

HOW CAN THE GLASS CEILING BE BROKEN?

The Hungarian Banking Association's proposals to support an economic turnaround

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ABSTRACT

Hungary has made progress in economic convergence over recent decades. However, a growing body of domestic and international analysis highlights the increasingly pronounced growth constraints of its current economic structure. Weak productivity growth, a loss of ground in the innovation race, and difficulties in the investment and regulatory environment may have created a 'glass ceiling' on competitiveness. Further economic convergence is difficult to envisage unless this ceiling is broken.

Drawing on the Hungarian and international literature and the policy work of the Hungarian Banking Association, this study develops and examines proposals relating to the financial intermediation system in five main areas to support economic convergence and a turnaround in competitiveness: *strengthening the predictability of the economic and regulatory environment; further digitalising mortgage lending processes; implementing a building energy performance strategy that extends beyond electoral cycles; improving SME financing to enhance competitiveness and fiscal sustainability; and making more effective use of public digital infrastructure.* In our view, measures that can be implemented relatively quickly in these areas could contribute substantially to productivity and, consequently, to competitiveness and economic resilience.

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1 INTRODUCTION

Hungary now stands at a turning point. More than two decades of economic convergence following accession to the European Union have brought substantial gains in employment, investment and export capacity. Nevertheless, there are growing indications that the previous growth model has reached its limits.

According to the country reports of the OECD and the European Commission, Hungary's prospects for growth and convergence will increasingly depend on addressing structural challenges. These include, above all, improving the investment environment, raising productivity – which has lagged despite substantial public expenditure on economic development – ensuring fiscal sustainability and managing climate risks (OECD, 2026; European Commission, 2026).

Both Hungarian and international research (Gulácsi–Kerényi, 2024; OECD, 2026) indicate that convergence towards the EU average has now lost momentum and that Hungary's position has considerably deteriorated from the regional lead it held following the transition to a market economy. GKI's productivity analysis (GKI, 2025) finds that Hungarian businesses have consistently lagged behind their regional competitors in labour productivity. Whereas Poland and Romania achieved productivity gains of 41–55 per cent between 2004 and 2024, Hungary recorded an increase of only around 15 per cent.

The Hungarian literature likewise emphasises the importance of increasing productivity, improving innovation capacity and moving towards a knowledge-intensive economy. Digitalisation, higher R&D expenditure and the development of financing arrangements to support them are key challenges for the period ahead (Csath, 2021; 2023; Kocziszky et al., 2025; Bódis–Kiss, 2025).

The biennial Productivity Report of the Magyar Nemzeti Bank (MNB), Hungary's central bank (MNB, 2024), shows that Hungarian firms' innovation activity and digital maturity are below the EU average, despite above-average digital infrastructure. This makes the launch of programmes to develop financing channels both justified and timely.

In this context, we consider that the shrinking working-age population, the productivity gap relative to regional competitors, weak innovation, uncertainty in the regulatory environment and frequent government intervention in market conditions may have contributed to the emergence of a glass ceiling. Unless this ceiling is broken, Hungary may remain in the middle-income trap for an extended period. Moreover, recent geopolitical developments and episodes of extreme weather have made the consequences of climate change tangible, drawing unprecedented attention to the need for a building renovation strategy extending beyond government terms. Competitiveness, productivity and resilience together

point to areas for intervention that may determine the trajectory of economic development over the coming decade.

The financial intermediation system could be a key player in the hoped-for economic turnaround. The banking sector does more than finance the economy: it can accelerate productivity-enhancing investment, encourage digitalisation, support residential mobility and help businesses modernise their technologies. Experience in recent years suggests that, with the appropriate regulatory and digital infrastructure, many financial processes can achieve order-of-magnitude efficiency gains. Developments associated with the Digital Citizenship Programme, expanding electronic data connections, automated access to property and income data, and the secure sharing of financial information can simultaneously reduce administrative costs, strengthen competition and improve the customer experience.

This study starts from the premise that a turnaround in competitiveness, higher productivity and greater resilience cannot be achieved through government support programmes or short-term demand stimulus alone. Lasting convergence requires a financial and regulatory environment that encourages investment quality, productivity growth, sustainability and the digital transition. With this in mind, the Hungarian Banking Association puts forward proposals in the following strategic areas:

1. Predictable economic policy and legal regulation, independent of electoral cycles, provide the foundation for a turnaround in competitiveness.
2. **Treating mortgage lending as a strategic sector** to improve residential mobility, expand housing supply and enhance access to financing.
3. Implementing the Marcell Breuer Home Renovation Programme could reduce the energy vulnerability arising from the housing stock and improve living conditions in Hungary.
4. **Rethinking SME lending as an instrument for competitiveness**, with particular emphasis on digitalisation, innovation, productivity-enhancing investment and support for business succession.
5. **A service-oriented state and a cashless economy**: proposals for a public digital ecosystem consistent with EU good practices, and for a cashless economy.

The study aims to present proposals, most of which can be implemented in the short term, through which the financial sector would not merely follow but actively help Hungary break through its competitiveness glass ceiling, strengthen its resilience and return to a sustainable convergence path.

2 PROPOSALS TO SUPPORT THE TURNAROUND

2.1 Predictable economic policy and legal regulation, both independent of electoral cycles, provide the foundation for a turnaround in competitiveness

A predictable, credible and stable economic policy environment is a fundamental prerequisite for long-term competitiveness, resilience and sustainable GDP growth. According to Philippe Aghion, who was awarded the Nobel Prize in Economics in 2025 (Aghion et al., 2023), the primary sources of economic growth are innovation and productivity gains. For these to materialise, an institutional and regulatory environment is needed that supports long-term investment and innovation decisions and strengthens the confidence of economic agents. Predictable and credible economic policy therefore not only improves businesses' ability to plan but also indirectly promotes GDP growth.

There is consequently a case for further strengthening the predictability of economic legislation, particularly through the consistent use of impact assessments, substantive professional consultation with the sectors concerned, and adequate preparation periods. Economic policy credibility would be enhanced if rules that materially affect business operations – especially tax and financial regulations – followed a predictable path known several years in advance wherever possible. This would reduce regulatory risk, encourage investment, increase investor confidence and strengthen Hungary's ability to attract capital.

