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Report on Some of the Sessions of the Hungarian Economic Association Congress 2025*

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On 4–5 September 2025, Veszprém hosted the 63rd Annual Congress of the Hungarian Economic Association, which is one of the most significant traditions and largest annual conferences of the Hungarian economics community. Mihály Varga, Governor of the Magyar Nemzeti Bank, gave a presentation at the opening plenary session. In this report, we provide an account of the panel discussions on the banking system, stagflation, post-pandemic inflation, competitiveness and innovation.

Roundtable discussion of bank leaders

One of the most prominent, and most popular sessions, the *Roundtable Discussion of Bank Leaders* panel discussion[1], had the theme "A financially strong banking system: we have fuel, but do we have a roadmap?". *Pál Péter Kolozsi*, General Deputy CEO of the Government Debt Management Agency, gave a welcoming speech as President of the Finance Section of the Hungarian Economic Association (HEA).

This was followed by a roundtable discussion moderated by *Zoltán Kurali*, Deputy Governor of the Magyar Nemzeti Bank (Central Bank of Hungary, MNB), with participants including *Ádám Egerszegi*, General Deputy CEO for Digitalisation and Operations at MBH Bank Nyrt., *Éva Hegedüs*, Chair and CEO of GRÁNIT Bank Nyrt. and Secretary General of the HEA, *Radován Jelasity*, Chair and CEO of ERSTE Bank Hungary Zrt. and President of the Hungarian Banking Association, *Pál Simák*, Chair and CEO of CIB Bank Zrt., and *László Wolf*, Deputy CEO of OTP Bank Nyrt., Vice-President of the HEA.

The panel discussion commenced with questions set for the audience. *Zoltán Kurali* initiated the session by asking participants about the potential risks that could

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[1] Available on the HEA's YouTube page (in Hungarian): https://www.youtube.com/watch?v=T3cLg6qSo6U

shape inflation and economic growth in Hungary in the near term, prospective developments in housing prices, expectations regarding the forint–euro exchange rate, and the level of deposit interest rates at which individuals would be willing to place their savings with banks. A significant share of responses indicated that housing prices were expected to rise by an average of 15 per cent over the next year, the forint was anticipated to depreciate slightly against the euro, while the most influential risk factor was perceived to be the persistence of slower decreasing inflation expectations.

Zoltán Kurali opened the panel discussion by addressing recent trends in bank lending, noting that the Hungarian credit market was characterised by a dual structure: while household lending – particularly in mortgage loans and personal loans – had exhibited double-digit growth, corporate lending had expanded only moderately. Demand was not confined exclusively to subsidised schemes, although these had played a decisive role over the past decade.

Ádám Egerszegi observed that, within corporate lending, investment loan volumes had not increased, despite the availability of funding sources. Instead, demand had mainly been directed toward working capital financing. Foreign currency lending occurred only when borrowers possess foreign currency revenues. An upturn in investment loan activity was expected in connection with agricultural support programmes.

Zoltán Kurali emphasised that, in order to stimulate corporate lending, the Magyar Nemzeti Bank had launched the Certified Corporate Loan (CCL) product. This initiative enabled a broad range of SMEs to access market-based investment loans with standardised, transparent, and efficient procedures at favourable pricing. Through the CCL certification, the MNB was able to promote sustainable, market-based lending without central bank financing or macroeconomic side effects. This meant that CCLs did not appear on the MNB's balance sheet; their objective was to provide investment funding through simplified documentation, competitive conditions, and expedited approval processes.

Several participants concurred that the *Home Start* housing loan programme was expected to stimulate demand in the mortgage market. The Home *Start* scheme could trigger substantial loan disbursement in a short period, accompanied by rising real estate prices. *László Wolf* noted that OTP Bank anticipated HUF 1,400 billion in total loan disbursements across the sector by the end of next year as a result of the programme. Recent housing price appreciation had primarily been driven by investment-oriented purchases and transactions in the secondary market, given the decline in new housing developments. The programme's impact mechanism was likely to be most effective if it succeeded in catalysing new construction.

