DECLARATION of originality

I, the undersigned ...Antoni Soma István...aware of my criminal responsibility, I declare that the facts and figures contained in my dissertation correspond to reality and that it describes the results of my own independent work.

The data used in the dissertation were applied taking into account the copyright protection.

No part of this dissertation has previously been used in other training at an educational institution during graduation.

I accept that my dissertation is subject to plagiarism control by the institution.

Budapest, 2024.12.08.

student's signature

Euro or Forint? Exploring Hungary's Reluctance to Abandon Its National Currency

Abstract

Hungary has been a part of the European Union for 20 years, but the plans to adopt the euro have not been on the table of the government. Most countries who joined the EU have already switched over to the euro in their early years, with Croatia being the latest member of the Eurozone. The main question this thesis attempts to answer is that whether the ruling party Fidesz with its majority in the Hungarian government has any real chance of adopting the euro in the near future based on the requirements and should the government focus on prioritizing the matter.

Introduction

The introduction of the euro and the accession of Hungary into the European Union paved the way for the euro replacing the forint after meeting the conditions laid out by the Council of the European Union. In a recent study by Eurobarometer in January 2024, 61 percent of the respondents would vote in favor of introducing the euro instead of the forint (European Comission,2024). This year marked the 20th anniversary of Hungary joining the European Union, and in these past two decades under two different ruling parties, the forint continues to go downhill. At the start of 2004, the exchange rate was hovering around 260 (MNB, 2004), but in the last full calendar year, 2023, the exchange rate was 384,64 (MNB, 2023). During the past two deacdes, there have been several concrete target dates, but after several postponments, these plans under the then ruling party fell apart. After the 2010 election, when a different party took charge, the perspective changed. After the global financial crisis of 2008-2009, and the following euro crisis, the governemnt was sceptical of how the relatively new currency and the eurozone itself would survive, so they opted to keep the trusted national currency. The question after wasn't wether Hungary was worthy of joining the eurozone, but if it is good for the economy. Fast forward ten years, and it is clear the euro

stood the test of time as the world's second-largest reserve currency and second-most-traded currency (European Council, 2024), with neigbouring countries such as Slovakia, Slovenia and Croatia choosing the euro instead of their own currency. As a potentially aspiring member, Hungary needs to meet certain criterias, which in its current state can be deemed unlikely.

There have been many papers and articles about the topic of adopting the euro as the currency, and since I understand the basics of how an economy works, I have been interested in researching the potential join dates. The topic of this paper won't be about the possibility of joining the eurozone, but instead research and find answers as to why it has not been on the public agenda of the current Hungarian governemnt to introduce the euro, especially since the state of the forint in these past two decades, more specifically since the start of Covid 19 as the forint has been deteriorating. I believe this is an angle which has not been studied in-depth, and I want to find the the reasons behind these actions.

I am looking for an answer for the question due to the forint's weakening in recent years: why is the Hungarian government reluctant to introduce the euro as the official currency of Hungary? Consequently, I intent to prove the following hypothesis: the forint as the nation's own currency allows it to be used as a tool to balance the economy with the exchange rate. Additionally, due to the rise of factories from China and the ongoing dependency on Russian natural resources, the question I aim to answer is: how keeping the forint helps the trade relations with both the east and the west? Therefore, the hypothesis I intend to confirm is the following: joining the eurozone negatively effects the economic relations with Russia and the far east.

My approach to uncover my findings are diverse. The first direction I will go in is an in-depth analysis of the National Bank of Hungary's (NBH) reports on the forint and the monetary policies affecting the exchange rates. This approach helps me gain access to data which I can later summarize and interpret. These reports and findings will not be much about the numbers and raw data, but how the Ministry's decisions sway the forint in each direction, and to target my second research question more specifically, how keeping the forint influences the types of possible trading partners.

The parts of the thesis will include the introduction, the literature, more specifically the work of others before me on this topic, then I will explain in detail as to why these questions and hypothesizes formulated. After a more detailed explanation as to how the research methods were conducted, and then I will analyze and present the findings which the methods gave me.

The main part of my thesis will be proving the hypothesizes and the answering the research questions, and finally the conclusion and the final add-ins and remarks about the thesis.
The main goal of this paper is to truly stay objective and understand the reasons behind the keeping of the euro without any political influence or sway.

Literature review

The Economic and Monetary Union

The European Economic Community (EEC) was founded in 1957 through the Treaty of Rome, with France, West Germany (Federal Republic of Germany), Italy, Luxembourg, Belgium, and the Netherlands as its original members. The Treaty sought to foster peace and prevent future conflicts in Europe while establishing a common European market to boost the region's economic competitiveness. Alongside this vision, discussions about establishing a shared monetary policy emerged, driven by the evolving global economic landscape and the growing need for deeper integration. At the outset of European integration, the global economy operated under the Bretton Woods system, which reduced the urgency of implementing a unified monetary policy. Throughout the 1960s, European nations experienced a period of financial stability and balance. During this time, intra-European trade remained relatively modest in relation to their overall economic activities, lessening the immediate demand for monetary coordination.
In the late 1960s and early 1970s, warning signs began to surface in the global economy, signaling a potential weakening of the international financial system. At the same time, it became increasingly clear that the United States' support for the Bretton Woods system was waning. During this period, the two most influential nations in European affairs—Germany, under Chancellor Willy Brandt, and France, led by President Georges Pompidou—emerged as advocates for advancing European integration.

In early December 1969, during the Hague Summit, European leaders decided to create a committee led by Luxembourg Prime Minister Pierre Werner. The committee was assigned the task of preparing a report on the feasibility of turning the European Community into an

economic and monetary union, paving the way for the future establishment of the Economic and Monetary Union (EMU).

The early 1970s were primarily marked by the deepening of the transatlantic crisis, which led to a rise in American nationalism and ultimately the collapse of the Bretton Woods system. In 1970, the Werner Committee, which had been commissioned in 1969, presented its report, envisioning the completion of monetary integration within 10 years. This was the first official report to discuss the implementation of a common currency, although it did not explicitly state this. The report recommended the creation of an economic policy institution with joint governance, as it was believed that divergent economic policies would work against convergence.

However, this plan was ultimately derailed by external economic factors, such as the oil crisis, the collapse of the Bretton Woods system, as well as internal factors like the lack of commitment from certain member states. These events pushed the entire issue into the background for several years.

The call for monetary integration resurfaced in October 1977. This initiative culminated in the creation of the European Monetary System in March 1979, when eight countries joined the European Monetary System: Germany, France, Belgium, Luxembourg, the Netherlands, Denmark, Ireland, and Italy. A key feature of the EMS was the introduction of the European Currency Unit, which served as a common accounting standard. Under this system, member states were obligated to intervene if a currency deviated from its designated exchange rate relative to the ECU, ensuring stability across the bloc.

The ECU served as a basket currency until 1989, during which decision-makers assessed its performance. With the system proving successful, the path was cleared for the implementation of the Economic and Monetary Union based on the Delors Plan. The process of establishing the EMU commenced in 1990, adhering to the Delors Plan's timeline, beginning with the gradual liberalization of capital movements, a key step toward completing the internal market.

The Single European Act and the Delors plan

The Single European Act (SEA) was adopted in 1987, as a revision and supplement to the Treaty of Rome, which laid the foundations for European integration. This document first formalized the European Exchange Rate Mechanism (ERM) and emphasized the need for the creation of a common European market. Among other things, the Act mandated the liberalization of capital movements, something that member states could only commit to if they aimed for closer cooperation and coordination in their monetary policy decisions. The SEA also signified a commitment by the member states to deeper monetary integration. As a result, Jacques Delors, the President of the European Commission at the time, was tasked with preparing a report on the feasibility of this goal.

The Delors Report was completed in 1989 and outlined the key objectives and milestones for achieving financial integration. The main goals were as follows:
- Strengthening cooperation between central banks,
- Transferring monetary policy decisions to supranational institutions,
- Establishing a European System of Central Banks (ESCB),
- Permanently fixing national currencies and introducing a single community currency.

The report concluded that monetary integration was essential if member states wished to strengthen their economic ties. The committee also believed that, based on previous experiences, economic integration could not succeed without the realization of a common monetary policy.

The report proposed a three-phase program, responding to external globalization challenges and increasing economic interdependencies among member states, ultimately leading to the implementation of a common European monetary policy and currency.

The first phase was the liberalization of currency and capital movements among member states, institutionalization of regular meetings between central bank governors, and legal guarantees for the independence of central banks in all member states. The second phase included strengthening cooperation between national monetary policies and preparing for the establishment of the European System of Central Banks (ESCB), essentially creating the institutional framework. And lastly, the third phase was the establishment of the European Central Bank (ECB), the beginning of ESCB operations, irrevocable fixing of exchange rates, and the introduction of a single currency.

The Treaty of Maastricht

The Maastricht Treaty, officially known as the Treaty on European Union, signed in 1992, established the legal framework for monetary cooperation, paving the way for the implementation of the Delors Report. The timing for deepening integration was considered ideal due to German reunification and the political transitions occurring in Central and Eastern European countries. Germany saw this as an opportunity to achieve balance, while other major member states, including France, viewed it to exert some control over Germany.

Under the Maastricht Treaty, the European Central Bank (ECB) was established, and member states agreed to relinquish their monetary sovereignty in favor of the ECB. Additionally, the treaty required that national central banks operate independently from their governments, free from political influence.

Compared to previous monetary agreements, the Maastricht Treaty established a truly integrated monetary policy with common central institutions. In line with the Delors Plan, the treaty outlined a three-phase process for achieving monetary integration. The first phase, involving capital liberalization, began in early 1990. The treaty stipulated that the second phase would start on January 1, 1994, but the start date for the third phase was left open to avoid disadvantaging any member state that might not be fully prepared.

A significant innovation in the treaty was the introduction of “convergence criteria”, which member states had to meet to join the Economic and Monetary Union. This was in response to previous challenges and aimed to ensure stable economic conditions for monetary union.

The convergence criteria were as follows:

1. “Price Stability”: The first criterion required controlling inflation. Inflation rates in a candidate country could not deviate by more than 1.5% from the average of the three best-performing member states over a one-year period. Later, the European Central Bank set a 2% inflation target for the eurozone, based on the Harmonized Index of Consumer Prices (HICP).

2. “Government Debt”: Member states' government debt should not exceed 60% of their GDP. This threshold was set to prevent highly indebted economies from posing risks to common policies, as seen later in Greece. There was, however, a loophole, which allowed countries to meet this criterion if their debt levels were "approaching" the target. This flexibility was particularly relevant for Italy, whose debt level was over double the limit at the time of joining.

3. “Budget Deficit”: The budget deficit was capped at 3% of GDP. If a country exceeded this limit, it would enter an excessive deficit procedure, requiring a plan to correct the imbalance. Non-compliance could lead to sanctions. However, exceptions were allowed if the deficit was temporary or if the country showed significant progress toward the target.

4. “Exchange Rate Stability”: The Maastricht Treaty initially set a fluctuation band of ±2.5% for exchange rates, though this was later expanded to ±15% due to practical concerns. Joining the Exchange Rate Mechanism (ERM) was a prerequisite for entering the monetary union.

5. “Interest Rates”: Similar to inflation requirements, long-term interest rates on government bonds could not exceed the average of the three lowest rates by more than 2%. This measure aimed to ensure financial stability and prevent speculative risks.

The final criterion, exchange rate stability, played a role in the 1992-1993 crisis, during which the UK, Italy, and Sweden were forced to exit the ERM due to internal and external pressures. One of the primary causes was Germany's reunification, which led to increased investments and, consequently, higher interest rates. Investors shifted their capital into more secure and higher-yielding German bonds, while selling off bonds from riskier economies, triggering the crisis.

In 1997, it was decided that the third phase would begin in 1999, with the European Central Bank (ECB) becoming fully operational. On January 1, 1999, the European Currency Unit (ECU) was introduced as a common accounting unit among the member states. On January 1, 2002, coins and banknotes were introduced in 12 European Union members, making it the biggest cash changeover in history.