Creating a predictable regulatory environment also requires the gradual withdrawal of extraordinary measures originally intended to be temporary but maintained for extended periods. The exceptional taxes imposed on the banking sector are a prominent example. Among sector-specific taxes, the burden is highest on financial institutions: preliminary calculations suggest that Hungary's credit institution sector will pay HUF 494 billion in bank tax and excess profit tax in 2026, bringing its effective tax rate to 44%². The bank tax, excess profit tax and financial transaction levy have contributed to fiscal stability in the short term. Their continued application, however, reduces lending activity, raises financing costs and may dampen investment. A pre-announced, transparent timetable for phasing out these special taxes is therefore warranted, to strengthen economic

² Taxes include income-type taxes, such as corporate income tax, the innovation levy and local business tax, as well as the bank tax and excess profit tax. The denominator is profit before tax, excluding dividends, the bank tax and excess profit tax.

policy credibility, improve investor confidence and encourage the banking system to play a more active role in supporting growth.

Naturally, phasing out special taxes alone would address only part of the problems also criticised in the OECD and EU country reports. The long-term sustainability and constitutionality of the interest rate freeze have prompted professional and legal debate, and several proceedings are currently before the Constitutional Court. Our policy recommendation is to distinguish customers in genuine need from those with substantial property wealth and incomes several times the average wage. The obligation to install ATMs in small settlements and the related regulation of bank branch operations are also manifestations of ongoing intervention in market processes, creating inefficiencies that tend to increase the overall cost burden on bank customers.

2.2 Proposals concerning mortgage lending as a strategic sector

The need for a turnaround in competitiveness is also apparent at the household level. According to the MNB's May 2026 Housing Market Report, property prices rose by 19% in real terms in 2025. Although the Otthon Start Programme substantially improved access to housing, the supply response to increased demand was confined to prices because the number of newly built homes remained low³. Nevertheless, experts also highlight several benefits of the Otthon Start Programme: borrowers do indeed tend to belong to younger age groups, and the programme has encouraged developers of new residential property to build more affordable homes. As a participant in the housing market through the provision of housing finance, a key objective of the financial intermediation system is to enable its customers to meet their housing needs on the most favourable terms possible.

Alongside the rise in house prices since 2014, limited supply and the poor energy performance of the existing housing stock have become increasingly evident problems. The Hungarian Banking Association's 2021 policy proposals (The Ten Points of Sustainable Banking, Becsei et al., 2021) had already highlighted the urgency of energy efficiency upgrades. By the summer of 2026, however, the adverse consequences of the current situation had become tangible. A predictable, targeted housing and renovation strategy extending beyond electoral cycles could offer a solution. Further simplification of mortgage lending processes is also necessary for the banking sector to contribute as effectively as possible to the implementation of such a strategy.

3 Housing prices, housing price index, Q2 2025 – Hungarian Central Statistical Office.

For the first time since the transition to a market economy, the legal, technological and institutional conditions for reforming mortgage lending and housing policy may now be in place simultaneously. One of the new government's key commitments is to rethink housing policy and restructure and refine the existing policy toolkit. The Sándor Wekerle Rental Housing Construction and Home Development Programme (Portfolio, 2026) set out the main elements of a comprehensive government housing strategy, with particular emphasis on predictable financing for both developers and purchasers. In this connection, Becsei–Incze (2026) argue that a unique opportunity has arisen in the 130-year history of Hungarian housing finance: the lower market interest rates expected to accompany euro adoption could replace costly government interest subsidy programmes. According to the authors, these expected interest rates could bring market financing conditions closer to those available under subsidised schemes to a statistically significant extent, enabling a more targeted and efficient housing support system.

In recent years, professional discussion in Hungary on improving housing finance has focused primarily on the indexation of loan repayments. Kovács–Pásztor (2018), Kovács–Nagy (2020), Incze (2025) and Simonovits (2026), all see scope to improve affordability by departing from standard level-payment amortisation and adjusting repayments to inflation, life-cycle changes in income or expected income growth. Housing has also received particular attention in the policy work of the Equilibrium Institute (Egyensúly Intézet, 2026), which published a dedicated set of proposals in the summer of 2026.

Alongside rethinking the support toolkit, further improvements to existing processes would be desirable. Several stages of the previously entirely paper-based mortgage lending process have been digitalised in recent years. Nevertheless, shortcomings remain that prevent a breakthrough in efficiency. Life events relevant to family support schemes still have to be reported in person; notarial and land registration procedures are cumbersome and costly; and more than 90% of property valuations still require an on-site inspection. These are all stages of the mortgage lending process that other EU countries digitalised years ago. Public digital infrastructure has largely been established in Hungary as well, at substantial cost, but these solutions do not yet generate tangible benefits for the economy, and their practical usefulness remains limited.

Why intervention matters for customers

For customers, a slow and opaque loan application process increases uncertainty surrounding property purchases, creates timing and financial risks – for example, failed transactions – and imposes a disproportionate administrative burden, especially when applying for subsidised loans. All this weakens the quality of fi-

nancial decisions and reduces residential mobility, even though consumer protection objectives call precisely for predictability and a clear customer journey.

Why intervention matters for the banking sector

From a bank's perspective, an efficient mortgage lending process is a fundamental component of competitiveness. This is particularly true in a market where interest margins are constrained and credit risk-taking is strictly regulated, while customers expect not only security and adequate information but also a digital experience free of unnecessary administration, comparable to that offered by the newest digital banking providers. The emerging competition in process efficiency and digitalisation is illustrated by the fact that several international competitors intend to serve customers through fully digital mortgage processes in the near future.

More efficient mortgage lending could also have substantial positive macroeconomic effects

Faster, more predictable mortgage lending with lower upfront costs can set in motion a range of processes that stimulate economic activity. Greater efficiency in mortgage lending generally increases the proportion of borrowers, shortens processing times and may encourage residential construction investment. According to the European Mortgage Federation (EMF-ECBC, 2025), outstanding residential loans in Hungary amounted to 7.5% of GDP at the end of 2024. By comparison, the euro area average was 38.8%, the EU-27 average 38.3%, and the average for the Visegrád countries excluding Hungary 22.1%. The ratio is therefore low not only relative to the EU average but also compared with regional peers, and an increase would be desirable for the economy. A potentially lower long-term interest rate environment and more efficient processes could encourage growth in outstanding loans.