In the context of the programme, the central bank had reviewed the adequacy of its macroprudential instruments concerning the domestic real estate and mortgage loan markets. Starting from January 1, 2026, a 1 per cent systemic risk buffer would also apply to exposures secured by both residential and commercial real estate. At the same time, to support the smooth functioning of lending processes, the central bank had abolished the age restriction associated with the own-equity requirement for first-time homebuyers.

The Home Start loan programme was expected to further boost the market activity, as evidenced by the robust demand: housing searches had increased by 90 per cent, and thousands of loan calculations were already being generated daily with the assistance of artificial intelligence. The share of housing loan portfolio overdue for more than 90 days remained below 1 per cent, indicating favourable credit quality. *Éva Hegedüs* highlighted that, compared to other EU member states, the ratio of household loans to GDP in Hungary was still low, suggesting room for further growth.

In recent months, the share of euro-denominated household savings had increased. A growing proportion of households' wealth had been invested directly or indirectly (via investment funds) in foreign currency assets. However, foreign currency investments had not yielded higher returns: in the case of equities, government securities and investment funds, forint-denominated assets had performed better.

The MNB would soon be launching a new publication entitled the *Savings Report*, providing a long-term analysis of savings yields. The report aimed to inform households and market participants about domestic saving trends, highlighting deeper macroeconomic relationships and providing information for making optimal savings decisions. Interestingly, while the euro and the European Central Bank were viewed positively among the Hungarian population, EU institutions more broadly tended to receive critical assessments. Regarding the optimal timing of euro adoption, *Zoltán Kurali* emphasised that such a step should be taken when the economic environment permits, rather than under conditions of compulsion.

In 2025, growth in the savings market was expected to moderate relative to the previous year. The volume and share of government securities had increased significantly, while bank deposits had expanded only slightly, accompanied by increased outflows to the Hungarian State Treasury. Investment funds had also gained in popularity.

The profitability of the Hungarian banking system had been extremely high over the past decade, supported by a favourable interest rate environment, prudent lending practices and minimal impairment ratios. The sector continued to exhibit strong profitability, abundant liquidity and robust capitalisation, resulting in outstanding shock resilience.

Banks had adopted more conservative lending practices than in previous years, while digitalisation and the application of artificial intelligence had enhanced cost efficiency. Several participants noted that Revolut had emerged as a major competitor in recent years, setting new standards with its flexible business model, albeit operating under different regulatory conditions than domestic banks. In foreign exchange services, several Hungarian financial institutions had already developed competitive offerings.

For the banking sector, cost pressures represented the biggest challenge: digitalisation, ATM network maintenance and expansion, and cybersecurity investments required significant resources. The tax and regulatory environment also imposed a considerable burden. The sector had committed not to pass inflationary effects into the retail fee structure until mid-2026.

Radován Jelasity underlined that artificial intelligence posed a significant challenge, but also created new opportunities for banks. In the long term, the interplay of international competition, regulatory compliance and cost control would define the scope of action for the domestic banking system.

Fighting the wave of inflation after the pandemic

The Monetary Policy session focused on the varying trajectories of the inflationary wave following the coronavirus pandemic[2] and how central banks in the euro area member states and countries using their own currencies in the Central and Eastern European region had dealt with it. The session was opened by *Előd Takáts*, Chairman of the Monetary Policy Section of the HEA, Deputy Head of Secretariat of the Committee on the Global Financial System at the Bank for International Settlements (BIS) and Visiting Professor at the London School of Economics and Political Science (LSE). In his opening speech, he stressed the importance of the topic of the session, since, as he said, stable and low inflation was the cornerstone of sustainable growth, and the experience of regional countries with similar historical backgrounds, structural conditions and facing similar economic challenges, could be particularly useful for the Hungarian economics profession, especially in the context of the assessment of the euro area membership.

