after scrapping the price caps on fuels late on Tuesday. Lawmakers of opposition Jobbik submitted a proposal to lower taxes on fuel. Deputy party leader Róbert Dudás called for the government to start talks with the European Commission on reducing the VAT and excise tax on fuel prices. The government should at the same time stop counting on "extra profits" from taxing high fuel prices, he told an online press conference. He called for restoring fuel supply at the 500-600 small pumps in the countryside first, arguing that "the everyday life of locals depend on the operation of these pumps that are facing closure".

Green opposition LMP said that scrapping the price caps is only "a partial remedy" to problems emerging in the transport sector. "The sudden increase in fuel prices will put a burden on many families," Erzsébet Schmuck, the co-leader of the party told a press conference. LMP urges "a green reform", calling on the government to support renewable energy while phasing out fossil fuels, she said.

Bence Tordai, the deputy group leader of Párbeszéd, told a press conference that by scrapping the fuel price cap, "the government is starting to admit that they are incompetent as well as sticky-handed." He called for the support of community transport and people rather than fossil fuels. He proposed introducing a utility voucher to compensate families for the price increases and introducing a four-day work week in a bid to reduce energy consumption.

The Democratic Coalition (DK) slammed the decision as "another government austerity measure". László Varju, the party's deputy leader, said fuel would now cost "twice to two-and-a-half times as much" as it had under the Socialist government of Ferenc Gyurcsány, DK's leader, between 2004 and 2009. "At least that's what it'll cost when there's fuel again," Varju said, arguing that Hungary was currently the only European country "where it's impossible to refuel". He accused the government of "lying", saying there was no oil sanction in effect that applied to Hungary.

Ruling Fidesz said the leftist opposition "continues to support the sanctions". In a statement, they insisted that the leftist parties "in return for dollars rolling in try to prove that the sanctions are working, while the fuel price caps had to be scrapped because of those very sanctions."

SOCIALISTS TO FILE COMPLAINT AGAINST CBANK GOVERNOR FOR 'HURTING FORINT EXCHANGE RATE'

The opposition Socialist Party is filing a complaint to the public prosecutor against the governor of the central bank for "hurting the forint's exchange rate" with a briefing he gave to a parliamentary committee earlier this week, the party's co-leader said on Wednesday. At an online press conference, Imre Komjáthi cited György Matolcsy as telling parliament's economic committee on Monday that Hungary was in a "near-crisis situation" and that it was among the five most vulnerable countries in the world. Komjáthi insisted that the governor's remarks were akin to an "invitation to speculators". He said Matolcsy's comments had hurt the forint and exposed the country to danger "in a way we've not yet seen from a central bank governor". He said his party trusted that the Chief Public Prosecutor Péter Polt would "fulfil his duty laid down in the constitution" and that Matolcsy's remarks "won't be left without consequences". Komjáthi noted that under the law, the National Bank of Hungary's primary task was to achieve and maintain price stability.

MI HAZÁNK CALLS ON GOVT TO SCRAP DECISION ON UKRAINE AID

The radical Mi Hazánk (Our Homeland) party is submitting a proposal to parliament, calling on the government to withdraw its decision to financially support the operation of the Ukrainian state. "Those 75 billion forints [EUR 181.4m] would be in much better place at the Hungarian families and companies unable to pay their utility bills," deputy party leader Dóra Dúró told a press conference on Wednesday. The aid will "directly finance" the war, and Mi Hazánk rejects "all financial support of Ukraine's military goals," she said. She slammed the Ukrainian government as "extremely corrupt"; "there is no guarantee that that money won't line the pockets of anti-Hungarian Ukrainian politicians," she said.

HUNGARY INDUSTRY OUTPUT UP 5.9% YR/YR IN OCT

Hungarian industrial output grew by an annual 5.9% in October, the Central Statistical Office (KSH) said on Tuesday. Adjusted for the number of working days, output increased by 5.1%. Output of the automotive industry and the computer, electronics and optical equipment sectors showed "significant" growth, KSH said, while the increase in output of the food, drinks and tobacco products segment fell slightly. In the Jan-Oct period, output grew by an annual 6.6%. Month on month, output increased by 3.5%, based on seasonally and working day-adjusted data.

Commenting on the data, Márton Nagy, the minister of economic development, said industrial output had risen again in October. He added, however, that industrial players were in an increasingly difficult situation due to high energy and raw material prices and a deteriorated financing and interest environment. Hungary has to avoid recession and maintain the stability of its industrial businesses, Nagy said. The government has therefore implemented a series of timely measures such as supporting small and medium-sized firms whose operations are energy intensive, and the launch of a "factory-saving" scheme, the minister said. It also gives businesses access to cheap credit through the Széchenyi Card scheme and has extended a freeze on lending rates to SMEs, he noted.

Though the share of high-tech products in industry is already 70%, Hungary must keep investments going, boost advanced technologies and high value-added developments and improve energy efficiency and sustainability in order to maintain the sector's good performance, Nagy said. He encouraged industrial players to avail themselves of the opportunities provided by the government.

HUNGARY GAS CONSUMPTION DOWN 41% YR/YR IN OCT

Gas consumption in Hungary fell by an annual 41% to 5.8 TWh in October, a monthly report by the Hungarian Energy and Public Utilities Regulatory Office (HEA) shows. HEA said about half of the decline was due to milder temperatures. However, adjusting for the better weather, consumption still fell by 23%. Gas stores were topped up with 8.2 TWh in October, bringing the total to 58 TWh.

HUNGARY AGRICULTURE OUTPUT UP 15.2% IN 2022

Output value of Hungary's agriculture sector grew by 15.2% in 2022, lifted by higher prices, a first estimate released by the Central Statistical Office (KSH) said on Wednesday. Output volume fell by 18.7%, while prices climbed 41.7%. In absolute terms, output value of the farm sector reached 3,950 billion forints (EUR 9.6bn).

OVER 8,000 REFUGEES ARRIVE FROM UKRAINE ON TUESDAY

Fully 4,547 people crossed into Hungary directly from Ukraine on Tuesday, while another 3,570 crossed from Romania, the National Police Headquarters (ORFK) said. Police issued 30-day residency permits to 122 people, ORFK told MTI on Wednesday. Budapest received 33 people, 15 children among them, who travelled by train, ORFK said.

MEDIA AUTHORITY: HUNGARIAN-BUILT MINI-SATELLITE TO BE LAUNCHED ON FALCON-9 IN 2023

The MRC-100 mini-satellite, the largest constructed at the Budapest University of Technology and Economics so far, will be launched into space in May 2023 by Falcon-9, the rocket sponsored by American businessman Elon Musk, the Hungarian media authority (NMHH) said on Wednesday. NMHH, a sponsor of the project, said the satellite will carry an electrosmog meter, a stabiliser, a GPS device and a camera. The satellite will be fuelled by solar panels and batteries to ensure operation in dark as well, NMHH said. The 600g satellite will also carry equipment developed by the universities of Szeged, Győr and Debrecen. The satellite is on its way to Glasgow for installation on the satellite platform, and will be taken to space on board of Falcon-9 from the US, NMHH said in a statement.

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