International evidence suggests that growth in residential investment is an important driver of economic activity (Kohlscheen et al., 2018): an expansion in housing construction raises GDP directly while also generating growth spillovers through related construction, manufacturing and service activities. According to Mian et al. (2013), an expansion in residential lending can stimulate household consumption through increased home purchases and related expenditure, a channel widely identified in the international literature as an important transmission mechanism for economic growth. Redesigning processes would also improve the efficiency of financial intermediation. It could enable more accurate and personalised risk assessment, reduce non-performing loans and thereby foster stronger competition, lower interest rate spreads and greater credit demand.

Proposals for legislative action to establish a more efficient mortgage lending process

Most of the proposed interventions seek to simplify existing processes rather than create new institutions. The following proposals could be implemented in the short term at reasonable cost, partly through legislative amendments and partly through IT improvements to existing infrastructure.

1. Targeted support programmes extending beyond electoral cycles create a predictable environment for homebuyers, developers and the financial system.

Intervention in the economy should be confined to areas where it is necessary, leaving the rest to market competition. Better targeting of subsidised lending and housing support could increase the effectiveness of government intervention. Predictable economic policy independent of electoral cycles benefits all economic agents. Housing support policy in recent years has been cyclical: programmes launched before elections (see Becsei–Incze, 2026, for further details) offered preferential interest rates and generated a substantial expansion in lending and a housing market boom, accelerating property price growth to a degree unparalleled in Europe. Paradoxically, these housing programmes made purchasing a home more difficult for many people. Participation was primarily available to those eligible for family support, while those who were ineligible also faced the effects of rising prices (Bereczki et al., 2025; Banai et al., 2021). This effect is illustrated by the Residential Property Value Map published by OTP Mortgage Bank (OTP Jelzálogbank, 2026), which notes that the substantial price increases beginning in early 2025 moderated during the year, only to resume in connection with the Otthon Start Programme. Moreover, support programmes were typically tightened after elections, abruptly slowing the credit market. Over the years, households came to expect that a government programme offering below-market interest rates would be introduced before elections, and many property purchases were postponed for this reason. The uncertainty arising from these cycles also made conditions more difficult for construction developers, not just banks: in such a labour-intensive industry, the ability to plan operations several years ahead would be particularly important.

Better-targeted support programmes – for example, support for purchasing newly built homes and upgrading existing ones – that are sustainable over a longer horizon could produce a more balanced supply of credit, more moderate house price growth and more affordable new homes.

2. Wider use of statistical property valuation would make the process faster and more cost-effective.

Horváth et al. (2016) provide a comprehensive review of the method. OTP Bank was the first bank in Hungary to introduce statistical property valuation as part of the lending process. The new service quickly became popular with customers: alongside lower fees, it reduced processing times, shortening the overall loan application process by as much as one week. Statistical valuation is currently permitted only in the settlements specified in Ministry of Finance Decree No. 25/1997: the property to be purchased with the loan must be located in Budapest, a county seat, a city with county rights or a settlement within the Budapest metropolitan area. In the initial years of using statistical valuation, banks did not encounter risks that would argue against extending its scope. Greater risk-based flexibility in the eligibility criteria could allow the method, currently used in only 6% of loan applications, to be applied to more than 15% of loans.

This would require the following amendments to the ministerial decree governing banks' valuation activities and to the housing support decrees:

- a) Statistical valuation cannot currently be used for loans with government interest subsidies because banks must verify the property's suitability for habitation through an on-site inspection. Removing this requirement, at least for newly built properties, would allow statistical valuation to be used for these transactions as well.
- b) We propose permitting statistical valuation in all towns and cities, rather than restricting it to the present narrow range of settlement types.
- c) Statistical valuation is based solely on the transaction database for the preceding calendar year. Delays in updating the data reduce the number of eligible properties at the beginning of the year. This adverse effect could be avoided by allowing transactions from the preceding 12 months to be used instead of those from the preceding calendar year.
- d) Statistical valuation is currently permitted where at least ten transactions close to one another in timing and value have taken place in the relevant area. In our view, for certain settlement types, the statistical methodology could provide a reliable valuation with as few as five comparable transactions.
- e) Expanding the range and improving the quality of transaction data held by the National Tax and Customs Administration (NAV) and accessible to statistical valuation providers – typically banks – could further improve the reliability of statistical models (Horváth et al., 2016).

The proposal can be implemented in the short term through the ministerial decree governing the conditions for statistical valuation.

3. Public databases could underpin an automated data transfer process that reduces customers' unnecessary administrative burdens and strengthens the image of a service-oriented state.

For grants and subsidised loans, customers must report numerous items of information to their banks in person even though these are already available in public databases – for example, reaching the twelfth week of pregnancy, the birth of a child or establishing a permanent address. If banks received these data automatically, customers could be relieved of the administrative burden and the adverse administrative and financial consequences of missed notifications. Automated data transfer reduces the risk of administrative errors and rejections, enabling customers to use subsidised schemes with greater confidence and convenience.

We propose establishing a real-time income database covering all possible income types and enabling convenient, consent-based data sharing for customers. This would replace paper-based income certificates, which require extensive administration and verification, and support a faster, more accurate and more personalised credit assessment process.

Implementing these proposals would make better use of recently developed public digital infrastructure and reinforce customers' perception that the state works for them, rather than the other way round.

Implementation requires amendments to legislation on the digital state and digital services, together with the data connections needed for information transfer.

4. Digitalising notarial procedures would create a less costly and more efficient lending customer journey:

In May 2026, the Government ordered a review of the legislation governing notarial activities⁴, also opening the way to reconsider the involvement of notaries, who currently play an important role in lending processes. In this context, we propose replacing the costly and slow administrative process with a central consumer mortgage loan register similar to the collateral register. As part of this arrangement, notaries could also undertake mortgage registration tasks on behalf of credit institutions. The reduced workload would allow

4 Government Resolution No. 1157/2026 (18 May) on notaries.

notarial fees to be lowered – or even allow assistance with mortgage registration to be included in the basic fee – and strengthen notaries' substantive role in providing information. A stronger and more meaningful information function would increase customers' legal awareness and reduce the risk of subsequent disputes. The information materials should be developed with the involvement of the Magyar Nemzeti Bank and the banking sector. Similarly, cooperation among the stakeholders concerned should extend the standard deed templates already used for subsidised loans to market-rate loans. Repositioning notaries' role in mortgage registration and increasing their involvement in E-ING, the electronic land registration system, could make their contribution a stable long-term component of Hungarian mortgage lending.

Implementation requires amendments to legislation governing notarial activities and fees, together with the data connections needed for information transfer.