The state of the forint leading up to EU accession, and Hungary’s road to accession

In the 20th century, Hungary experienced two instances of hyperinflation that were unprecedented in their severity, both resulting from the profound consequences of the two world wars. While it is fair to attribute these economic crises to the destruction brought upon by war, Hungary also faced distinct economic and financial challenges in each case. These challenges not only worsened inflation but also complicated efforts to stabilize the currency.

The introduction of the pengő as a new currency came on the heels of significant territorial losses, a declining population, and a staggering depletion of national assets. In contrast, the establishment of the forint occurred in a nation that was both economically devastated and physically destroyed, having lost around 40% of its national assets (Gyarmati et al.,1996).

On August 1, 1946, the forint was introduced as a way to stabilize the Hungarian economy, and also to put an end to the hyperinflation of the pengő. This paper focuses on modern Hungary, which is why there is a jump from the introduction of the forint to after the collapse of the Soviet Union and the beginning of the Third Hungarian Republic (from 2010 only Hungary).

The entire process of the regime change was driven by the aspiration for EU membership. Hungary began its accession negotiations with the European Union at the Luxembourg summit in 1998, which concluded in 2002. By the time of accession, a functioning market economy had been established, significant legal harmonization had taken place, and democratic structures had been solidified. The pivotal referendum was held on April 12, 2003, with a voter turnout of 45.62%. Of the votes cast, 83.76% supported joining the EU, making the referendum successful (Nemzeti Választási Iroda, 2003.).

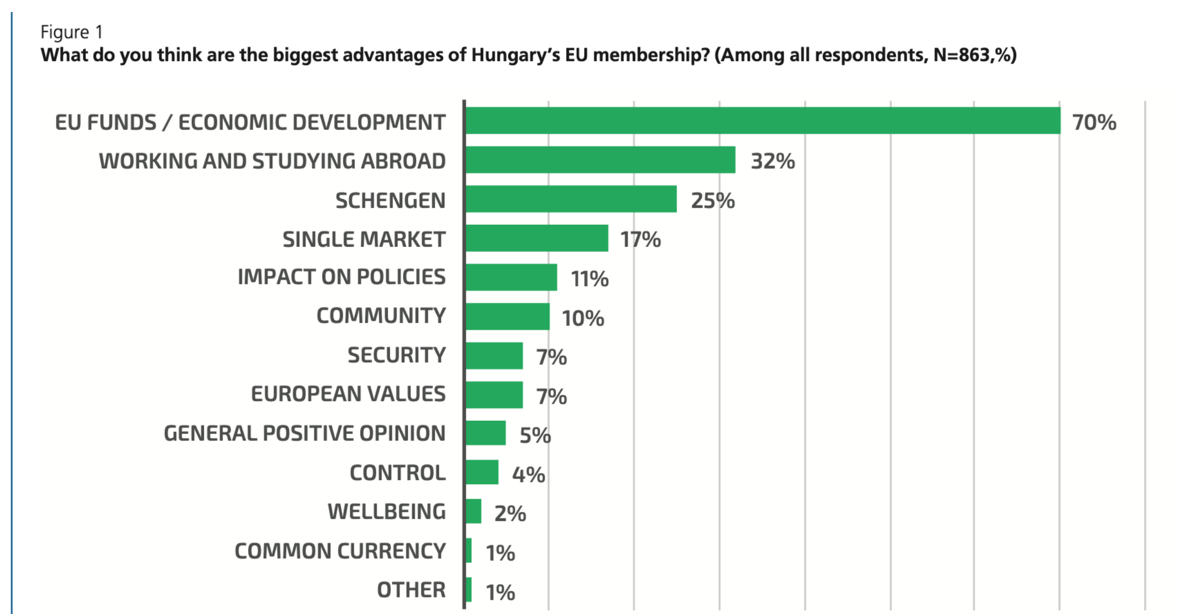
The largest expansion in EU history took place on May 1, 2004, in Athens, where Hungary, alongside Cyprus, the Czech Republic, Estonia, Poland, Latvia, Lithuania, Malta, Slovakia, and Slovenia, signed the Accession Treaty. This accession opened pathways for development and convergence for the new member states, facilitating free movement across borders. A few years later, it allowed for employment opportunities in Western Europe, as well as the free movement of goods, services, and capital. The unified European regulations significantly transformed citizens' lives. As part of joining the European Union, members, including Hungary are obligated to join the eurozone after meeting the “convergence criteria”, only

exception being Denmark, who negotiated an opt-out from the obligation of joining (economy-finance.ec.europa.eu, unknown publication date).

Hungary in the European Union

As a member of the EU for 20 years, the nation of Hungary has benefited from its membership, similarly to other Central European countries. Over the last two decades cohesion funds received from the European Union resulted in developing projects in several areas. One of the key sectors in which Hungary has benefited from funding is energy. In Szeged, Europe's largest urban geothermal network is set to heat 27,000 households and over 400 public buildings, significantly reducing annual greenhouse gas emissions by 434,000 tonnes. This investment stands as a flagship project of the European Commission, showcasing the potential for replication in other EU Member States (ec.europa.eu, 2024.). This is just one example of the benefits the European Union brought for Hungary.

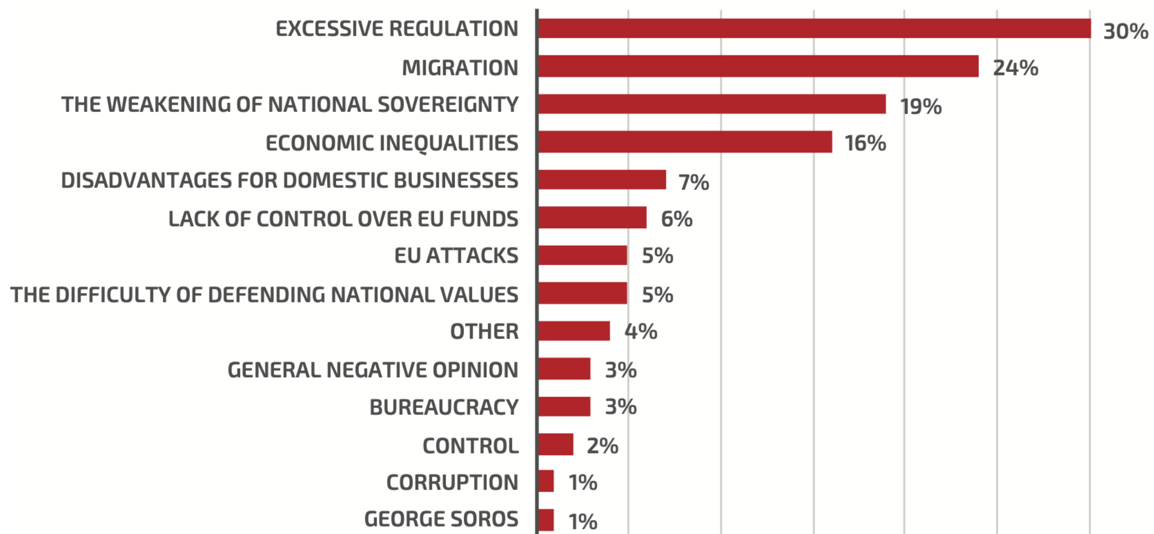
A study conducted by András Bíró-Nagy, Áron Szászi and Attila Varga in May 2022 was made with the purpose of finding out what citizens thought are the benefits of the membership and what are the disadvantages (Bíró-Nagy et al. 2022.).



Source: Bíró-Nagy, Szászi, Varga 2022.

The most popular answer within the surveyed citizens were the funds from the European Union, followed not so closely behind by the opportunities of both short- and long-term

travel and the freedom of movement. My thesis is about the Euro, which in the figure can be seen as the least popular answer. The reasons behind can be many, but one could be the goal of remaining sovereign. Presumably, many of the citizens surveyed were living when the "Iron curtain" was still in place, having the ability to decide our own monetary policies is a deciding factor. Hence the next part of their survey were the disadvantages of the membership, in which the following answers were provided.



Source: Bíró-Nagy, Szászi, Varga 2022.

As previously mentioned, being sovereign is important for the surveyed, and presumably for many of the citizens also. It could seem that Hungarians want all the positives that come with the membership, but not embrace the rules of said membership.

The history books tell us about the glorious Kingdom of Hungary, the nomads on horsebacks conquering a large part of Europe before settling in the Carpathian Basin, and for centuries being a thriving part of European culture. After the Battle of Mohács in 1526, the narrative changed, and for centuries the people of Hungary were under the rule of the Ottoman Empire, and later the Habsburg Empire. Although more independence occurred during the era of the Austro-Hungarian Empire, the end of World War 1, and more importantly the Treaty of Trianon left a scar in the people of Hungary which are still visible to this day. The interwar period brought some independence for a change, but the result of the Second World War and the aftermath with the control of the Soviet Union and being part of the Eastern Bloc brought out the need in the citizens to finally achieve and maintain sovereignty. Drawing a conclusion

from these historical events, it is no surprise that the people want their right to choose for themselves, and in a bigger aspect, the country wants the right to choose freely.

The nature of the eurozone

A key theoretical concept regarding the introduction of the euro is the "trilemma" of international finance, which highlights that it is not possible to simultaneously have free capital movement, a fixed exchange rate, and an independent monetary policy; only two of these three elements can be chosen (Obstfeld, 1998., p.14.). This can be most easily understood by assuming that under free capital movement, the central bank attempts to lower interest rates below the level expected by the markets—this would lead to capital outflow, a decrease in demand for the currency, and a resulting devaluation of the exchange rate. While for the founding member, primarily Germany and France, the introduction of the euro represents a commitment to deeper integration (Risse et al. 1999), the peripheral countries have room for discretion even within the framework of contractual obligations. This discretion is guided by the criteria of the Optimal Currency Areas (OCA) theory. In relation to the introduction of the euro in Hungary, numerous analyses have already demonstrated that, based on the OCA (Optimal Currency Area) criteria, it is in Hungary's interest to adopt the euro (Darvas and Szapáry 2008).

Before the 2008 financial crisis, the mainstream view was that monetary policy had neutral long-term effects. However, the experiences of the crisis showed that the long-term growth potential of the economy is also sensitive to short-term changes in demand conditions. As a result, the most frequently mentioned cost of euro accession became the loss of independent monetary policy and the transfer of monetary decision-making to the community level. In general, it can be stated that the benefits of adopting the euro are largely at the microeconomic level (e.g., reduction in exchange and transaction costs, deepening of foreign trade, and strengthening of integration), while the risks and disadvantages stemming from the loss of independent monetary policy tend to appear at the macroeconomic level and over the longer term.
Central banks have a primary mandate to achieve and maintain price stability, which is why the inflationary effects of adopting the euro deserve special attention. Experience so far suggests that the introduction of the common currency can influence inflation dynamics over several time horizons. The short-term, temporary inflationary effects occur directly at the

time of euro adoption, as the transition from the old currency to the euro may result in rounding up prices, "menu costs" (costs associated with changing prices), and companies using the transition day to adjust prices (Eife, 2006.). While these short-term, immediate price adjustments can affect inflation, they may also influence long-term price dynamics. If the public perceives the temporarily higher price increases from the euro introduction as part of a lasting trend, this could reflect in inflation expectations. However, according to Eurostat estimates, the immediate inflationary impact of the euro adoption did not exceed 0.3 percentage points in any country. Long-term inflationary pressures may emerge from the interplay between economic convergence and the loss of an independent monetary policy. Data from recent decades show that more developed countries generally have higher price levels. For emerging economies, real economic convergence tends to be accompanied by higher inflation than in more developed nations. After joining the eurozone, the common monetary policy may not be able to address this higher inflation, leading to a lower-than-optimal real interest rate environment in the converging country. This could result in an overheating economy, which in turn may drive inflation even higher. The potential inflationary pressures resulting from the introduction of the euro could jeopardize the successful adoption of the common currency.d However, experience across the entire eurozone suggests that after the introduction of the euro and the effects of the immediate price adjustments subsided, inflation overall slightly moderated. Experience shows that despite the short- and long-term inflationary effects of joining the eurozone, the transition can still be favorable if the introducing country's economic development is close to the eurozone average. In such cases, continued economic convergence requires only modest additional growth, which reduces the inflationary surplus stemming from catching up. The best way to counter inflation caused by economic overheating is to prevent overheating itself, which can be achieved through anchored inflation expectations and appropriate macroprudential policies. Therefore, for maintaining stable and balanced long-term inflation trends, joining the eurozone is justified when the country has reached an adequate level of real economic development. However, the Maastricht criteria alone are not sufficient for assessing this readiness.

