

PHOTO OF THE DAY



MTI/Péter Komka

Morning frost in northern Hungary

UPCOMING EVENTS

Events related to the wars in Ukraine, Israel

LMP presser on EU funds

TOP STORY

SZIJJÁRTÓ: BULGARIA REPEALING LAW HOSTILE TO HUNGARY'S ENERGY SECURITY

Bulgaria is repealing a law on hiking the transit fee for Russian gas which has put a question mark over Hungary's energy security,, the minister of foreign affairs and trade said on Tuesday, adding that "previous cooperation based on mutual respect" may resume once the law has been fully annulled.

The Bulgarian law imperilled the gas supply of North Macedonia, Serbia and Hungary, and Russia's Gazprom, the supplier, contested its legality, Péter Szijjártó said in a ministry statement. He noted that the law had been enacted without prior warning, and was as such "hostile". After unsuccessfully appealing to Sofia to repeal the law, "we made clear that if it remained in force, Hungary would veto Bulgaria's Schengen entry," the minister noted. Szijjártó said that his counterpart Mariya Gabriel told him yesterday that parliament would repeal the law that imposed an extra tax on transporting of natural gas to Hungary. "In the past, Bulgaria had been a reliable transit partner, and we sincerely hope that by revoking this hostile law we can return to cooperation based on mutual respect that always characterised our relations in the past," he said. Szijjártó said he would instruct Hungary's permanent representative in Brussels to withdraw Hungary's veto of Bulgaria's accession to Schengen as soon as Bulgaria's intent was made official.

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>



HUNGARY CBANK CUTS BASE RATE BY 75 BP

Hungarian central bank (NBH) rate-setters cut the base rate by 75 basis points, to 10.75%, at a regular policy meeting on Tuesday. The scale of the reduction was the same as at the previous rate-setting meeting in November. The bank's Monetary Council also decided to lower the symmetric interest rate corridor in tandem, bringing the O/N deposit rate to 9.75% and the O/N collateralised loan rate to 11.75%. In a statement released after the meeting the Council said risks surrounding global disinflation and volatility in international investor sentiment warranted "a careful approach" to monetary policy. "The Council is constantly assessing incoming macroeconomic data, the outlook for inflation and developments in the risk environment. In the coming months, decisions on any further reductions in the base rate and their optimal pace will be made on the basis of this information, in a data-driven manner," the policy makers added. The Council, who discussed the NBH's latest quarterly Inflation Report at the meeting, augured a continued decline in headline CPI and core inflation in the coming months. They put CPI "around 6.0%" at end-2023, level with the average for the region, and projected disinflation would remain "strong" in Q1 2024, before slowing down.

The NBH forecasts average annual inflation of 17.6-17.7% for 2023, 4.0-5.5% in 2024 and 2.5-3.5% in 2025. The Council projects the budget deficit could be between 5.2% and 6.0% of GDP in 2023, while the state debt ratio drops to "around 73%" of GDP by year-end.

At a press conference after the meeting, deputy bank governor Barnabás Virág said the Council had discussed a 100 basis point cut as well as the 75 point one. The final decision was unanimous, he added. He noted that the technical recession had ended in Q3 and said the gradual pickup in the economy had continued in Q4. A "rapid and significant" improvement in Hungary's external balances also continued, he added. International investors' appetite for risk has improved since the last monthly policy meeting, while an agreement on the release of some of Hungary's EU funding has improved the country's risk assessment and its external financing capacity, he said. Virág stressed that disinflation would have to continue in 2024 to achieve price stability, adding that positive real interest rates would support disinflation.

He said the Council had weighed a number of risk scenarios affecting the inflation forecast, among which the most important were a slowing global recovery, a withdrawal of capital from emerging markets and a slower recovery of domestic consumption. He added that

measures of sentiment point to an improvement in confidence. He said corporate investments were being held back not by a lack of resources, but by a lack of demand. Non-financial companies have more than 21,600 billion forints (EUR 56.8bn) in liquid assets, the equivalent of over 30% of GDP, he added. A sustained improvement in the risk environment could increase the room for manoeuvre of monetary policy, said Virág.

CHIEF PROSECUTOR INITIATES SUSPENDING TWO LAWMAKERS' IMMUNITY

Chief Public Prosecutor Péter Polt has initiated the suspension of the parliamentary immunity of two lawmakers in connection with a legal case involving a Budapest-based charity organisation and national tax authority NAV, Polt's office said on Tuesday. The case concerns an ongoing criminal investigation under which NAV's officers conducted a search on suspected large-scale budgetary fraud at the charity's Budapest premises in the 8th district in February 2022. The NAV officers informed the charity's leader that under the law on criminal proceedings, beside the NAV officers and notary, only him and his legal representative were authorised to be present at the scene during the search, the prosecutor's office said in a statement. It said in the

statement, that the charity's leader had however entered the premises accompanied by journalists and had called on the two lawmakers present at the scene, Zita Gurmai of the Socialists and Momentum MEP Anna Donáth "to prevent NAV officers from conducting their lawful procedure". The two politicians "stopped their action only when police officers arrived at the scene", said the statement.