In his opening speech, *Martin Reiner*, Executive Director of Národná banka Slovenska, examined the effectiveness of the central banks of the Visegrád countries in fighting inflation in recent years in the light of the different monetary policy

[2] Available here (in English): https://www.youtube.com/watch?v=zWNWREtq5hM

regimes applied. He highlighted that the higher-than-European-average price increases experienced by the region's economies in 2022 and 2023 had been driven by high exposure to the fragmentation of global value chains and the energy price boom, the greater weight of energy and food in the consumer basket and stronger domestic demand pressures, due to very tight labour markets and less intense competition. He also pointed out that central banks in the countries with independent monetary policies in the region – Hungary, the Czech Republic and Poland – had reacted more quickly to the surging inflation, starting their interest rate hike cycles almost a year earlier than the European Central Bank, but they had to raise their policy rates to substantially higher levels. However, despite the faster and more intense monetary policy response, Slovakia, a member of the euro area, had experienced lower price increases, which might be due to the weakening effect of fiscal policies on monetary transmission in the three non-euro area countries and, in this context, to looser financial conditions. He stressed that, while comparable international data were not available, the use of the euro may have contributed significantly to anchoring inflation expectations and thus curbing price increases, and that the stability of the euro exchange rate might have led to a significantly lower imported inflation effect. In terms of the economic policy mix, he highlighted that while fiscal and monetary policies had typically been both countercyclical before the coronavirus outbreak, fiscal policies had remained loose in many countries after the pandemic, making it difficult for central banks to achieve their price stability objective. He concluded that the euro was an effective macroeconomic stabilisation instrument, but not an instrument for real convergence, which was not determined by the monetary regime but rather by the productivity-enhancing effects of private and public investment, the quantity and quality of labour, and an efficient and secure institutional environment. He also pointed out that small, open countries had *de facto* limited monetary sovereignty in the global economic space.

Gergely Tardos, Director of the OTP Bank's Research Centre, and *György Szapáry*, Chief Advisor to the Governor and former Deputy Governor of the Magyar Nemzeti Bank, joined the roundtable discussion following the presentation. The discussion was moderated by *Ádám Banai*, Co-Chairman of the Monetary Policy Section of the HEA, Chief Economist and Executive Director at the Magyar Nemzeti Bank.

As a prelude to the discussion, *György Szapáry* examined the catching-up of the Central and Eastern European countries, which had previously operated within the framework of the socialist planned economy and had later joined the European Union, from 1990 to the present day in the light of the monetary policy regimes chosen by each country, the accession to the euro area and central bank independence. He said that, among the countries studied, central bank independence had played a significant role in the long run in terms of nominal convergence, i.e. bringing down of inflation, among other factors, while it had been an even more dominant factor in terms of real convergence. He stressed that this not only meant that the credibility of central banks and the effective anchoring of inflation expectations was a key determinant of real convergence, but that it also reflected democratic functioning, the rule of law, trust in institutions and general confidence in the economy. He noted that, in addition to indirectly contributing to the improvement of the institutional environment and external perception, joining the euro area also gave a small, open economy greater resilience to crises. He identified the creation of a capital markets union as the next important step in European economic integration.

Gergely Tardos explained that, in his view, an autonomous monetary policy with a floating exchange rate – besides being the most effective shock absorption mechanism – played a decisive role in the development of inflation in the short run, as evidenced by the higher depreciation of the forint compared to the region in recent years and the higher domestic price increase rate. He added that the euro area as a monetary union had evolved in many respects, having learned the lessons of the 2008 global financial crisis and the sovereign debt crisis, and its functioning had been complemented by new institutional mechanisms, making it even more attractive for Hungary to join. Turning to inflation developments in the region, he said that in the short term, disinflation might continue in some countries, but in the longer term, tight labour markets, dynamic wage growth, increasing trade fragmentation and the growing likelihood of external supply shocks all pointed to a higher price dynamic environment.

Martin Reiner added that, beyond monetary policy integration, the euro area had also made much progress in the area of the regulation and supervision of the banking system since the European sovereign debt crisis. The Single Supervisory Mechanism (SSM), established in 2014, had centralised bank-specific, microprudential supervision to a high degree, with the supervision of large European banks being carried out centrally, according to uniform procedures, while national authorities had strong powers in terms of macroprudential policy, which, in his opinion, was particularly important as it allowed for different responses to asymmetric shocks within the monetary union. He stressed that the success of the SSM was also demonstrated by the fact that the euro area banking sector had proved to be stable and resilient in the face of the series of crises in recent years. He considered the concept of a capital markets union to be a forward-looking initiative, but saw the biggest challenge in the much more risk-averse investment attitude of European savers compared to their American counterparts. In addition to changing this attitude, regulators could help deepen European capital markets and expand the range of available asset types by strengthening private pension funds and encouraging securitisation.