One of the most frequently discussed aspects of joining the eurozone is the abandonment of an independent exchange rate. The primary argument in favor of this is the elimination of exchange rate risk, which can lead to benefits such as avoiding exchange rate volatility and strengthening foreign trade integration. However, experience shows that the trade-creating

effects are mainly tied to the prior stage of European integration, since the countries preparing to join align their tariff and non-tariff trade regulations with EU standards. On the other hand, the most significant risk is that the loss of the exchange rate channel makes it more difficult to mitigate and manage country-specific economic shocks. As a result, neutralizing these effects may come at a higher cost to the real economy. In the absence of an exchange rate channel, the impact of economic shocks tends to manifest in other areas of the economy, such as through reductions in nominal wages.

One of the monetary policy lessons from the pandemic is that the introduction of a common currency—thereby eliminating exchange rate risk—can be beneficial during periods of global financial stress. When international financial market sentiment declines, it often intensifies capital outflows from emerging economies toward more developed ones. In such cases (as seen during the early phase of the COVID-19 pandemic), having a common currency helps avoid a significant exchange rate shock, which could otherwise negatively impact inflation trends. The advantages of a shared currency become more evident in such situations, although economic crises on the scale of the COVID-19 pandemic are extremely rare.

A monetary union's common monetary policy often faces criticism, particularly regarding asymmetric business cycles, where a shared policy may exacerbate cycles across different regions. Since the common interest rate policy responds to the average economic and financial conditions of the entire zone, it may not be stringent enough in countries needing tightening, or sufficiently loose where easing is required. This poses a long-term risk for countries adopting the euro: if an economy is not at the appropriate level of economic development, it could experience severe macroeconomic imbalances and financial bubbles. The lack of an independent monetary policy and the inability to adjust exchange rates—specifically, the option to devalue externally—pose challenges in managing asymmetric shocks and tailoring monetary conditions to the unique needs of the country. The financial crisis highlighted the harmful consequences of this, leading to deeper recessions and slow, prolonged recoveries in affected countries. During the previous crisis and the subsequent years, countries with more flexible monetary regimes generally exhibited stronger growth performance. Both large economies (such as the USA or Canada) and northern and central-eastern European countries exhibited faster, and more stable growth compared to the eurozone. After 2008, three out of the five countries showing the fastest recovery had independent monetary policies, alongside two eurozone members (Cyprus and Malta), while

seven of the ten weakest-performing countries were eurozone member states. Currently, the situation remains the same: among the top five performing countries, three have achieved their results through independent monetary policy. Based on these comparisons, we can assume that independent monetary policy—especially in a recessionary environment and with appropriate targeted measures—can continue to achieve significant growth advantages compared to monetary policy decisions made at the community level.

As a result of the measures taken in response to the 2008 financial crisis, monetary policy and the central banks' toolkit underwent significant transformation and renewal. To mitigate the adverse effects of the crisis, central banks attempted to alleviate conditions through aggressive interest rate cuts while using liquidity-providing instruments to prevent the freezing of money markets. Central banks encountered the lower bound of nominal interest rates, and they sought to achieve the necessary further monetary easing through new, unconventional tools (Karácsony et al., 2019). Therefore, it is equally important to consider the potential consequences of abandoning independent monetary policy in terms of unconventional monetary policy measures.

Upon joining the eurozone, Hungary's domestic monetary conditions would be heavily influenced by the European Central Bank's (ECB) unconventional policies and tools. However, these instruments were not tailored to align with the maturity of Hungary's financial system. Consequently, their impact would be limited due to underdeveloped sub-markets. For instance, Hungary's markets for covered bonds and asset-backed securities are still in their early stages, rendering the purchase of such instruments ineffective in further easing monetary conditions. Among the ECB's programs, it is primarily government bond purchases that have a positive impact even in less developed countries. According to experiences with the use of unconventional tools, they are primarily effective in addressing money market issues, while their inflationary and real economic impacts—relative to the size of the programs—are more subdued. This is particularly important for a small, emerging economy, as a central bank with an independent monetary policy can effectively support the country's economic convergence through targeted, country-specific unconventional instruments (for example, by supporting corporate lending, reducing vulnerability factors, etc.). During the coronavirus pandemic, the ECB responded much more decisively and quickly to the challenges posed by the economic crisis and money market turbulence than in

previous situations. In the acute phase of the crisis, the ECB provided the necessary liquidity, fulfilled the role of the lender of last resort, and contributed to crisis management outcomes by maintaining a low-interest environment and through its bond and government bond purchasing programs. However, it is evident that it employed the same tools as before, meaning that the aforementioned issue remains relevant, and the ECB offers less support to smaller countries.

Statistics of Hungary after 2001

The functioning of monetary policy during the examined period is summarized in Figures 1-2. Figure 1 illustrates how the exchange rate of the forint has changed since the abolition of the sliding devaluation on October 1, 2001. Figure 2 shows the evolution of interest rates, highlighting the dates of interest rate decisions, and for disclaimer purposes, the latest data in these figures will be December 31, 2023, as the last full calendar year.

Figure 1: the EUR/HUF exchange rate between 01/10/2001 and 31/12/2023

Hungarian forint (HUF)

1 October 2024
EUR 1 = HUF 397.83 0.95(0.2%)

Change from **1 October 2001** to **29 December 2023**

Min (18 July 2008)	Max (13 October 2022)	Average
228.16	430.65	297.28

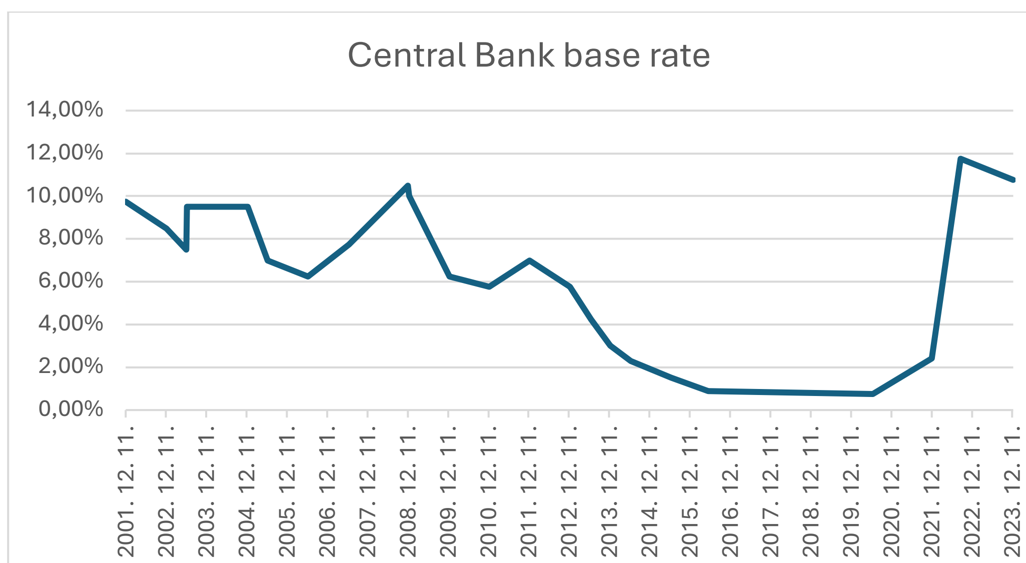
https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/eurofxref-graph-huf.en.html

Page 1 of 3

A

Source: European Central Bank

the past 20 years, which strongly correlated with the trend-like decrease in interest rates observed in Figure 2, except for 2022, when both the exchange rate and the base rate increased, the latter to help the former from skyrocketing, but still reaching an unprecedented 430.65, shown on the graph.



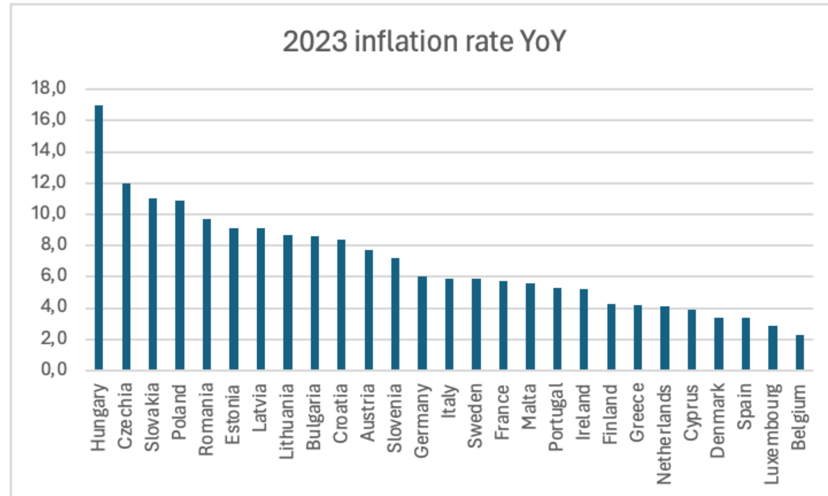
Source: National Bank of Hungary, chart is own creation

These two figures completely illustrate what the focus of my paper is. How using the base rate can be an effective monetary tool to control inflation and exchange rates, thus maintaining sovereignty. The state of the forint in the past two decades, seen in figure 1 also highlight the key question I intend to answer: why the government is so reluctant to introduce the euro instead of its ever-deprecating currency.

To analyze the potential introduction of the euro in Hungary, or the reasons why not to, several key statistics and indicators should be considered. These metrics can help assess the economic readiness of Hungary and the potential impacts on its economy and population.

1. Convergence Criteria (Maastricht Criteria) (European Comission, unknown)

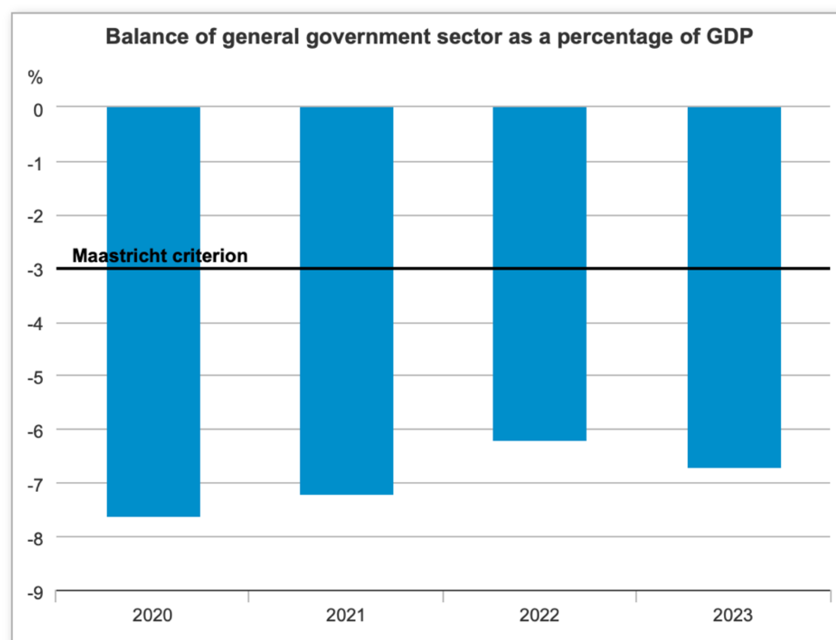
Inflation rate in Hungary should be close to the EU's average, within 1.5 percentage points of the three best-performing member states. I reviewed the year on year inflation data from the previous year, 2023, to the inflation of the top three performimg member states. The below figure represents the inflation provided by Eurostat.