According to the statement, Gurmai and Donáth have been suspected of the offence "of group violence against officials of an authority". NAV announced on February 21 last year that it would conduct a search for documents at the Oltalom Evangelical charity's offices in Dankó street. Oltalom said on its website twelve months earlier that due to financial difficulties it owed NAV 246 million forints (EUR 629,000) in unpaid payroll taxes which included a 90 million forint penalty for delay. Its leader then said that the reason for owing NAV money was because the state had refused to pay the charity what it had been due to receive under a 2017 ruling by the European Court of Human Rights.

SZIJJÁRTÓ: HUNGARY WELL POSITIONED IN COMPETITION FOR ELECTRIC CAR R AND D INVESTMENTS

After securing electric car manufacturing investments in the first phase of the competition

for attracting such businesses, now Hungary has a good chance of attracting R and D projects in the sector as well, Péter Szijjártó, the minister of foreign affairs and trade, said on Tuesday, announcing an investment by the German-owned Schaeffler Savaria, one of the world's largest automotive suppliers. The 5.2 billion forint (EUR 13.6m) R and D project at its plant in Szombathely is connected with parts for hybrid and pure electric vehicles, with the state providing 1.3 billion forints in support, the ministry said in a press release. One hundred new jobs linked to engineering will be created as a result, it added. Szijjártó said in a speech at the inauguration that the "revolutionary transformation of the automotive industry" was the "backbone of the European and global economy". This automotive revolution was completely rewriting the global economy, and countries would either be winners or losers in this new era, he added. The competition, he said, had two phases. First, it was about which countries succeeded in attracting electric automotive manufacturing, and in this respect Hungary was a "European champion" and "among the best in the world".

The world's second largest electric battery plant will be operating in Hungary from 2025, and all three major German premium car brands manufacture here, the foreign minister noted.

The second phase was about R and D, he said. Since Hungary has laid good foundations for manufacturing, and in terms of infrastructure developments and revamping its higher education, the country now has a "good chance of entering the second phase of the competition" for R and D bases, Szijjártó said. Schaeffler's R and D units for electric motors will be located in Szombathely, he noted, and the clutch or flywheel for every tenth car on the world's roads was made at its plant there. Fully 93% of the plant's output is for export, he said, adding that the company maintains excellent cooperation with several Hungarian universities. Last year, Hungary's automotive industry set a record, with 12,000 billion forints worth of sales, while the sector grew by 16% in the first ten months, he said.

STATE PARTS WITH STAKES IN TELCO YETTEL

State-owned Corvinus International Investment has signed agreements on the sale of its 25% stakes in Yettel Magyarország and Yettel Real Estate Hungary, and its 20% stake in CETIN Hungary to a member of Czech investment company PPF Group, the Economic Development Ministry said on Tuesday. Proceeds from the sale will be used to finance the purchase of Liszt Ferenc

International operator Budapest Airport, the ministry said. The government will continue to play a role in the telecommunications sector through its cooperation pacts with Magyar Telekom and Vodafone as well as Corvinus's 29.5% stake in Vodafone Hungary, the ministry said. The ministry did not disclose the sale price.

HUNGARIAN-TURKISH CULTURAL SEASON OPENS WITH GALA EVENING

The joint Hungarian-Turkish cultural season opened with a gala evening at the Palace of Arts (Müpa) on Monday. The event was attended by Turkish President Recep Tayyip Erdoğan, Hungarian President Katalin Novák and Prime Minister Viktor Orbán. Government commissioner Péter Hoppál said Hungary and Türkiye's friendship was rooted in the time before the two peoples' conquests of their lands. The year-long cultural season marking the centenary of the establishment of diplomatic ties will feature the finest of Turkish culture in Hungary, while Türkiye will get a taste of Hungarian culture during this time, he said.

CZOMBA: GOVT TO LAUNCH JOBS SCHEME HELPING CAREER STARTERS

The government is launching a jobs scheme whereby retiring employees can stay on and share their experiences with younger peers, the state secretary for employment policy said on Tuesday. The scheme starting in January has 2.6 billion forints (EUR 6.8m) at its disposal, and companies aiming to employ young people to replace retired staff will be eligible for a subsidy to pay a wage supplement to outgoing employees willing to train incoming staff, the ministry of economic development said, quoting Sándor Czomba in a statement. Trainers may receive an extra 150,000 forints each month for a year, while the companies will benefit from a subsidy of 244,500 forints, 75% of the minimum wage, to go towards the salary of their young staff, it added.

NEARLY 9,000 UKRAINIAN CITIZENS ENTER HUNGARY ON MONDAY

Fully 4,957 Ukrainian citizens entered Hungary at the Ukraine-Hungary border on Monday, while 3,818

came to the country via Romania, according to the national police headquarters (ORFK). Police issued temporary residence permits valid for 30 days to 52 people, ORFK said on Tuesday.

BUDAPEST RENOIR EXHIBITION ATTRACTS 200,000 VISITORS

The Painter and His Models, an exhibition of Renoir's works in Budapest's Museum of Fine Arts, has attracted some 200,000 visitors since opening in September, the museum said on Tuesday. The nearly 70 paintings on display including such masterpieces as The Swing, Dance at Bougival and Claude Renoir in Clown Costume, have been arranged in chronological order and by theme to illustrate the artist's development, the museum said, adding that the exhibition is the first such show in Hungary dedicated to the impressionist artist alone. This is also the first time all three versions of Gabrielle are on display together, the first of which has been owned by the Budapest museum since 2019. The exhibition has been mounted in cooperation with Musée d'Orsay and Musée de l'Orangerie in Paris, and will stay open till early January.