5. A digital connection to an operational electronic land registration system containing consistent data – an enhanced E-ING – could enable more efficient mortgage lending.

Contrary to the original expectations, banks' and borrowers' experience suggests that the new land registration procedure does not simplify bank mortgage lending but makes it slower, more expensive and more complex. With a digital connection, securely operating, audited banking systems and automated processes could help achieve the original objective and enable automated decision-making procedures to be used in banking matters without risk.

Implementation requires amendments to land registration legislation, a comprehensive audit and subsequent refinement of the E-ING system, and a data connection between E-ING and banks. We also propose that banks should continue to be able to act without legal representation in their mortgage lending procedures. Section 32(5) of the previously applicable Land Registration Act could provide the basis for this⁵.

⁵ Section 32(5) of Act CXLI of 1997 on Land Registration: *'An entry concerning the creation, modification or termination of a mortgage may also be made on the basis of a private document duly signed by the credit institution making the declaration, with its name indicated and in a clearly identifiable manner. Where the mortgagee is a credit institution, the debtor's unilateral acknowledgement of debt executed as a public instrument may also serve as the basis for registering the mortgage, provided that it specifies the collateral, the secured claim and the registered right holder's consent to registration.'*

3 THE MARCELL BREUER HOME RENOVATION PROGRAMME

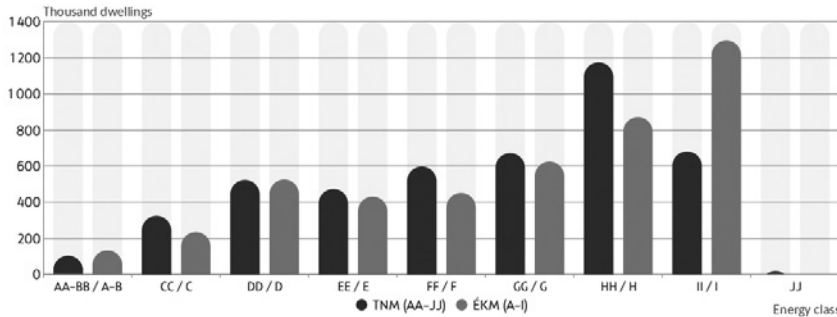
Buildings account, in one form or another, for 40% of energy consumption in the European Union. The European Commission's New European Bauhaus and Renovation Wave building renovation initiatives, launched in 2020 under the European Green Deal, present similar figures: buildings are responsible for 40% of total energy consumption in EU Member States and 36% of the associated greenhouse gas emissions. The primary cause of this unfavourable situation is the ageing building stock: 85% of all buildings were constructed before 2001, and most do not meet modern energy efficiency requirements. These outdated properties account for two-thirds of the building stock, yet only 1% undergo energy renovation each year. In the European Commission's view, 'the EU urgently needs to focus on how to make our buildings more energy-efficient, lower-carbon and more sustainable throughout their life cycle'. Modernising the building stock could contribute substantially to the success of climate action. Since the New European Bauhaus initiative was launched in 2020, several geopolitical developments and episodes of extreme weather have made the adverse effects of climate change tangible to ordinary people. In Hungary, these effects have been exacerbated by the poor energy performance of buildings. Assessing the situation in the summer of 2026, one of the most important lessons of the energy crisis associated with extreme weather is that Hungary cannot improve its energy security and security of supply solely by diversifying energy sources. Upgrading energy infrastructure and, in parallel, improving the energy performance of the building stock are indispensable: the cheapest energy is that which the country does not consume as a result of energy efficiency investment.

The unfavourable characteristics observed across European countries apply even more strongly to Hungary, for geographical and historical reasons as well. Nearly 80% of the stock was built before 1990, leaving a substantial share of residential properties old and energy-inefficient. The scale of the problem is illustrated by buildings constructed before 1959, whose energy consumption is three times, and heating energy demand four times, that of new properties. Changes in construction technologies and in thinking about the functions of residential buildings mean that properties built between 1976 and 1989 perform somewhat better. Even so, their energy consumption is still twice, and heating energy demand two and a half times, that of new homes. Statistics based on energy performance certificates also confirm the poor energy performance of Hungary's residential property stock. According to data published by the Hungarian Central Statistical Office on certificates issued between 2016 and 2023, just over 9% of homes were in the best-performing categories (AA–CC) under the classification applicable until 2023, while 15% were in the worst-performing categories (II–JJ). Under the new

classification introduced by the Ministry of Construction and Transport (ÉKM) decree in 2023, an even greater proportion of properties received poor ratings: only 8% of homes were in categories A–C, while 28% were in category I.

Figure 1

Distribution of energy performance certificate ratings issued in Hungary, 2016–2022



Earlier government initiatives to improve building energy efficiency failed to deliver the expected breakthrough for several reasons. First, the programmes were designed primarily around electoral cycles rather than as part of a well-considered, long-term renovation strategy subject to refinement when necessary. Second, the initiatives were too complex and difficult for the average household to navigate. Customers had to find an energy expert, a contractor and financing separately, while the documentation requirements of available support programmes were often excessive. Moreover, the programmes generally followed one of two extremes. They either encouraged property renovation without meaningful energy objectives, leading predominantly to easier and more visible cosmetic improvements, or made participation conditional on deep renovation, reducing the pool of potential participants because of the complexity of the process and the greater own-funds requirement.

Against this background, we propose developing a national building renovation strategy that extends beyond government terms and sets milestones for upgrading the energy performance of Hungary's housing stock over a horizon of at least 15 years, based on the following principles:

- simpler administration and modularity;
- sustainable financing and savings arrangements that draw on the benefits of banking ecosystems;
- strengthening the role of the domestic SME value chain.

The programme should be named after Marcell Breuer, one of the best-known Hungarian architects of the twentieth century, whose name brings together Hungary's architectural tradition, international innovation and forward-looking thinking. Just as Breuer's work focused on renewing the built environment, the proposed programme would aim to modernise Hungary's building stock and make it more sustainable and energy-efficient.

The Marcell Breuer Home Renovation Programme would target both the deep renovation of public and private buildings in the poorest condition and further energy efficiency upgrades to buildings in less severe condition. This would be consistent with international energy and building renovation practices. According to the Renovation Wave initiative, building renovation is one of the green sectors with the greatest potential for local job creation, since the work is predominantly carried out by local businesses. A well-designed programme would therefore be not merely a stand-alone energy efficiency scheme but also an industrial policy and SME strategy initiative.