Source: Eurostat, chart created by me

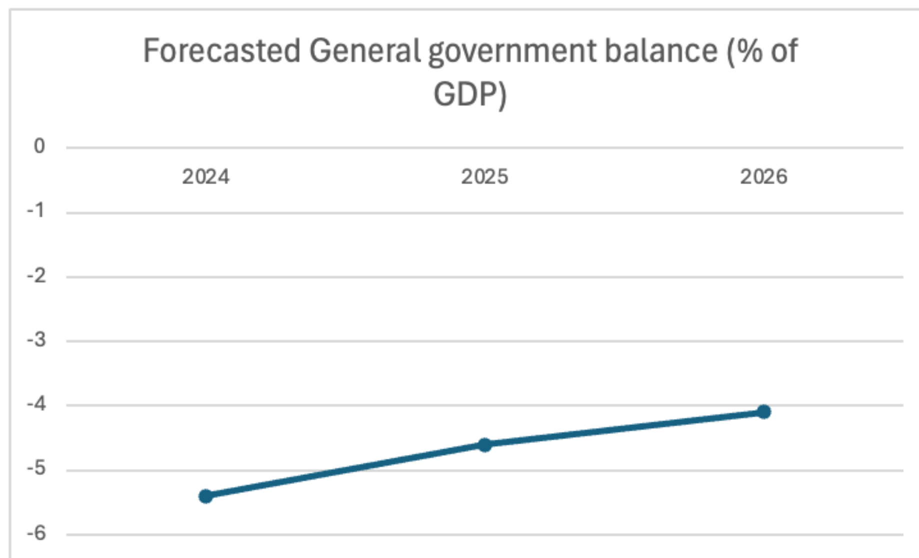
The chart shows that Hungary would already fail the covergence criteria by a fair margin on the first point, but to understand the big picture, I will test all the requirements to see which could have been achieved if the government were to introduce plans to adopt the Euro in the past year. As for 2024, the mood arounf iflation brgihtened up, as in October inflation rose only 3.2% compared to the same month of previous year (KSH, 2024).

Hungarian government deficit must be below 3% of GDP, which the government has not been able to achieve in the past years, as shown in the figure below.



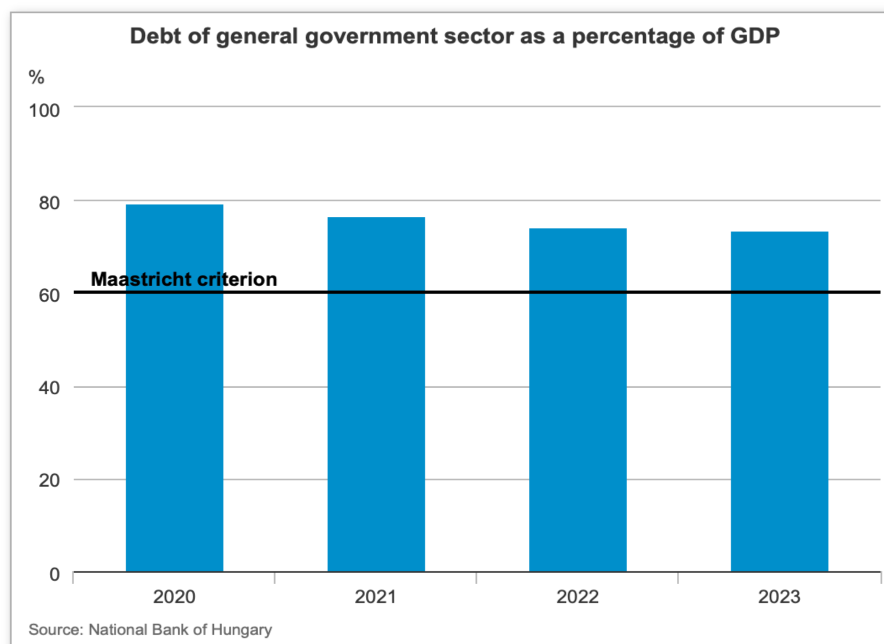
Source: KSH

There is a slight improvement from 2020, but it is still 3% away from meeting the requirements. However, forecast from the European Comission suggest that by the end of 2026, the general government deficit could be as low as 4,1%.

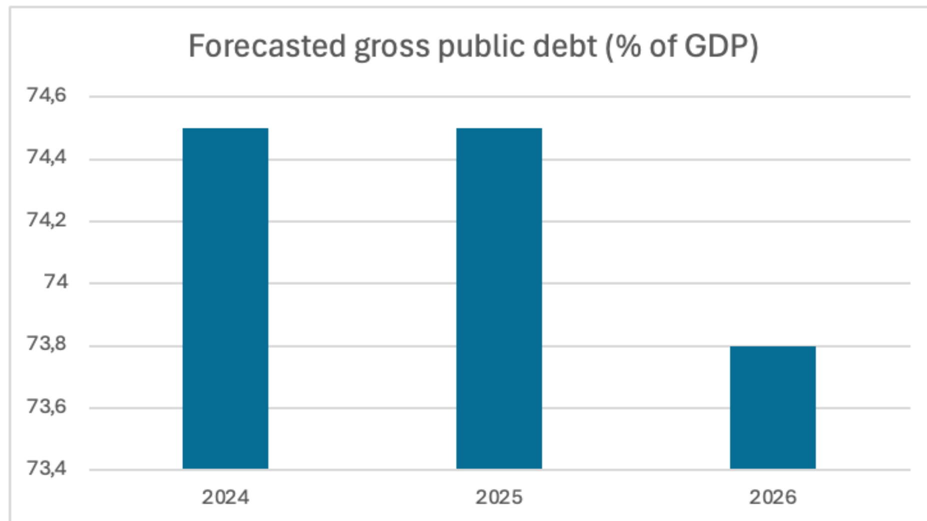


Source: Eurostat, chart created by me

Hungary's public debt should not exceed 60% of GDP, or it must show consistent progress toward this target.



As seen on the chart, the progress can be seen as the years go by, but forecast data seen below by the European Comission suggests that the tendency to close the gap to 60% continues, the journey is still a long road ahead.



Source: Eurostat, chart created by me

Long-term interest rates should remain within 2 percentage points of the EU's lowest rates. The below chart represents one member of the Eurozone, Germany, while the other three uses Hungarian Forint, Swedish Krona and Danish Krone. The requirement is clearly not met based on this information, and to furhter hinder the Hungarian situataion, out of all European Union members, Hungary's long-term interest rates were the highest.

Last updated: 13/11/2024 10:03

Harmonised long-term interest rates for convergence assessment purposes

(percentages per annum; period averages; secondary market yields of government bonds with maturities of close to ten years)[1)]

	2024-10	2024-01
Euro area (1)		
Germany	2.23	2.18
Non-euro area (3)		
Denmark	2.10	2.40
Hungary	6.57	5.98
Sweden	2.04	2.23

Sources: ECB and European Comission.
1) For Cyprus, primary market yields are reported up to April 2015. The same applies to Bulgaria and Romania up to December 2005, Slovenia up to October 2003 and Lithuania up to October 2007 and as of November 2022.

EUROPEAN CENTRAL BANK | EUROSYSTEM https://data.ecb.europa.eu/

Source: ECB

Exchange Rate Stability, also known as ERM, means Hungary must maintain a stable exchange rate within the Exchange Rate Mechanism II (ERM II) for at least two years. Since Hungary has not yet had an official intent to join the Eurozone, this requirement can not be succesfully determined, which is what the European Comission’s status states (European Comission, 2024).

Public sentiment in Hungary plays a significant role in shaping government policy regarding the adoption of the euro. While Hungary is an EU member and has made a formal commitment to join the eurozone eventually, the decision to adopt the euro is highly influenced by public opinion, as it directly impacts the political feasibility of the decision, as well as the perceived economic and national sovereignty risks associated with it.

Electoral Pressure and Political Capital

Public opinion has a direct impact on electoral outcomes, and governments are often sensitive to how popular policies are. If there is strong public opposition to adopting the euro, Hungarian politicians may delay or even abandon the idea to avoid political fallout. On the other hand, if public sentiment becomes more favorable toward the euro, the government might seize the opportunity to push for adoption, gaining political capital. For example, the ruling party in Hungary, Fidesz, has historically been cautious about advocating for the euro, in part due to concerns about losing votes over the potential economic and sovereignty-related issues surrounding the euro. Therefore, any shift in public opinion could lead to a more aggressive push for euro adoption—or, conversely, the abandonment of the idea if the public remains hostile.

Concerns Over Sovereignty and National Identity

One of the strongest drivers of skepticism about adopting the euro in Hungary is the fear of losing control over national sovereignty. The Hungarian public, influenced by both political leaders and historical factors, is particularly sensitive about ceding economic power to the European Union. This concern is especially pronounced under Prime Minister Viktor Orbán's government, which has made national sovereignty a central part of its political rhetoric. Many

Hungarians are wary of transferring control over monetary policy, particularly interest rates and currency devaluation, to a centralized European body like the European Central Bank. The national pride associated with the forint—the Hungarian currency—also plays a key role. For many citizens, the forint symbolizes economic independence, and adopting the euro could be seen as a loss of national identity and control over the country's financial future.

Economic Fears: Inflation, Price Increases, and Cost of Living

Economic concerns, especially the fear of inflation and rising living costs, have significantly influenced public sentiment toward the euro. Many Hungarians worry that adopting the euro could lead to price hikes, particularly in everyday goods and services. This fear is not unfounded, as some countries that adopted the euro experienced sharp increases in prices, even though wages did not keep pace. The experience of other former Eastern Bloc countries that joined the eurozone, such as Slovenia and Slovakia, has shaped Hungarian public opinion, leading to concerns that the euro could erode purchasing power (Eurostat, 2009) (Festić et. al. 2009).

Mistrust of the European Union and External Pressure

Euroscepticism in Hungary is high, driven in part by the EU's perceived overreach in areas like immigration, rule of law, and democratic standards. The Hungarian government, particularly under Orbán's leadership, has frequently positioned itself in opposition to various EU policies, fostering a narrative of resistance to external influence. This eurosceptic sentiment extends to economic policies as well, with many Hungarians viewing the adoption of the euro as a step toward greater EU control over the national economy. The government often capitalizes on this skepticism by framing the euro adoption as a loss of autonomy, tapping into populist themes that resonate with the electorate. This populist rhetoric not only appeals to national pride but also reinforces the idea that Hungary's interests are best served outside the eurozone.

Perceptions of Economic Readiness and Stability

The Hungarian public's views on the country's economic readiness for the euro also influence sentiment. Many citizens are skeptical about whether Hungary is truly prepared to join the eurozone, particularly if they perceive the economy as unstable or underperforming.

Concerns about economic volatility, especially in the wake of the global financial crisis of 2008, have left many Hungarians cautious about the risks of euro adoption. The crisis, coupled with the subsequent eurozone debt crises in countries like Greece (Nelson et. al., 2011), fueled a broader skepticism about the stability of the euro. If Hungary is facing economic difficulties, such as low growth or high unemployment, the public may view joining the eurozone as an unnecessary risk. Conversely, if Hungary's economy is performing well and there is a belief that the euro could bring greater stability or lower interest rates, public support might increase.