Following the discussion, *Ádám Banai* concluded that catching up required a well-functioning, prudent and transparent economic policy institutional framework that enjoyed the confidence of economic actors, whether through an independent monetary policy or within the euro area.

Competitiveness and innovation: the key to success in times of great transitions

The Competitiveness session of the Congress[3] identified innovation as the key to success for Hungarian small and medium-sized enterprises (SMEs) in response to the challenges of the current great transitions. *Barnabás Virág*, Deputy Governor of the Magyar Nemzeti Bank, opened the session with a thought-provoking presentation entitled *"Successful SMEs in an era of transitions?!"*. The presentation gave an overview of the main trends shaping the global economy as well as the challenges these pose for Hungarian SMEs and presented the hidden champions of the Hungarian economy, innovation-driven Hungarian enterprises, as positive examples.

In his presentation, *Barnabás Virág* pointed out that the current great transitions in the global economy were leading to structural transformations, the combined effect of which was causing changes of unprecedented scale and speed. The great transition was currently taking place in at least five areas: technology, geopolitics, debt, climate change and demography. *Demographic trends* were reducing the supply side of the labour market, not only in developed countries anymore. Nowadays, countries with declining populations produced more than one-half of the world's economic output, and this share could rise to close to 90 per cent by the end of the century. After decades of stability, *geopolitics* had entered a more uncertain era, where trade and production chains needed to be rethought. In terms of *technological developments*, a paradox could be observed. On the one hand, technological developments seemed to be rapid, but productivity growth in the economy had slowed down. Economies and companies that were able to adapt faster to the spread of new technologies could gain a competitive advantage. Finally, globally rising *public debt ratios* limited the scope for government budgets to intervene to manage the other great transitions and cushion their effects.

All of these changes directly affected Hungarian small and medium-sized enterprises, which, as a result of the above, were simultaneously facing challenges caused by demographic constraints, a tight labour market, lower investment activity and high energy intensity. Demographic trends were reducing the working-age population:

[3] Available here (in Hungarian): https://www.youtube.com/watch?v=z0wC8hsXKVY

members of the Ratkó generation born in the first half of the 1950s had gradually reached retirement age, and their numbers were significantly larger than the number of young people entering the labour market. Moreover, since the mid-2010s, labour market tightness had increased structurally in Hungary. Regardless of sector, it was becoming increasingly difficult for companies to replace their workforce. Large corporates typically had greater labour market absorption capacity than SMEs, as they were better able to retain their workforce during downturns and were able to generate higher average earnings than SMEs.

The productivity of Hungarian SMEs had improved significantly in the second half of the 2010s, but this process had slowed down in the early 2020s. The fragmented corporate structure might also play a role in this, which also put productivity at a disadvantage when applying new technologies. Harnessing collaborative resources offered a significant competitive edge in boosting innovation. In terms of digitalisation, less than one-fifth of Hungarian SMEs currently used some kind of advanced digital solution, which was lower than the 26 per cent rate for EU countries. Effective use of artificial intelligence (AI) required a higher level of preparedness than today, also in terms of innovation, human capital and the regulatory framework. Hungary and the EU as a whole were not doing well in terms of venture capital and innovation finance, which was holding back innovation.