I. Simpler administration, a data-driven approach and modularity

- 1) We agree that deep renovation of the building stock can bring about rapid and substantial change. However, its complexity and demands on time and resources often lead owners not to embark on renovation at all. Upgrades implemented in several stages over several years, but guided by predefined principles, could offer a reasonable alternative to deep renovation. We recommend using the individual energy efficiency measures listed in the MNB's Green Preferential Capital Requirement Programme as the basis for designing the regulations.
- 2) The programme's effectiveness could be underpinned by a national one-stop-shop network, an approach also recognised by the EU as good practice. This operating model has already appeared in Hungary through the RenoPont initiative.
- 3) **Bank participation in modernising the building stock requires legally authorised, free bulk access to energy performance data:** Rapid access to energy performance data is crucial to upgrading the building stock. When implementing the relevant EU legislation (EPBD IV), we recommend establishing access conditions that, in accordance with Article 22(2) of the Directive, provide financial institutions with easy and free access to the complete energy performance certificate. Rapid availability of these data would enable customers to obtain more favourable green financing and make informed decisions on upgrading their properties without incurring unjustified additional costs.

Implementation requires amendments to the legislation governing access to energy performance data.

4) We propose strengthening the role of credit institutions and specialised credit institutions in preparing energy performance certificates

Banks operate under strict limits on their permitted activities. Allowing credit institutions and specialised credit institutions to prepare certified energy performance certificates, either as a stand-alone service or as part of their property valuation activities, could help lay the foundations for the national one-stop-shop network mentioned above.

5) Supporting the renovation of condominium buildings

- The renovation of condominium buildings is particularly important. We have identified three main challenges: (1) condominium decision-making rules make energy-related investment difficult to implement; (2) government energy purchase subsidies reduce owners' willingness to invest; and (3) large-scale investment programmes entail high public costs, calling their long-term sustainability into question, while their concentrated roll-out may also inflate renovation costs.
- We therefore propose the following:
 - Alongside establishing the financing conditions essential for modernising condominium buildings, we advocate decision-making rules that support energy efficiency investment. As Becsei et al. (2021) pointed out, and as the Equilibrium Institute's recent policy proposals also highlight, many condominium renovation initiatives still cannot proceed because decisions require unanimity. Section 24 of the Condominium Act allows owners to agree freely on how operating costs are shared, going beyond the principle of proportionality, but this is not accompanied by more flexible decision-making rules.
 - A programme is needed that supports energy-related investment and improves energy efficiency without materially increasing property owners' monthly costs.
 - A financial framework must be established that enables private sector funding to be mobilised on a meaningful scale alongside government and EU resources. Experience from programmes already implemented in other EU countries could provide useful guidance.

JESSICA CASE STUDY – LITHUANIA

Lithuania's JESSICA programme can be regarded as one of the EU's most successful programmes for improving the energy performance of multi-apartment buildings. The EUEPO (2019) overview shows that it supported the modernisation of Soviet-era housing through preferential financing. At the programme's inception, key challenges were to establish a legal environment that would steer collective decision-making in condominium buildings towards energy-related investment, and to address the position of residents eligible for heating subsidies, who therefore had no short-term financial incentive to invest in renovation.

According to Bernatonis (2025), key features of the pilot programme implemented jointly with the EIB included approval of the investment by a simple majority of condominium owners, loan obligations attached to the property and therefore transferred to the new owner upon a change of ownership, and repayments calibrated so that, after energy savings, residents' total monthly burden did not materially exceed their pre-renovation energy costs.

Bernatonis (2025) also discusses the programme's financing model. He explains how additional funding was raised against future cash flows from energy renovation loans as collateral ('pre-financing'), supplementing a model initially financed entirely from public funds without leverage, and how the model subsequently evolved towards securitisation. The programme thus also introduced financial innovation by incorporating private financial sector resources into its financing framework and establishing the necessary collateral and guarantee arrangements.

The EIB (2009) provided a presentation on the necessary legal reforms.

II. Sustainable financing and savings arrangements that draw on the benefits of banking ecosystems

The programme's long-term sustainability and stronger household commitment could be secured through the combined effect of the following elements:

1. A combination of a green loan with an interest subsidy and a non-repayable grant;
2. Encouraging housing savings for energy efficiency upgrades through a green building society savings product eligible for government support;

3. Maintaining the MNB's Green Preferential Capital Requirement Programme over a longer horizon to improve the predictability of green loan product planning.

1. **A green loan with an interest subsidy:**

One of the greatest obstacles to energy efficiency investment is the lack of the necessary upfront capital. Upgrades generate substantial long-term savings on utility bills, but many households cannot finance the investment costs in a single outlay. The key to the programme's success is therefore a predictable and widely accessible financing arrangement that combines the advantages of non-repayable grants with the sustainability of preferential lending. A green loan with an interest subsidy could also be effectively linked to EU funding for energy efficiency and climate objectives. It would allow EU support to be used not solely as one-off grants but also as a financial instrument mobilising private resources and bank financing. The same amount of public funding could thereby generate a larger volume of investment, accelerate energy renovation of Hungary's residential building stock and strengthen the programme's long-term sustainability.

- **In the first phase of the programme**, renovation would be supported by a financing product comprising a non-repayable grant of HUF 5 million and a loan of HUF 15 million with an interest subsidy.
- **Following euro adoption**, assuming an unchanged level of interest subsidy and convergence towards euro area interest rates, the rate paid by customers could be reduced substantially, potentially even to the fixed annual rate of 0% offered by the French eco-loan (éco-PTZ). The French model illustrates how the maximum subsidised loan amount can depend on the extent of renovation: EUR 15,000 for simpler measures and EUR 50,000 for comprehensive energy renovation. A Belgian example, the Mijn VerbouwLening scheme in Flanders, shows that interest rates can be differentiated according to borrowers' income categories, allowing scarce public resources to be targeted more effectively at lower-income households. Building on the Lithuanian example, consideration could also be given to a new arrangement that, with broad bank participation, combines domestic and EU resources with funding from banks, investors and the state.

2. We propose a government-supported green building society savings scheme to encourage savings for energy efficiency upgrades:

We recommend reintroducing, as one pillar of the programme, a building society savings scheme specifically for energy-related purposes and incentivised by government support.