Political Leadership and Messaging

The government's ability to shape public opinion is a crucial factor in determining whether Hungary will adopt the euro. Political leaders can frame the issue in ways that resonate with the public's concerns and values. For instance, if the government can convincingly argue that adopting the euro will bring economic benefits—such as lower borrowing costs, increased foreign investment, or greater financial stability—public opinion could shift in favor of the euro. Conversely, political leaders might emphasize the potential downsides, such as loss of sovereignty or economic instability, in order to galvanize opposition to the euro. The effectiveness of this messaging is often tied to the political climate and the public's broader views on the EU and economic policy.

Historical Context and Examples:

2000s & Early 2010s: Leading up to Hungary's EU accession in 2004, there was a general sense of optimism regarding the adoption of the euro. The country's economic integration with Europe was seen as beneficial, and public opinion was more favorable toward joining the eurozone. However, after the 2008 global financial crisis and the eurozone debt crises, this optimism began to fade. Many Hungarians became wary of the eurozone's stability, particularly in light of the economic turmoil experienced by other member states.

2010s & 2020s: Following the crisis, public support for adopting the euro plummeted. Euroscepticism grew as Hungary's political leadership, under Viktor Orbán, took a more anti-EU stance. By 2019, polls indicated that only about 30% of Hungarians were in favor of adopting the euro, with many citing concerns about inflation, loss of national sovereignty,

and the stability of the eurozone. Public sentiment shifted toward a preference for maintaining the forint, especially as political and economic challenges persisted.

National sovereignty is a central concern for many Hungarian policymakers, particularly those within the ruling Fidesz party under Viktor Orbán. Orbán's government has consistently framed its political agenda around the defense of Hungary's independence from external forces, particularly from the European Union. The adoption of the euro is viewed by many as a potential erosion of this sovereignty, as it would involve ceding significant control over key economic levers. Below are the specific aspects of national sovereignty that are most concerning to Hungarian policymakers regarding the adoption of the euro.

Loss of Control over Monetary Policy

One of the most significant concerns for Hungary's policymakers regarding euro adoption is the loss of control over national monetary policy. Currently, Hungary's central bank has the authority to set interest rates, manage inflation, and influence the money supply according to the specific needs of the Hungarian economy. If Hungary were to adopt the euro, control over these crucial economic tools would shift to the European Central Bank (ECB), which governs monetary policy for the entire eurozone. This means Hungary would no longer have the ability to adjust interest rates or engage in quantitative easing to address domestic economic challenges, such as recessions or inflationary pressures. Policymakers fear that the loss of this flexibility would make it more difficult for Hungary to respond to economic shocks that may uniquely affect its economy, especially if those needs diverge from the broader needs of the eurozone as a whole.

Fiscal Policy Constraints

Another major issue is the fiscal policy constraints that come with being part of the eurozone. The Stability and Growth Pact (SGP) imposes strict limits on government deficits (below 3% of GDP) and public debt (below 60% of GDP), which would further constrain Hungary's fiscal policy (European Commission (2023). These constraints would limit the government's ability to run budget deficits or accumulate debt to finance domestic priorities such as social welfare programs, public investment, or economic stimulus during times of crisis. While

Hungary has already faced pressure from the EU over fiscal matters, joining the eurozone would make these fiscal rules even more rigid, and Hungary would likely face sanctions or penalties if it did not adhere to the EU's fiscal criteria. This would significantly reduce Hungary's economic flexibility, particularly in times of economic downturns or national crises, where more expansive fiscal policies may be needed.

Loss of the Exchange Rate as an Economic Tool

Exchange rate policy is another critical aspect of sovereignty that would be lost with euro adoption. As long as Hungary maintains the forint (its national currency), the government can adjust its value relative to other currencies, giving it the ability to respond to both domestic and global economic conditions. For example, during times of economic crisis or when there is a need to improve competitiveness, Hungary could devalue the forint to make exports cheaper and stimulate economic growth. However, once Hungary adopts the euro, it would no longer have the ability to adjust its exchange rate. The euro's value would be determined by the European Central Bank (ECB) and the broader eurozone economy, leaving Hungary without an important tool for economic adjustment. For policymakers, losing this tool is seen as a significant loss of sovereign control over Hungary's economic strategy, particularly given the vulnerability of Hungary's relatively small and open economy.

Sovereignty Over Economic Governance

Adopting the euro would also mean that Hungary's economic governance would be more closely aligned with the broader eurozone framework. This includes compliance with the European Semester (European Comission, unknown), which is the EU's fiscal and economic coordination mechanism, as well as adherence to EU economic recommendations and policies. Hungarian policymakers are concerned that this alignment could limit their ability to pursue independent economic policies in areas such as industrial policy, taxation, public spending, or social welfare. For example, the European Commission could impose recommendations on economic policies, such as public sector wages, pension systems, or taxation policies, which might conflict with Hungary's political priorities or populist policies. These concerns highlight how the adoption of the euro could reduce Hungary's control over key areas of economic governance and limit the government's ability to make decisions based solely on domestic priorities.

Concerns About the ECB’s Influence

Another significant concern is the role of the European Central Bank (ECB), which would assume responsibility for setting monetary and financial policy for the entire eurozone. Hungarian policymakers fear that the ECB, which is governed by eurozone countries, may prioritize the interests of larger economies (like Germany or France) over those of smaller economies like Hungary’s. For example, if the ECB raises interest rates to combat inflation in larger economies, Hungary might struggle under the higher rates, especially if it faces an economic slowdown or deflationary pressures. Without the ability to adjust its own monetary policy, Hungary would have no recourse to address these imbalances or tailor policy to its own economic realities. This concern that the monetary union might disproportionately benefit larger economies while leaving smaller economies like Hungary at a disadvantage is a key aspect of the debate surrounding euro adoption.

Political and Institutional Sovereignty

Beyond the economic concerns, there is a broader political dimension to the issue of national sovereignty. Many Hungarian policymakers, particularly those within Fidesz, view the adoption of the euro as part of a larger trend of increasing EU interference in national sovereignty. Over the years, Hungary has resisted EU policies on various fronts, including migration, rule of law, and judicial independence. The government views these issues through a lens of national independence, framing its resistance as a defense against perceived overreach by Brussels. From this perspective, adopting the euro would be seen as a further step toward deeper political integration with the EU, reducing Hungary’s ability to pursue policies that reflect the will of the Hungarian people. For these policymakers, the economic integrationof euro adoption is closely linked to a loss of political autonomy, and they fear that it could pave the way for further EU influence over Hungary’s domestic affairs.

Hungary's reluctance to adopt the euro has been deeply influenced by the country's experiences with past economic crises, which have shaped policymakers’ views on the risks and trade-offs of economic integration. These crises have underscored the limitations of EU policy mechanisms, the potential loss of economic sovereignty, and the value of maintaining

flexibility in fiscal and monetary policies. Here's a closer look at how these crises have shaped Hungary's current stance on the euro.

The 1990s Transition and the Post-Communist Economic Adjustment

After the collapse of the Soviet Union, Hungary faced a challenging transition in the 1990s as it shifted from a centrally planned economy to a market-based system. The reform process was marked by privatization, market liberalization, and austerity measures, which resulted in high inflation, significant unemployment, and a sharp decline in living standards, particularly for the working class and rural populations. The economic pain of this transition created a deep sense of vulnerability, as many Hungarians became wary of external economic pressures. The challenges faced during this period led to a strong desire to maintain control over Hungary's economic policies and institutions. Hungary's experience in the 1990s made policymakers cautious about further economic integration with the European Union, including joining the eurozone. Many feared that adopting the euro could limit the country's ability to respond to future economic challenges independently, especially in terms of fiscal and monetary policy. The memory of economic hardship during the transition kept Hungary cautious about surrendering control over its national economic tools.

The 2008 Global Financial Crisis and the Aftermath

The 2008 global financial crisis hit Hungary hard, leading to a deep recession, rising unemployment, and financial instability. The Hungarian forint came under significant pressure, and the country was forced to request a bailout from the International Monetary Fund (IMF) and the EU. This crisis revealed vulnerabilities in Hungary's financial system, especially its dependence on foreign-denominated debt. The depreciation of the forint during the crisis sparked concerns about Hungary's financial sovereignty. The country's reliance on foreign loans and the inability to control its currency exchange rate during the crisis emphasized the risks of global financial exposure. This reinforced the belief that adopting the euro could leave Hungary vulnerable to external shocks, without the ability to devalue its currency or conduct independent monetary policy. The bailout experience highlighted the limits of Hungary's economic sovereignty when dealing with external financial institutions like the IMF. Although the eurozone economies coordinated responses to the crisis, Hungary's financial struggles led to increased resistance to joining the euro, with many fearing that such a move would limit the country's ability to recover autonomously during

future crises. The aftermath of the crisis fueled public skepticism about joining the eurozone. Many Hungarians blamed global financial markets for the crisis and feared that joining the euro would mean Hungary would have to follow EU-imposed policies that did not align with its national interests, particularly in times of economic distress.

The COVID-19 Pandemic and Economic Recovery (2020–2022)

The COVID-19 pandemic triggered another significant economic crisis, leading to widespread lockdowns, reduced trade, and disruptions in the labor market. Like other countries, Hungary faced economic contraction but responded with fiscal stimulus and public spending, including support for businesses and families.The Hungarian government's ability to adjust fiscal policies quickly, including using domestic currency flexibility and implementing targeted economic support measures, allowed it to better address the unique challenges posed by the pandemic. The EU's response to the pandemic, including the Recovery Fund (European Commission, unknown), provided some relief, but Hungary was wary of the conditions attached to the funds. Many policymakers were concerned that the EU's control over recovery funds could limit Hungary's ability to make independent decisions about how to address its economic recovery. This reinforced fears that joining the eurozone would tie Hungary's hands during future crises, especially when it came to implementing domestic policies and receiving external financial aid. Hungary's ability to use the forint as a tool for monetary adjustments (such as adjusting interest rates or devaluing the currency) was seen as a key advantage in the post-pandemic recovery process. Policymakers argued that this independence allowed Hungary to navigate recovery more effectively than some eurozone countries, which faced stricter EU fiscal rules and constraints. This experience reinforced Hungary's resistance to adopting the euro, as the country valued the flexibility it had in managing its own currency.

Geopolitical and External Risks (2022–Present)

The geopolitical uncertainty caused by Russia's invasion of Ukraine in 2022 has further shaped Hungary's economic thinking regarding the euro. The war has led to rising energy prices and economic instability, particularly in Central and Eastern Europe. Hungary's ability to make independent decisions regarding energy security, fiscal stimulus, and economic policy has been seen as essential in managing the fallout from the war. Hungary's government has consistently emphasized its sovereign right to make independent decisions

on issues like energy policy and its stance on the war in Ukraine, often resisting EU-imposed sanctions or policy measures. Policymakers fear that being part of the eurozone could constrain Hungary's ability to adapt its economic policies to meet the unique challenges of a volatile geopolitical environment, such as the need for energy diversification and fiscal flexibility. The geopolitical risks and Hungary's need for economic flexibility in response to external shocks have reinforced the view that adopting the euro could leave the country exposed to economic and political pressures from Brussels. The perceived lack of flexibility within the eurozone, particularly in responding to crises like the war in Ukraine, has made Hungary even more hesitant to cede control over its monetary and fiscal policies.

Concerns About Uneven Development in the Eurozone

Hungary's leaders have expressed concerns that adopting the euro could exacerbate economic inequalities within the eurozone. As a relatively lower-income economy compared to core eurozone countries like Germany or France, Hungary could struggle to keep up with the economic policies that benefit wealthier nations. The concern is that Hungary may end up with less economic room to maneuver and could be further marginalized in the eurozone's economic framework. Hungary may find that, despite adopting the euro, it does not benefit as much as wealthier countries. The challenge of closing the income gap with wealthier eurozone members could become even more pronounced, especially if the country's fiscal flexibility is restricted under the eurozone's economic rules.

The debate over euro adoption in Hungary involves contrasting perspectives between proponents—primarily from the European Union (EU) and economic experts—and the Hungarian government. Below are the key economic, political, and social arguments for euro adoption, along with the counterpoints presented by the Hungarian government.