Barnabás Virág presented the main characteristics of successful Hungarian-owned, innovation-driven enterprises (HIDE)[4] and the key factors behind their success. Companies were considered to be HIDEs that had some kind of innovation effort or achievement (e.g. a patent), were in a fast-growing status, or had a strong export performance. In its research, the MNB had identified around 1,100 innovation-driven companies, which accounted for only 0.3 per cent of all operating Hungarian companies, but 13 per cent of total gross exports and 23 per cent of annual domestic GDP growth in Hungary. Regardless of sector, these hidden champions all had higher labour productivity, on average 40 per cent higher than other companies in the sector; thus, they had significant potential for productivity gains at national economy level. Among innovative companies, four factors increased the likelihood of rapid growth: (1) the hiring of highly skilled workers; (2) the technological level of the corporate infrastructure; (3) export intensity, as the competitive situation in international markets encouraged greater innovation activity; and (4) access to external financing.

Virág concluded that the key to development was adaptation to change. Hungarian businesses could be successful in the long term if they were the quickest to adapt to changing circumstances in an era of great transitions.

[4] Hungarian Innovation Driven Enterprises, HIDE

The panel discussion following the opening presentation was moderated by *Gergely Baksay*, Executive Director of the Magyar Nemzeti Bank, Chairman of the Competitiveness Section of the HEA. The participants of the roundtable discussion were *Zoltán Birkner*, Chairman of the Board of Trustees at the Pannon University Foundation, Co-Chairman of the Hungarian Association for Innovation, *László Bódis*, Deputy State Secretary for Innovation of the Ministry of Culture and Innovation, CEO of the National Innovation Agency, *Roland Jakab*, CEO of the HUN-REN Hungarian Research Network, President of the Artificial Intelligence Coalition, and *Gábor Kerékgyártó*, Chief Economist of the Hungarian Chamber of Commerce and Industry (HCCI).

At the beginning of the discussion, the participants reviewed the main challenges facing Hungarian SMEs. *Gábor Kerékgyártó* said that Hungarian businesses were a very heterogeneous group, and in the current economic situation, SMEs producing for domestic consumption were in a more favourable position, while companies that were more integrated into the global value chain were in a more difficult situation. Since the democratic transition, one of the strengths of the SME sector had been its adaptability. However, one challenge for the ongoing generational change was that the management of SMEs was often not seen as an attractive career for young people.

Participants in the panel discussion also explored the meaning of the concept of innovation. According to *Gábor Kerékgyártó*, innovation meant satisfying consumer needs at a higher level, whereby either the quality improved or the price became more favourable. *László Bódis* said that one direction of innovation could be companies bringing new products to the market, while the other direction was business process innovation, as the application of new technologies was as important as the introduction of new products and was a much more relevant opportunity for Hungarian SMEs. In this context, he presented the results of their joint research with the Hungarian Central Statistical Office. According to the results, one-third of the Hungarian corporate sector innovated, and these companies were 58 per cent more efficient and profitable, and paid on average 31 per cent higher wages due to efficiency gains, exported 90 per cent more, and employed 2.5 times more people. These characteristics applied not only to large companies, but also to small and medium-sized innovative enterprises. *Roland Jakab* added that innovation always started from basic research, but there was a long way to go between basic research and innovation. To do this, researchers needed to be supported to ensure that those who want to innovate have the necessary resources, the best infrastructure and technological tools, as well as training. The innovation value chain had to be systematised to achieve the best impact. In defining innovation, *Zoltán Birkner* quoted Schumpeter, who called innovation the ability to do things differently.

In Hungary, universities could be a catalyst for innovation. *Zoltán Birkner* said that the innovation space was typically born in two places: in the research centres of large companies and in universities. In Hungary, there were very few large Hungarian-owned companies that employed large numbers of researchers; accordingly, Hungarian universities with specialised knowledge were more likely to be a source of innovation. The best place for the state to achieve results with its own resources was at the university level.

The panellists also reviewed the relationship between R&D expenditure and the number of patents and their characteristics in Hungary. *László Bódis* said that in 2024, Hungary had spent HUF 1,066 billion on research and development: one-third of this had been provided by the state and two-thirds by companies, including mainly multinational companies with international ownership. Typically, these companies did not file their patents in Hungary but in the country of origin, where the result of their research was published as a new patent. However, it was encouraging that the number of new patents filed had risen to nearly 600 last year, compared to the typical range of 400–450 over the past six to ten years. The surge had been linked to new patents in the university and research institute sector. The real challenge was how much of this could be converted into economic benefits in the long term. *Zoltán Birkner* said that it was a very long process to realise revenue from filed patents.