Improving the energy efficiency of the residential building stock is a task spanning several decades. In addition to direct government support and preferential loan programmes, its successful implementation requires incentives for households to make financial provision for themselves and save in advance. The previous building society savings system demonstrated its ability to mobilise households' long-term savings and accumulate the own funds needed for housing investment.

The new scheme should be targeted. Government support should primarily be linked to energy efficiency investment, particularly:

- building insulation;
- replacement of windows and doors;
- heating system upgrades;
- installation of heat pump systems;
- installation of mechanical ventilation systems with heat recovery;
- use of renewable energy sources;
- comprehensive building energy renovation.

3. We propose announcing and maintaining the MNB's Green Preferential Capital Requirement Programme over a longer, multi-year horizon:

The current practice of extending the programme for relatively short periods limits credit institutions' scope for long-term product development and business planning. A predictable regulatory incentive operating over a horizon of at least five years would help banks offer green loans for energy efficiency purposes at favourable interest rates under stable and predictable conditions. A longer-term regulatory commitment would strengthen market confidence, reduce product development risks and help make the financing of energy efficiency investment a lasting and integral business line within the banking sector.

4. Hungary should build on the opportunities offered by reform of the European energy performance certification system:

The EPBD (Energy Performance of Buildings Directive) is implemented through Directive 2024/1275. The new Directive was published on 8 May

2024 and entered into force on 28 May 2024. Under the new rules, the energy performance certificate will no longer be merely an information document: it will contain specific renovation recommendations for owners and may also serve as a basis for support and financing programmes. Each Member State must establish digital energy performance databases to enable monitoring and targeted support. Renovation passports will also be prepared. Perhaps the most important element of the new system, these will contain a staged renovation plan, an investment schedule and expected energy savings, while also presenting the associated financing options.

Denmark offers a good example of the practical implementation of renovation passports. Energy performance certificates there have been supplemented with an action guide that uses calculations to derive and highlight both the expected investment cost and the estimated annual savings on utility bills. The Danish example also illustrates how energy audits (Botjek) and personalised savings calculators (Totalkredit) can be integrated into an energy ecosystem alongside financing.

With our proposal for the Marcell Breuer Home Renovation Programme, we seek to support the development of a framework that prioritises improvements to the energy performance of Hungary's outdated housing stock and operates over a sufficiently long horizon to offer continuous, predictable opportunities for those planning housing investment, beyond electoral cycles. We do not aim to recommend specific energy technologies. We do, however, attach particular importance to the programme's financial sustainability, since in our assessment this is a major prerequisite for its continued operation across electoral cycles.

4 PROPOSALS CONCERNING SMES AS A STRATEGIC SECTOR

4.1 Overview

The economic importance of the SME sector is beyond question. According to the European Commission's 2026 country report (European Commission, 2026), the sector accounts for 71.2% of employment and 52.8% of gross value added. In 2025, the sector experienced a recession: real value added fell for the third consecutive year, by 4.5% – the lowest figure in the EU in 2025 – while employment stagnated. Both the country report and the European Commission's 2026 report on SMEs (Lagüera González et al., 2026) identify the digital ecosystem as a positive feature in Hungary: it was the only area in which both value added (+0.2%) and employ-

ment (+2.6%) increased. This suggests that knowledge- and technology-intensive activities proved more resilient to the adverse macroeconomic environment than the Hungarian SME sector as a whole. The report (Lagüera González et al., 2026) finds that the share of knowledge-intensive firms is below that of the leading Member States and that businesses perceive significant constraints primarily in labour costs, skills shortages and access to new markets – not in financing.

Hortoványi (2026) examines investment and financing in Hungary's SME sector. Regarding financing, she concludes that its availability is not a general, binding constraint on SME investment. Although administrative requirements present challenges, various subsidised programmes, such as the Széchenyi Card, substantially broaden the available financing options. It is worth highlighting that firms receiving financing demonstrate greater resilience during crises (Kuti-Tiszberger, 2026). This may also be attributable to more professional operations, to which compliance with financing-related requirements may contribute.

Csubák-Fejes (2014) examine the history of SME lending in Hungary. They point out that lending to domestic SMEs became a major banking business line only from the 2000s onwards. Lending contracted sharply after the 2008 crisis and then gradually resumed, with increasingly significant government and central bank support.

SME financing has changed fundamentally over the past 10–15 years. Previously predominantly market-based financing has been supplemented by various schemes supported from EU or domestic resources. Given the broad range of uses permitted under subsidised schemes, the challenge for SMEs today is generally no longer the volume of available funding but other conditions, such as collateral or the purpose to be financed.

The State Audit Office examined the effect of SME lending on the formalisation of the economy over the period 2013–2018 (Pulay et al., 2020). Although the role of lending in formalisation could not be identified unequivocally, the authors found that borrowing itself contributes to the process: a business must have legal income to obtain a loan. According to Pulay et al. (2020), supporting small businesses that are moving into the formal economy by reducing borrowing risks – for example, through fixed interest rates – yields a return and is therefore justified for the state. Examining two sectors particularly exposed to the grey economy, agriculture and construction, they found that subsidised schemes could improve lending dynamics. In agriculture, however, weather and other factors affected production so strongly that no clear relationship could be established between subsidies and output growth. In construction, by contrast, the authors found considerable remaining scope to bring small business activity into the formal economy, including through lending instruments.

Digitalisation, the acquisition of know-how and R&D are among the greatest challenges in financing the SME sector. In his seminal work, Williamson (1988) organises the issue from a corporate finance perspective around the ‘redeployability’ of collateral. His central argument is that, as assets become more firm-specific and thus less redeployable, equity financing, which provides direct control, becomes increasingly preferable to debt financing.

Hortoványi (2026) identifies four fundamental problems in financing intangible assets that create substantial constraints on debt financing. The European Union Intellectual Property Office reaches a similar conclusion (EUIPO, 2026), highlighting an estimated financing gap of EUR 70–150 billion for intellectual-property-intensive SMEs in the EU. It estimates that, with the appropriate infrastructure for disclosure, valuation and risk-sharing in place, EUR 30–120 billion in new financing could realistically be mobilised annually for this purpose at the European level. The effect on EU GDP would be around 0.4%–4.2%.

EUIPO proposes *five strategic priorities* for promoting intellectual-property-backed finance in Europe: (1) making intellectual property more visible in corporate reporting; (2) establishing a common valuation framework; (3) introducing guarantee and risk-sharing instruments; (4) creating central databases and security interest registers; and (5) strengthening institutional coordination (EUIPO, 2026).