Economic Stability and Lower Interest Rates

Proponents' Argument:

Adopting the euro would give Hungary access to the European Central Bank (ECB)'s low-interest-rate policies, which could lead to cheaper borrowing costs for both the government and businesses. This, in turn, would encourage investment, consumer spending, and

economic growth. The euro would eliminate the exchange rate risk that currently exists with the forint, Hungary's national currency, especially against the euro, which is Hungary's main trading partner currency. This would reduce uncertainty for businesses and investors, promoting stability in foreign trade.

Government's Counterpoint:

Hungary's government argues that adopting the euro would mean losing control over its own monetary policy, particularly the ability to set interest rates based on national economic conditions. Currently, Hungary's central bank, the Magyar Nemzeti Bank (MNB), can adjust interest rates to address national issues like inflation, economic growth, and fiscal policy. Under the euro, Hungary would have to comply with ECB policies, which may not always suit its economic needs. Hungary's economic conditions differ from those of the wealthier eurozone countries like Germany and France. The government argues that Hungary's emerging economy might suffer from "one-size-fits-all" monetary policies set by the ECB, which may not align with Hungary's needs, potentially hindering economic growth or making the country more vulnerable during economic crises.

Increased Foreign Investment

Proponents' Argument:

The euro would eliminate currency risk between Hungary and the eurozone, making Hungary a more attractive destination for foreign direct investment (FDI), especially from companies that trade with the eurozone. The stability of a single currency would simplify cross-border transactions and reduce risks for investors.

Adopting the euro would signal Hungary's deeper integration into the EU, making it easier for businesses to operate across the region. Multinational companies might see Hungary as a more reliable, stable location for operations.

Government's Counterpoint:

While the government acknowledges that euro adoption could attract investment, it believes that Hungary's economic flexibility, provided by the forint, has already allowed the country to maintain strong economic growth and attract investment without joining the eurozone. The ability to adjust interest rates and manage the exchange rate has been particularly valuable during times of economic instability.

Price Transparency and Easier Cross-Border Trade

Proponents' Argument:

Euro adoption would enable easier price comparison across the eurozone, creating a more transparent and competitive market. Businesses operating across the region would face lower transaction costs, and consumers would benefit from more competitive pricing.

By removing currency fluctuations between the eurozone and Hungary, the euro would facilitate smoother trade and economic integration with Hungary's major trading partners in the eurozone.

Government's Counterpoint:

The government argues that while price transparency might benefit consumers, businesses may take advantage of the currency switch to round up prices, leading to higher costs for Hungarian consumers. The government cites examples from other countries in Central and Eastern Europe where price hikes were observed after adopting the euro. This, the government argues, could put pressure on consumers, especially those with lower incomes.

The government also counters that Hungary is already highly integrated into the EU single market and that adopting the euro is not necessary for continued growth in trade or market integration. Hungary has robust trade relationships with EU countries, and its position in European supply chains is already strong without the need for euro adoption.

Economic Growth and Stability

Proponents' Argument:

Supporters argue that joining the euro would help integrate Hungary more fully into the eurozone, leading to greater economic convergence with wealthier eurozone countries. Over

time, this could result in long-term economic growth, better access to EU funds (which are disbursed in euros), and overall stability.

Euro adoption is seen as a way to reduce speculative attacks on the forint and ensure greater economic stability, aligning Hungary with stronger economic policies of the ECB.

Government's Counterpoint:

While acknowledging the potential for greater economic stability, the government stresses that economic convergence is a long-term goal and not an immediate result of adopting the euro. The Hungarian government is concerned that losing control over its economic policies—such as fiscal policy, taxation, and currency devaluation—could hurt Hungary's economy in the short term. As an emerging economy, Hungary needs the ability to adjust policies to its specific needs.

The government remains cautious about the long-term stability of the eurozone, especially in light of the sovereign debt crises in countries like Greece, Spain, and Italy. Hungary's government fears that economic imbalances within the eurozone could lead to instability, and as a member of the eurozone, Hungary would be unable to implement policies that could help protect the country from such crises.

Strengthening Hungary's Position within the EU

Proponents' Argument:

Euro adoption is seen as a way for Hungary to enhance its political influence within the EU. By joining the eurozone, Hungary would have a stronger voice in EU decision-making processes, potentially benefitting from increased influence in areas like trade negotiations and EU regulatory policies.

Supporters also argue that adopting the euro would help Hungary strengthen its European identity and demonstrate its commitment to the EU project, solidifying its ties with Central and Eastern Europe.

Government's Counterpoint:

Hungary’s government is deeply committed to preserving national sovereignty. Under Prime Minister Viktor Orbán, the government has emphasized that Hungary’s national interests should take precedence over further political integration into the EU. The government argues that adopting the euro could limit Hungary’s control over its own economic and fiscal policies, which are seen as essential to maintaining the country’s autonomy.

The government also reflects the Eurosceptic sentiment prevalent among many Hungarians, particularly in rural areas and among lower-income citizens. Concerns about loss of national identity and the potential economic instability associated with euro adoption are prevalent. Given the lack of overwhelming public support, the government prioritizes sovereignty and national pride in its messaging and decision-making.

Currency stability plays a critical role in Hungary’s competitiveness, particularly in its trade relations with both Westernand Eastern markets. By maintaining its own national currency, the forint, Hungary enjoys several advantages that help it manage trade risks, maintain stable economic growth, and foster stronger international partnerships. Here's a breakdown of how currency stability impacts Hungary’s trade with different regions.

Impact on Trade with Western Markets (EU and Eurozone)

Hungary’s trade with Western markets, especially the European Union (EU) and the eurozone, is essential for its economic integration and competitiveness. In the second quarter of 2024, Hungary’s top 10 trading partners were all western countries on both import and export sides with 8 of the importers being European Union members, 6 of them in the Eurozone, while on the export side, 7 of the 10 were EU members, with 5 of them using Euro as their national currency.

Currency stability helps Hungarian exporters maintain price predictabilitywhen dealing with EU partners. A volatile exchange rate introduces currency risk, meaning that export revenues can fluctuate when converted from euros back to forints. A stable forint ensures more predictable pricing, fostering long-term relationships with buyers in the eurozone and making it easier to negotiate contracts without concerns over exchange rate fluctuations.

For trade agreements within the EU, stability in the forint reduces the risk of pricing uncertainty, allowing Hungarian businesses to negotiate long-term contracts with confidence. If the forint were highly volatile, EU buyers might be hesitant to enter into agreements, fearing that fluctuations in currency values would significantly alter the cost of Hungarian goods.

Stability enables Hungarian exporters to offer competitive prices consistently. While a weaker forint could temporarily make Hungarian products cheaper in the eurozone, unpredictable fluctuationscould undermine confidence in the reliability of Hungarian pricing. Stability prevents sudden price spikes or falls, maintaining Hungary's long-term competitiveness without relying on dramatic devaluation.

Although Hungary is not part of the eurozone, currency stability helps it remain aligned with broader EU economic policies. This alignment is particularly important in sectors like manufacturing, automotive, and agriculture, where Hungary plays a significant role. Unstable currency would complicate Hungary's participation in EU-wide programs or setting trade terms, potentially reducing its competitiveness in these industries.

Impact on Trade with Eastern Markets (Non-EU and Emerging Markets)

Hungary also trades extensively with Eastern markets, including Russia, China, and other Central and Eastern European (CEE) and Balkan countries. In these regions, currency stability plays a somewhat different role due to varying levels of volatility in exchange rates. Eastern markets often involve currencies that are more volatile than the euro (e.g., Russian ruble, Chinese yuan, or Polish zloty). If the forint is unstable, currency fluctuations can increase risks for Hungarian exporters and investors. For instance, in politically and economically unstable regions like Russia or Ukraine, a stable forint can help mitigate risks of sudden changes in trade costs, ensuring that Hungarian businesses are not blindsided by rapid shifts in currency values. A weaker forint can benefit Hungary in price-sensitive markets, as it can make Hungarian products more affordable. For instance, if the forint weakens against the ruble or yuan, Hungarian exports could become relatively cheaper in these markets, offering a temporary pricing advantage. However, stability in the forint ensures that these benefits don't disappear abruptly, as sharp currency swings could disrupt long-term trade relationships. A stable forint helps Hungary engage in diversified trade with countries outside the EU, especially those in Asia and Central Asia. Stability allows

Hungarian businesses to negotiate contracts without the risk of unpredictable exchange rate swings. Hungary can offer more competitive and predictable pricing in these markets, fostering stronger partnerships and encouraging growth in non-EU trade.

Impact on Foreign Direct Investment (FDI)

Currency stability is crucial in attracting foreign direct investment (FDI), as investors prefer environments with reduced uncertainty regarding exchange rates. Investors from both EU and non-EU countries are more likely to invest in Hungary if they perceive its currency to be stable. This is particularly important for companies considering long-term investments or setting up manufacturing and service operations in Hungary. A stable forint ensures that capital and profits won't be eroded by unpredictable fluctuations in the value of the currency. Many multinational companies use Hungary as a strategic hub for operations in Central and Eastern Europe. A stable forint minimizes operational risks, facilitating cross-border trade and investment. Companies can plan more effectively, build supply chains, and establish long-term contracts with a clearer sense of financial stability. Investors from the EU might be more inclined to invest in Hungary if they perceive the forint to be stable, as this reduces currency risk and aligns Hungary more closely with the EU's economic environment. Similarly, investors from Eastern markets (e.g., Russia or China) may also favor Hungary for investment if they know the forint will not be subject to extreme fluctuations, allowing for better pricing agreements and long-term contracts.

Impact on Inflation and Import Costs

Currency stability in the forint is essential for controlling inflation and managing import costs, both of which directly affect Hungary's trade balance and competitiveness. A stable forint helps control inflation, particularly in terms of imported goods. Volatility in the forint could result in fluctuating import prices, especially for critical raw materials, energy, and components needed by Hungarian manufacturers. Stable exchange rates keep input costs more predictable, which is especially important for industries dependent on imports from both Western and Eastern markets. Currency stability also helps sustain Hungary's export competitiveness. An unstable forint can push domestic inflation higher, eroding Hungary's cost advantage and making its products less attractive to foreign buyers. By preventing sudden price increases, a stable forint helps Hungary maintain competitive pricing in international markets.

Strategic Adaptation to Trade Agreements

In dealings with EU partners, a stable forint ensures that Hungary can participate in trade agreements with more certainty and fairness. The EU operates within a common currency framework, and the stability of Hungary's currency ensures that it can negotiate fair contracts without worrying about unpredictable exchange rate fluctuations. This helps Hungary build more long-term partnerships within the EU and secure its position in Europe's internal market.

In Eastern markets, where trade is often denominated in local currencies (such as the rub or yuan), Hungary's stable forint can offer greater predictability. Non-EU partners may be more inclined to accept pricing in forints if they trust the currency's stability, leading to stronger relationships with countries like Russia, China, and others in Balkans and Central Asia. Hungary can use its currency policy to adjust pricing in these markets, offering more competitive and predictable terms.

Trade Advantages of the Forint in Negotiations with EU Countries and Eastern Markets

Hungary's decision to retain the forint instead of adopting the euro offers several trade advantages in negotiations with both EU countries and Eastern markets. While the currency dynamics in each region differ, the forint provides specific benefits that enhance Hungary's competitiveness and flexibility in trade agreements. Below is a breakdown of how the forint offers unique trade advantages in each context:

Trade Advantages with EU Countries

Hungary's trade relations with EU countries, particularly those within the eurozone, are notably shaped by the widespread use of the euro among these nations. In this context, the forint provides distinct advantages in trade negotiations.