The panellists discussed the impact that AI may have on corporate competitiveness and innovation. According to *Roland Jakab*, the megatrend was not the development of technology, but rather its accelerated speed. However, technology did not create value by itself; an appropriate framework and set of conditions had to be established for this purpose. An overhaul of Hungary's Artificial Intelligence programme had been announced in early September. The three focus areas in the strategy offered a comprehensive approach to maximise the social, technological and business impact of AI. According to *Gábor Kerékgyártó*, HCCI was active in bringing artificial intelligence to SMEs. As one of their key instruments, they had launched their "Digital Wake-up Call" programme, which aimed to enable entrepreneurs to try out AI tools in a safe environment with the help of a trainer, tailored to their own business tasks. *László Bódis* drew attention to the need to prepare the future workforce for the use of AI; therefore, students in public education, vocational training and higher education should also acquire the knowledge related to the use of AI.

At the end of the roundtable, the participants agreed that the development of the venture capital market was a key to accessing finance for innovative companies, which was a challenge not only for Hungary but for Europe as a whole.

Can stagflation be avoided?

The participants of the Macroeconomic Analysts' Forum of the 63rd Congress discussed the topic of stagflation in greater detail. The panel discussion entitled *"Can stagflation be avoided?"*[5] was moderated by *Péter Halmai*, academic, Professor at the National University of Public Service and the Budapest University of Technology and Economics, and President of the Economic Policy and Economic Theory Section of the HEA. The participants of the panel discussion were *András Balatoni*, Director of Economic Forecasting and Analysis at the Magyar Nemzeti Bank, member of the Board of the Economic Policy and Economic Theory Section of the HEA, *István Madár*, Senior Analyst at Portfolio.hu, member of the Board of the HEA, *Orsolya Nyeste*, Senior Macroeconomic Analyst at ERSTE Bank Hungary Zrt., and *Gergely Suppan*, Deputy State Secretary for Macroeconomic Analysis at the Ministry for National Economy.

In his thought-provoking presentation, *Péter Halmai* briefly introduced the origins of the concept of stagflation and the macroeconomic trends in the United States in the 1970s and drew a parallel with today. In the US in the 1970s, supply shocks, especially oil market shocks, stagnating inflation expectations, unions and labour market rigidities had led to the phenomenon of stagflation: inflation and unemployment rates had risen while GDP growth had stagnated. The central bank had responded to stagflation with aggressive interest rate hikes and had recognised the importance of inflation expectations and credibility, establishing the system of inflation targeting that had resulted in a monetary turnaround in economic paradigms. The system of inflation targeting had proved effective since the 1980s and had led to a period of great moderation, with improved stability and high growth. The situation had really started to change in the 2020s as a result of the permacrisis, including the Covid crisis, supply shocks like those of the 1970s, as well as current trade policy shocks and general uncertainty. The current high inflation rates and slowdown in growth could thus be compared to the 1970s, and it was worth examining the risk of stagflation, what factors were at play in today's developments and what could help to avoid stagflation.

The panellists agreed that there were indeed parallels between today and the 1970s, but one significant difference was that in the 1970s, there had been no central banks with a price stability mandate independent of the government as there were today. *András Balatoni* pointed out that the stagflationary crisis of the 1970s had mainly been in the Anglo-Saxon countries, especially in the US, to which, in addition to institutional factors, the high nominal wage growth rate and inadequate economic policy responses had contributed significantly. Indeed, Nixon's New Economic Policy

[5] Available here (in Hungarian): https://www.youtube.com/watch?v=8HWTyejCNbo

programme announced in 1971 had included a number of price restrictions, which had been circumvented by companies; thus, inflation and the inflation expectations of economic agents had remained at persistently high levels and fears of stagflation had been prolonged. According to *Orsolya Nyeste*, the Fed had then prioritised inflation over growth by raising interest rates, which had come at a great cost to growth, such as rising unemployment. On the contrary, as *Nyeste* and *Balatoni* mentioned, the growth sacrifice and social costs of disinflation in the 2020s had been much lower than during the disinflation of the 1980s, thanks to the credibility of central banks. *István Madár* and *Gergely Suppan* noted that the US was currently facing a stagflationary situation, which could become permanent if it was built into expectations in the long run. In his view, however, the European Union was not threatened by stagflation, but rather faced competitiveness problems. He also drew attention to the fact that there were a number of trends occurring today (e.g. war, price rises due to climate change) that were different from those of the 1970s.