These findings suggest that the most important policy tasks in SME financing are better targeting of resources and improved access to financing for innovative investment based on intellectual property and other intangible assets.

4.2 Proposals to improve SME financing

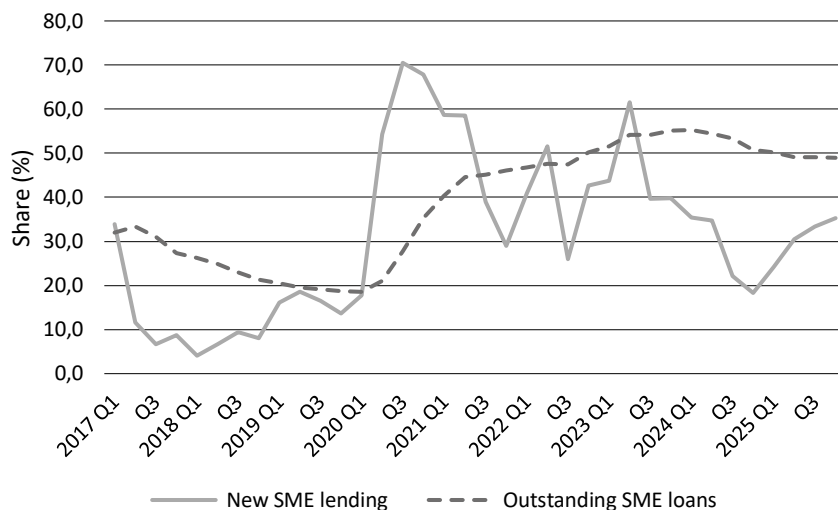
For Hungarian SMEs, the primary problem is not a shortage of funding. The Hungarian banking system is well capitalised, financing capacity is available, and substantial EU resources may also support the development of a more competitive economic model in the coming years. Against this background, we have formulated *the following proposals*.

4.2.1 Restructuring the institutional framework for interest subsidies

A substantial proportion of lending to the SME sector currently takes place under subsidised arrangements. According to MNB data (MNB, 2026a), subsidised schemes accounted for approximately one-third of total new SME lending in recent quarters.

Figure 2

Share of subsidised loans in new SME lending and outstanding SME loans, 2017–2025



Source: MNB data; authors' chart.

As shown in *Figure 2*, the share of subsidised loans has been on an upward trend and currently accounts for approximately half of total outstanding SME loans. In its June 2026 Financial Stability Report (MNB, 2026a), the MNB explains that the small number of newly participating firms limits the direct impact on the real economy. It also notes that, although refinancing at market interest rates would substantially increase firms' interest burdens, at the aggregate level the deposits of the same firms would largely cover their maturing subsidised loans.

The relative importance of investment loans and working capital loans also deserves attention. According to MNB data (MNB, 2026b), substantially more investment loans than working capital loans were disbursed in 2020. From late 2022 onwards, however, working capital loan disbursements frequently exceeded those of investment loans, and by 2025 the higher volume of working capital lending had become a trend. Although these statistics cover total SME lending, subsidised liquidity loans accounted for a much larger share of subsidised loans than of the market as a whole, until their withdrawal in mid-June 2026. In this connection, the press (for example, Portfolio.hu, 2026) went so far as to describe 'widespread arbitrage activity'.

Subsidised SME loan products currently operate through a multi-participant intermediation system in which KAVOSZ plays a central role. The Széchenyi Card

Programme was developed under KAVOSZ's leadership. Its undisputed achievement has been to sustain financing for Hungarian SMEs even during crises when market financing was unavailable or accessible only at very high cost. At the present stage of development of the Hungarian market, however, we believe a fundamental review of the scheme's operating model may be warranted.

The subsidy intermediation model weakens financing institutions' incentives to develop their own products. With BUBOR at around 5–6%, plus interest rate spreads needed to cover costs, market-based products cannot compete with a subsidised interest rate of 3%. A visible shortcoming of the centralised model is that digital product development had still not materialised by 2026.

In light of the above, our **proposal** is as follows:

- We propose making interest subsidies directly available to lenders as well, as they were before 2020, so that financial institutions could access them without an intermediary. Interest subsidies would thus be available both directly and through an intermediary. Compared with direct subsidy models, such as retail loans with interest subsidies, the current exclusive intermediation system may impose additional administrative burdens and longer processing times on customers, and a longer subsidy drawdown period on financial institutions. The existing intermediation system could continue to operate on a market basis for a proportion of loans provided by the financial sector.
- We propose linking interest subsidies to the business objective achieved by the borrower rather than to a particular financial product or service. Borrowers could then choose the financing arrangement – for example, a loan or leasing – that best suited their individual circumstances.

The volume of available financing is no longer a major constraint. The next stage of development would entail more efficient resource allocation and stronger competition, which would in turn promote digitalisation.

Implementing our proposal would substantially support competitive neutrality across product types and financing providers, improve innovation capacity, reduce unnecessary government and business expenditure and, overall, enhance access to financing for the SME sector.

4.2.2 Redesigning the targeting of support

The existing support system needs to be better targeted. The research and banking perspectives clearly indicate that targeting is of primary importance in support programmes.

World Bank research (Carvajal–Didier, 2024) finds that government interventions should target financing gaps identified through a data-driven selection and design process. Interventions should be structured to reach underserved SMEs and address key market failures. The authors emphasise that regulators must ensure that subsidised schemes available on more favourable terms than the market do not crowd out private funding. Such crowding out could introduce distorted incentives, limiting market development and the long-term availability of finance.

Using Hungarian SME lending data, Goel et al. (2021) examine the effects of EU subsidies on credit-constrained and unconstrained firms. They conclude that subsidies can stimulate growth in the asset stock of recipient firms, with a particularly significant effect relative to credit-constrained firms. They argue, however, that this effect is temporary and does not necessarily translate into higher sales, profitability or productivity. The authors conclude that these SMEs may face problems of management or a lack of viable projects rather than necessarily financing problems. Their findings therefore indicate that appropriate targeting and precise identification of the market failures to be addressed are crucial to the effectiveness of government support.

In a working paper using statistical methods to analyse the effects of the Funding for Growth Scheme, Székely (2025) shows that the programme's more targeted nature generated stronger and more sustainable output growth than a general expansion in credit availability would have produced. He finds that, whereas a one-percentage-point expansion in credit generally produces around 0.355 percentage points of output growth, the corresponding figure under a targeted programme is 0.441 percentage points.