Competitive Exchange Rate Adjustments

One of the key advantages of maintaining the forint is Hungary's ability to adjust its exchange rate to enhance export competitiveness. When Hungary's exporters face competition from other EU countries, a weaker forint can make Hungarian goods and services cheaper for buyers in the eurozone. For example, if economic conditions are unfavorable or demand for

Hungarian products falls, Hungary can allow the forint to depreciate, improving its export competitiveness in the short term. This flexibility is unavailable to eurozone countries, which cannot adjust their currency values independently.

Avoiding Overvaluation Issues

The eurozone countries often experience pressures from the strength of the euro, which can make their exports more expensive in global markets. Hungary, by contrast, can allow the forint to fluctuate, thereby maintaining price competitiveness. If the euro becomes strong and negatively affects the competitiveness of Hungarian exports, the forint can be devalued to counterbalance this issue. This allows Hungary to better respond to shifts in global demand for products like automobiles, machinery, and agriculture.

Increased Flexibility in Trade Terms

Hungary's ability to adjust the forint's value also provides more flexibility in negotiating trade terms with EU countries. If Hungary wants to make its products more attractive to European buyers, it can allow the forint to depreciate, thus lowering the price of Hungarian goods when priced in euros. This offers Hungary a tactical advantage in competitive sectors, where price sensitivity is high.

Economic Adjustments to EU Trade Cycles

The forint gives Hungary the ability to adjust its economy in response to external economic shocks. If Hungary faces a trade imbalance or global economic instability (e.g., rising energy prices or inflation), the Hungarian National Bank (MNB) can intervene by adjusting interest rates or allowing currency depreciation to keep exports competitive. Eurozone countries, by contrast, are constrained by the European Central Bank's (ECB) policies, which may not always align with individual member states' economic conditions.

Trade Relations with Non-Euro EU Members

Hungary also engages in trade with EU countries which use their own currency, such as Poland, Sweden, and Denmark. In these cases, the forint's ability to adjust allows Hungary to maintain flexibility in cross-border contracts. While these non-euro EU countries may also

face currency fluctuations, Hungary can use the forint's volatility to better adapt to market conditions and maintain competitive pricing.

Trade Advantages with Eastern Markets (Non-EU Countries)

Trade with Eastern markets—such as Russia, China, Turkey, and other countries in Central Asia and the Balkans—presents different challenges and opportunities. The forint offers significant advantages in these markets due to its flexibility in currency management:

Currency Risk Management and Negotiation

The forint allows Hungary to hedge against currency risks when trading with Eastern markets, where currencies like the Russian ruble, Chinese yuan, and Turkish lira can be volatile. By using the forint, Hungary can engage in currency swaps or other hedging strategies to mitigate the risks posed by fluctuating exchange rates. This provides a level of certainty for both Hungarian exporters and their Eastern partners. Additionally, Hungary can propose settling trade deals in forints, which reduces reliance on the euro or the dollar, making transactions smoother and potentially less costly for both parties.

Price Competitiveness and Currency Depreciation

A weaker forint relative to currencies like the rubel or lira can give Hungary a price advantage in Eastern markets. For instance, if the forint depreciates, Hungarian products become cheaper for buyers in countries like Russia or Turkey. This temporary price advantage can stimulate demand in price-sensitive markets, particularly in sectors such as agriculture, machinery, and automotive. These are all key export areas where Hungary has significant trade relationships with Eastern countries. This flexibility allows Hungary to remain competitive without being tied to the fixed value of the euro.

Greater Control Over Trade Agreements

Unlike in the EU, where Hungary must align with broader economic policies and the euro, the forint provides Hungary with greater control over trade terms in Eastern markets. Hungary can negotiate flexible payment terms, including the option to settle deals in forints or in the local currencies of the trading partner. This gives Hungary a distinct

advantage in negotiations with countries like Russia, China, or India, where currencies are often not tied to the euro or the dollar.

Facilitating Investment and Trade Partnerships

The forint's stability and flexibility also make Hungary an attractive location for foreign direct investment (FDI) from Eastern countries. Investors from regions such as Russia and China may find Hungary appealing because it offers access to both the EU market and Eastern markets, with the added benefit of a flexible currency. This gives businesses an opportunity to hedge against the risks of trading in markets where currency volatility is higher. Hungary's ability to balance trade between the EU and Eastern markets offers investors a unique position to diversify their operations.

Managing Political and Economic Risks

Eastern markets like Russia and Turkey often face economic instability, sanctions, or political pressures that can affect trade dynamics. Retaining the forint gives Hungary more autonomy to adjust its monetary policies to protect its economic interests during such crises. For example, if sanctions against Russia make trade more difficult for EU countries, Hungary can engage in trade with Russia using forints, bypassing the potential restrictions that would come with using the euro. This gives Hungary the flexibility to maintain trade ties with countries facing political or economic challenges without being constrained by the eurozone's broader policies.

3. Summary of Key Trade Advantages in Both Contexts

Advantage	EU Markets	Eastern Markets
Currency Flexibility	Depreciation of forint makes exports cheaper in euro terms.	Depreciation of forint enhances competitiveness in markets with volatile currencies.
Currency Risk Management	Stable forint allows predictability in euro-based transactions.	Flexibility to negotiate trade settlements in forints, avoiding excessive reliance on euros or dollars.
Competitive Pricing	Currency stability keeps Hungarian exports cost-competitive in EU market.	Currency flexibility allows Hungarian exports to be competitively priced against Eastern market currencies.
Hedging and Currency Options	Provides stability in trade with countries using the euro.	Enables hedging against fluctuations in volatile Eastern currencies, providing pricing flexibility.
Investment Attraction	Stable currency attracts European investors, especially in EU-backed sectors.	Flexibility in trade terms attracts investments from Eastern countries, particularly where currencies are volatile.

Hungary's approach to managing currency fluctuations in trade with non-EU countries while using the forint involves a mix of monetary policy tools, hedging strategies, market diversification, and financial risk management. Since Hungary is not part of the eurozone, it retains control over its own currency, providing flexibility to tackle challenges arising from currency volatility in trade. Here's an outline of how Hungary manages these fluctuations.

Monetary Policy and Exchange Rate Management

The Hungarian National Bank (MNB) plays a pivotal role in stabilizing the forint and managing its exchange rate volatility. Through various monetary tools, the MNB ensures the forint remains stable, which is crucial for trade with non-EU countries.

Interest Rate Adjustments

The MNB adjusts interest rates to influence capital flows and maintain currency stability. Higher interest ratesattract foreign investment, strengthening the forint, while lower rates can devalue the currency, benefiting exports by making Hungarian goods cheaper in international markets. In times of forint depreciation, the MNB may raise interest rates to

curb inflation and attract capital inflows, helping to stabilize the currency, particularly in volatile markets like Russia, Turkey, and China.

Foreign Exchange Interventions

Direct interventions in the foreign exchange markets allow the MNB to buy or sell forints to influence the exchange rate. This can be particularly helpful during periods of extreme volatility. Hungary maintains foreign exchange reserves, which can be deployed to protect the forint from excessive depreciation and ensure liquidity in trade transactions with non-EU countries.

Exchange Rate Targeting and Inflation Control

The forint operates under a managed float system, where market forces determine the exchange rate, but the MNB intervenes to prevent excessive volatility that could disrupt trade and investment. The MNB's inflation-targeting policy helps keep inflation low, which in turn stabilizes the currency and keeps Hungarian exports competitive without excessive cost increases due to currency fluctuations.

Hedging and Currency Management in Trade Contracts

Hungarian businesses also use hedging strategies to mitigate the risks of currency fluctuations when dealing with non-EU countries. These strategies enable businesses to lock in favorable exchange rates, reducing uncertainty in pricing and financial planning.

Forward Contracts

Hungarian exporters and importers often use forward contracts to lock in exchange rates for future transactions. This guarantees predictable pricing and avoids risks from currency swings. For example, a Hungarian company exporting to Russia may use a forward contract to fix the exchange rate between the forint and the ruble.

Currency Options

Currency options provide businesses the flexibility to hedge against adverse currency movements, while still allowing them to benefit if the forint strengthens. For example, a

Hungarian company exporting to China might purchase a call option to lock in a future exchange rate for converting forints to yuan.

Multi-Currency Agreements

In some cases, Hungarian companies negotiate multi-currency agreements with non-EU trading partners, allowing them to settle transactions in various currencies rather than relying on the forint or a third-party currency like the U.S. dollar or euro. This can be particularly useful in markets with high currency instability.

Diversifying Export Markets and Currency Exposure

To reduce the risks associated with fluctuations in any single foreign currency, Hungary diversifies its export markets. By doing so, Hungary spreads the impact of exchange rate volatility across a range of currencies and regions.

Bilateral Trade Agreements

Hungary negotiates bilateral trade agreements with non-EU countries to allow trade in local currencies or a neutral third currency (such as the euro or U.S. dollar). This strategy helps reduce exposure to currency risk by mitigating the effects of exchange rate fluctuations.

Exporting to Multiple Regions

Hungary avoids heavy reliance on any one market for its exports. By expanding its trade relationships to regions like Russia, China, Turkey, and Central Asia, it spreads its currency risks and ensures that export growth is sustained even when exchange rates fluctuate in particular regions.

Adjusting Trade Pricing and Terms

Hungary can adjust the terms of trade to mitigate the effects of currency fluctuations on its export sector. These adjustments help protect profit margins and ensure competitiveness in international markets.

Flexible Pricing

When the forint weakens, Hungarian exporters can adjust the pricing of their goods in foreign currencies to account for increased costs due to depreciation. For example, if the forint weakens against the Chinese yuan, an exporter may increase prices to maintain profitability in yuan terms.

Currency Clauses in Contracts

To further manage currency risk, currency clauses can be included in trade agreements. These clauses specify how exchange rate fluctuations will be handled, ensuring that both parties share the risk and reducing the impact of sudden currency changes.

Developing Strong Relationships with Non-EU Financial Institutions

Hungary's financial institutions play a critical role in supporting businesses with foreign exchange and risk management services. The banking sector helps companies navigate currency fluctuations by offering specialized services and advice.

Bank Support for Currency Transactions

Hungarian banks offer foreign exchange services and financial instruments to manage currency exposure. These services help businesses secure favorable exchange rates and navigate the risks associated with trading in non-EU countries.

Access to International Capital Markets

Hungary's participation in international capital markets allows the country to stabilize the forint by issuing foreign debt and attracting investment inflows. A strong capital market position can help buffer the forint from extreme volatility during times of economic instability, particularly when dealing with countries that have more frequent currency fluctuations.

The forint plays a crucial role in attracting foreign direct investment from both Eastern and Western companies by providing a flexible economic environment that helps businesses navigate currency risks and take advantage of Hungary's strategic advantages. The forint's ability to fluctuate allows Hungary to tailor its economic policies to meet the needs of investors while leveraging its competitive labor costs, geographical location, and business

incentives. Below, we explore how the forint impacts foreign investment in Hungary across several key areas.

Competitive Exchange Rates Enhance Export Potential

The flexibility of the forint enables Hungary to manage its exchange rate in ways that benefit foreign investors, especially in export-oriented sectors. A weaker forint can make Hungarian goods more affordable and competitive on international markets, benefiting companies looking to establish manufacturing or assembly operations in Hungary.

For Western companies, especially those from high-cost economies like Germany or France, the forint's flexibility allows for lower input costs. For instance, automotive companies such as Audi, Mercedes-Benz, and BMW have substantial operations in Hungary. These companies benefit from the lower cost of production resulting from the forint's depreciation, which makes Hungarian exports more competitive across the EU and global markets.

For Eastern companies (e.g., those from Russia, China, and Turkey), the forint's lower exchange rate can reduce investment costs, allowing them to tap into Hungary's industrial base while still accessing EU markets. For example, Chinese and Russian manufacturers may use Hungary as a production hub for goods intended for European markets, benefiting from cost savings on wages and currency depreciation.

Currency Flexibility Supports Investment in Local Production and Export-Oriented Projects

The forint's exchange rate flexibility supports investment in sectors like automotive manufacturing, electronics, and pharmaceuticals by offering companies a dynamic environment where they can adjust to changing economic conditions.