When asked about the current processes affecting stagflation, the experts mentioned several cyclical and structural factors. They agreed that major global trends, such as demographic trends, technological change, the green transition, rising public debt and deglobalisation, had a significant impact on today's economic developments, including stagflation. The unfavourable demographic trends in Western countries were causing labour markets to tighten, due to the declining working-age population. *András Balatoni* also pointed out that there were lower and higher inflation regimes and shocks in economies. In a low-inflation climate, sector-specific shocks faded away and did not cause general inflationary pressures. It was therefore the task of the central bank to create this climate, which it could achieve primarily by anchoring inflation expectations and communicating transparently. Among global trends, the director of the MNB pointed out that in previous decades, globalisation and expanding world trade had moderated inflation, while today's deglobalisation processes, rising tariffs and deteriorating demographics were expected to have the opposite effect. *Orsolya Nyeste* also underlined the role of fiscal policy, as consistency between monetary and fiscal policy was essential for keeping inflation under control. *István Madár* also stressed the importance of fiscal policy, especially in the context of increased public debt, and drew attention to the phenomenon of financial repression, which was evident in several countries, but its effectiveness was questionable. He also drew attention to the fact that the efficiency-enhancing impact of technological upgrades and artificial intelligence was still questionable, in contrast to the efficiency gains seen in the 1970s, when economic agents had responded to cost shocks by significantly improving energy efficiency.

In addition to an overview of global developments, the panel discussed factors in Hungary that may amplify stagflationary risks. *András Balatoni* highlighted some structural weaknesses that had become increasingly apparent in recent times as inflation had risen. He cited, for example, the low energy efficiency and low productivity of companies and drew attention to the importance of restoring balances and lowering inflation expectations. Among the specific features of Hungary, *Orsolya Nyeste* cited the high expectations related to food prices and, in this context, the low productivity of the Hungarian food industry, which was one of the lowest in the EU. According to *Gergely Suppan*, the Hungarian economy was not currently experiencing classic stagflation, as real wages and consumption were both rising, while the economy was being restrained by a lack of investment and external demand and currently by drought. In the latter context, he emphasised the vulnerability of Hungarian agriculture, highlighting the increasing importance of irrigation. The Deputy State Secretary also drew attention to the EU's over-regulation and the weaknesses of the European automotive industry as negative factors.

The discussion also covered factors and measures to avoid stagflation. The experts all agreed that increasing efficiency and productivity was essential not only to avoid stagflation, but also to effectively address global challenges. *Gergely Suppan* drew attention to the productivity gap in the national economy, in particular the need to address the corporate duality, as domestic SMEs continued to lag behind not only domestic large corporates but also foreign SMEs. In their case, it was important to promote generational change and digitalisation, which required appropriate funding, including venture capital and subsidies. He also stressed the need to improve entrepreneurship, increase agricultural irrigation, improve the energy intensity of the economy, especially in the food industry, and modernise household energy efficiency. *István Madár* highlighted the restoration of macroeconomic stability as the first priority to avoid stagflation, through monetary policy aiming at price stability and economic policy aiming at improving competitiveness. He also drew attention to the need to strengthen competition and an efficiency- and growth-oriented approach. *András Balatoni* saw innovation as the main way to boost productivity, but he also highlighted the importance of targeting the top of production chains, of strengthening innovation ecosystems around universities and of venture capital financing. *Orsolya Nyeste* also stressed the importance of stability and added that more emphasis should be placed on improving the productivity of SMEs when using EU funds. She also called for the development of human capital, especially in the light of demographic trends, which could be helped by increased spending on education and health.