Western investors, especially from within the EU, can take advantage of Hungary's competitive exchange rates to set up manufacturing bases in the country. The forint's ability to fluctuate helps these companies absorb external price shocks, such as rising energy prices or commodity costs, which are especially important in industries with thin margins. For example, German automotive companies benefit from the forint's volatility by being able to hedge against exchange rate risks and secure stable cost structures over time. This flexibility allows them to maintain profitability despite fluctuations in the global economy.

Favorable Labor Costs and Skilled Workforce Attract Investment

Hungary’s competitive labor market is a significant draw for foreign investors, and the forint plays a role in maintaining relatively low labor costs compared to Western Europe. While currency depreciation can sometimes fuel inflation, the overall effect is to keep wages and labor costs more competitive than in Western European countries.

Western investors, particularly from high-cost economies like Germany, France, and the United States, are drawn to Hungary because of its skilled workforce and lower labor costs in sectors such as engineering, IT, automotive, and pharmaceuticals. The forint's volatility means wages and costs stay lower than those in many Western European countries, which further enhances Hungary’s attractiveness as an investment destination.

Eastern investors from countries like China and Russia also benefit from the forint’s exchange rate flexibility. For instance, Chinese companies may invest in Hungary’s manufacturing sectors to take advantage of lower labor costs while ensuring access to EU markets, which is essential for products targeted for export.

Incentives and Financial Support for Foreign Investment

Hungary's monetary policies, combined with state-backed investment incentives, increase the appeal of the country for foreign investors. These incentives are more impactful when the forint is undervalued or stable, offering a competitive edge to foreign businesses.

Western companies benefit from Hungary’s EU membership, which guarantees access to the Single Market, while also taking advantage of Hungary’s independent fiscal policies. This independence allows Hungary to offer tailored tax incentives, subsidies, and investment grants, particularly when the forint is depreciated, making investment more affordable.

Eastern companies, particularly those from China and Russia, find Hungary an attractive destination because of these financial incentives. In addition, the ability to negotiate deals in local currency (the forint) helps mitigate currency risks and provides greater control over costs, making Hungary an appealing platform for launching operations in Europe.

Attractive Position as a Gateway to Both East and West

Hungary’s strategic geographical position at the crossroads of Eastern and Western Europe makes it a natural hub for companies looking to access both regions. The forint plays a role in facilitating Hungary’s position as an attractive investment gateway.

Western European companies use Hungary as a low-cost manufacturing base for products destined for the Eastern European and Russian markets. The forint’s flexibility in adjusting to exchange rate changes allows these companies to manage costs effectively, making Hungary an attractive option for regional production.

Eastern companies, particularly those from China and Russia, increasingly view Hungary as a gateway to the EU. The forint’s ability to adjust provides them with an edge when entering the EU market, as it reduces their exposure to currency risk. Additionally, Hungary’s competitive exchange rates make it an attractive base for firms like Chinese tech companies seeking a foothold in Europe.

Attracting Eastern Investment and Trade Partnerships

The forint also plays a role in maintaining strong trade ties with Eastern neighbors, including Russia, Turkey, and China. Hungary's ability to weather external pressures while remaining open to Eastern investments allows it to maintain strategic partnerships despite geopolitical tensions and economic sanctions.

Eastern investors from Russia, China, and Turkey are attracted to Hungary’s ability to adapt to external shocks while offering a stable business environment. The forint’s exchange rate flexibility enables Eastern companies to adjust their investments according to market conditions, helping them remain profitable despite market volatility.

Chinese companies, in particular, benefit from Hungary’s competitive exchange rates and its central location within the EU. This enables them to set up manufacturing and distribution hubs that serve both the European and Eastern markets, reducing currency risks and leveraging Hungary’s trade agreements within the EU.

Risk Management in Foreign Investment

For both Eastern and Western companies, managing currency risk is a key consideration. The forint’s volatility presents certain challenges, but it can also be mitigated through hedging

strategies and financial instruments, which help reduce the impact of exchange rate fluctuations.

Western companies often use hedging strategies to minimize currency risk when making investments in Hungary. They also rely on Hungary's monetary authorities, who can stabilize the forint in periods of extreme volatility, providing greater security for foreign investors.

Eastern investors, particularly those from Russia and China, also benefit from Hungary's hedging instrumentsand the ability to adjust their investments based on the forint's movements. The country's stable financial systemand currency management policies provide them with tools to manage potential currency risks while maintaining profitability.

Conclusion

As the forint keeps itself above 400 against the euro, one might wonder why the government is still hesitant to make the change over to the euro. The recent promises of somewhat unrealistic expectations, such as the 2024 GDP growth being 1,5-2%, and in the next two years 3-6% increase (Dedák,2024), while in reality the Q3 2024 GDP decreased by 0,8% compared to the same period the year before (KSH,2024). This, compiled with the statements from Viktor Orbán from the beginning of October, planning to reach the one-million-forint gross average monthly salary, topped with the 1000-euro minimal wage per month (Portfolio.hu, 2024), some might say that the whole government is living in a magic bubble, oblivious to the outside. This is not meant to be a subjective, say-it-all, do-it-all section, just an objective observation, because these statements cannot be supported with facts and numbers. The whole plan was to catch up with Austria, but that in itself was a big leap, which was the end goal, but as we are almost at the quarter of this century, it almost feels like a mirage, the closer you think you get; you realize that it was just an illusion. The main political message is that we are sovereign, not controlled by any other country or idea, setting up the Sovereignty Office, using the power of the media to turn part of the population against in a way from the European Union itself, there is no chance at this time the euro will be the national currency of the nation of Hungary.

References

European Commission, 2024, Introduction of the euro in the Member States that have not yet adopted the common currency, available:
https://europa.eu/eurobarometer/surveys/detail/3214

MNB, 2024, Árfolyamok, available: https://www.mnb.hu/arfolyam-tablazat?deviza=rbCurrencySelect&devizaSelected=EUR&datefrom=2004.01.01.&datetill=2014.12.31.&order=1

MNB, 2023, Árfolyamok, available: https://www.mnb.hu/arfolyam-tablazat?deviza=rbCurrencySelect&devizaSelected=EUR&datefrom=2023.12.01.&datetill=2024.01.01.&order=1

European Council, last review 2024, How EU countries join the euro area, available:
https://www.consilium.europa.eu/en/infographics/2022-06-16-joining-the-euro-area/

Püski L.& Barta R. & Gyarmati Gy. & Balla T. & Szijj J. & Dombrády L. & Szabó P. & Ravasz I. & Markó Gy. & Horváth M. & Takács F. & Kulcsár K., 1996. Magyarország a XX. században I.. Szekszárd: Babits Kiadó.

Nemzeti Választási Iroda, 2003. A 2003. április 12-i népszavazás összesített adatai (sajtóközlemény) Available at: https://static.valasztas.hu/nepszav03/hu/index.html

economy-finance.ec.europa.eu, unknown publication date Enlargement of the euro area available at: https://economy-finance.ec.europa.eu/euro/enlargement-euro-area_en

ec.europa.eu, 2024. Hungary celebrates 20 years of EU membership available at:
https://ec.europa.eu/regional_policy/whats-new/panorama/2024/06/06-05-2024-hungary-celebrates-20-years-of-eu-membership_en

Bíró-Nagy A.& Szászi Á. & Varga A. 2022. How much EU do Hungarians want? Budapest: Friedrich-Ebert-Stiftung.

Obstfeld M., 1998. The Global Capital Market: Benefactor or Menace? p.14.

Darvas, Zs. & Szapáry, Gy., 2008., Az új EU-tagországok megfelelése az optimális valutaövezet kritériumainak, IEHAS Discussion Papers, No. MT-DP - 2008/27, ISBN 978-963-9796-45-4, Hungarian Academy of Sciences, Institute of Economics, Budapest

Karácsony T. & Kuti Zs. & Török G., 2019 Egy cél – egy eszköz helyett több cél – több eszköz. Külgazdaság LXIII. évfolyam 2019/7-8

European Central Bank, 2024, Hungarian forint (HUF) (2001-2023) available at: https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/eurofxref-graph-huf.en.html

Magyar Nemzeti Bank, 2024, A JEGYBANKI ALAPKAMAT ALAKULÁSA (2001-2023), available at: https://www.mnb.hu/Jegybanki_alapkamat_alakulasa

Eurostat (2009), Euro changeover and inflation in Slovakia, available: https://ec.europa.eu/eurostat/documents/272892/273001/TTNR_EURO_CHANGEOVER_INFLATION_SLOVAKIA_2009_03.pdf/a649b03c-8e56-4129-b0b0-3ea863b1a1c9

Festić M., Repina S., Križanič F., 2009, Inflation after the Introduction of the Euro: the Case of Slovenia, pp. 969-970. Available: https://www.sav.sk/journals/uploads/0920140810%2009%20Festic.pdf

Nelson R., Belkin P., Mix D., 2011, Greece's Debt Crisis: Overview, Policy Responses, and Implications, pp. 3-5., available: https://elischolar.library.yale.edu/cgi/viewcontent.cgi?article=1101&&context=ypfs-documents2&&sei-redir=1&referer=https%253A%252F%252Fscholar.google.hu%252Fscholar%253Fq%253Deurozone%252Bdebt%252Bcrisis%252Bgreece%2526hl%253Dhu%2526as_sdt%253D0%2526as_vis%253D1%2526oi%253Dscholart#search=%22eurozone%20debt%20crisis%20greece%22

European Commission (2023). Stability and Growth Pact and Economic Governance Framework, pp. 1.. Available: https://www.europarl.europa.eu/RegData/etudes/BRIE/2023/747906/EPRS_BRI(2023)747906_EN.pdf

European Comission, unknown, The European Semester, avalaible: https://commission.europa.eu/business-economy-euro/european-semester_en

KSH, 2024, Consumer prices, October 2024, available: https://www.ksh.hu/en/first-releases/far/efar2410.html

Economic forecast for Hungary, 2024, available: https://economy-finance.ec.europa.eu/economic-surveillance-eu-economies/hungary/economic-forecast-hungary_en

KSH, 2024, Balance of general government sector, year 2023 and the 4th quarter of 2023, available: https://www.ksh.hu/en/first-releases/krm/ekrm2312.html

MNB, 2024, Költségvetési jelentés 2024 Október, pp. 8. Available: https://www.mnb.hu/letoltes/koltsegvetesi-jelentes-feleves-jelentes-2024.pdf

European Central Bank, 2024, Long-term interest rates statistics, available: https://www.ecb.europa.eu/stats/financial_markets_and_interest_rates/long_term_interest_rates/html/index.en.html

European Commission, 2024, Hungary and the euro, available: https://economy-finance.ec.europa.eu/euro/eu-countries-and-euro/hungary-and-euro_en

European Comission, unknown date, Convergence criteria for joining ,avalible at: https://economy-finance.ec.europa.eu/euro/enlargement-euro-area/convergence-criteria-joining_en

European Commission, unknown date, Recovery plan for Europe, available: https://commission.europa.eu/strategy-and-policy/recovery-plan-europe_en#background

Dedák I., 2024, Növekedési vágyak, 1 milliós átlagbér és a közgazdaságtudomány rögvalósága, published by Portfolio.hu, avaliable: https://www.portfolio.hu/gazdasag/20241025/novekedesi-vagyak-1-millios-atlagber-es-a-kozgazdasagtudomany-rogvalosaga-717983

KSH, 2024, National accounts, GDP, available: https://www.ksh.hu/national-accounts-gdp

Portfolio.hu, 2024, Olyan bérrobbanást ígért Orbán Viktor, ami még sosem volt Magyarországon, available: https://www.portfolio.hu/gazdasag/20241004/olyan-berrobbanast-igert-orban-viktor-ami-meg-sosem-volt-magyarorszagon-714331