Credible research thus suggests that concentrating support on well-defined economic policy objectives may produce greater economic efficiency than general credit stimulus.

The essence of our proposal is that government support should be provided only for loans that advance national economic objectives, such as energy-related investment. This would both support national economic goals and meet the requirements of prudent public resource management, while, according to the available research, also being likely to support economic growth more effectively.

4.2.3 A national framework for intellectual-property-backed finance

Hungary has an open, export-oriented economy that increasingly relies on knowledge-intensive services, yet SME financing remains predominantly bank-loan-based. This provides a rationale for establishing an institutional framework to integrate intangible assets into financing.

A guarantee scheme based on intellectual property formally exists in Hungary, in part through the Garantiqa InvestEU Guarantee Programme. In EUIPO's (2026) framework, however, this is only the third stage of the system: making intellectual property visible and ensuring its appropriate valuation must come first.

The next step could therefore be to establish the institutional conditions for intellectual-property-based credit assessment. These could include IP valuation standards supported by the MNB or the Hungarian Intellectual Property Office (SZTNH), standardised corporate reporting on IP assets, and methodological guidance for financial institutions participating in InvestEU programmes.

The proposed measures could help intangible assets gradually become an asset category that banks can assess and finance within their credit assessment processes. This could substantially support growth and improve competitiveness in Hungary's knowledge-intensive SME sector.

5. EU-COMPLIANT DIGITALISATION AND THE EFFECTIVE USE OF PUBLIC-SECTOR DATABASES AND DIGITAL INFRASTRUCTURE AS FOUNDATIONS OF A COMPETITIVE ECONOMY

In recent years, the Hungarian Banking Association has prepared several sets of digitalisation proposals, many elements of which have now been implemented (Becsei et al., 2023; Becsei et al., 2021; Becsei et al., 2019).

Becsei et al. (2019) provide a detailed account of the priority areas of the digital transition, paying particular attention to modernising payment processes, reducing cash use, and issues relating to electronic customer identification and document management. There is a curious duality: while Hungary has made substantial progress in digital payments, numerous legislative measures encouraging cash use have also been adopted in recent years. Cash use entails significant economic costs (Becsei et al., 2019; Bódi-Schubert–Ritzlné, 2023). The level of cash holdings is determined by the cost of cash-related services and changes in the institutional environment. In Hungary, special bank taxes and the financial transaction levy adversely affect the price of financial services and banks' operating efficiency. Adjusting for these yields an operating-cost-to-total-assets ratio in line with those of regional peers (Szentpéteri et al., 2017). Crises increase cash demand and can cause abrupt changes in the level of cash holdings. Pálné (2024) draws attention to the cultural dimensions of cash holdings in Europe, contrasting northern and western European countries that favour cashless payments with southern and eastern European countries that show a stronger preference for cash. She also demonstrates a weak negative correlation between GDP and cash use, as well as a strong negative correlation between the Corruption Perceptions

Index and cash usage. Digitalisation is therefore not technological modernisation for its own sake: by reducing administrative burdens, accelerating transactions and increasing transparency, it is also an economic necessity.

The Hungarian Banking Association (Becsei et al., 2023) argues that digitalising the banking sector is not merely a matter of convenience but a fundamental prerequisite for competitiveness. It enables online administration, minimises paper-based processes and leads to faster decision-making that is less exposed to individual errors.

Progress has been made on several of the Banking Association's most recent proposals (Becsei et al., 2023), and on a number of occasions the legislator has adjusted the legal environment in response to banking sector recommendations. Several elements of the Digital Citizenship Programme support access to banking services:

1. Consent-based data provision (HAASZ) could bring a breakthrough in automatically tracking changes in customer data.
2. The DÁP eAláírás electronic signature service could help digital contracting solutions become more widespread. This requires the signature function to be integrated into the relevant processes; allowing businesses to use the service would also be helpful.
3. The ePosta service, to be launched in 2027, could become a competitive digital alternative to paper-based postal correspondence among the communication channels used by customers and banks.

Progress has also been made on several proposals supporting digital consumer lending:

1. The deregulation roundtable coordinated by the Ministry of Justice has discussed reform of NAV's income information system in depth, and implementation is under way.
2. The legislator is also examining the possibility of broadening the data available for credit assessment and, in this connection, reconsidering the Central Credit Information System (KHR).

Since 2023, the Banking Association has continued working to enhance the competitiveness of the banking sector and Hungary, including by promoting digitalisation. Its agenda has also covered monitoring the development of DÁP, further digitalisation of lending processes for both retail and, increasingly, corporate customers, fraud prevention initiatives, artificial intelligence and the need to review restrictions on banks' permitted activities.

A common lesson of these policy initiatives is that the key to regulation supporting digital and competitive banking is not the creation of unique national

solutions, but the consistent adoption of established European good practices and their adaptation to domestic conditions. Successful examples within the EU regulatory environment show that simpler data sharing, more flexible rules on banking activities and better digital customer journeys improve the customer experience and strengthen competition. The following proposals aim to make banking faster, simpler and more predictable for customers through the effective use of public digital solutions, reducing administrative burdens and improving secure access to services. If implemented, these services could reinforce customers' perception of a service-oriented state: a state that works for them, rather than the other way round.

1. **DÁP-based administration integrated into banking processes:** An increasing number of services are becoming available to customers through DÁP. The essence of digital administration, however, is that customers should not encounter isolated digitalised processes but should be able to complete their original administrative task entirely online. Customer notifications could be replaced both in connection with support schemes and when customer data change – for example, upon reaching the twelfth week of pregnancy, the birth of a child or establishing a permanent address.
2. **Electronic messages should become a cheaper and more efficient alternative to paper-based communication:** Banks should be able to communicate with customers through digital channels, either their own or DÁP ePosta, at a lower cost than through paper-based correspondence. Digital communication channels improve customers' financial awareness and legal certainty by making all relevant banking documents retrievable in one place.
3. **A real-time, secure income information database accessible through DÁP:** We propose establishing a real-time income database covering all possible income types. It would enable convenient, customer-authorised data sharing and replace paper-based income certificates that require substantial administration and verification. Customers would benefit from a faster, more accurate and more personalised credit assessment process.
4. **We propose broadening the range of data available to support personalised credit assessment.**

One important recommendation in the OECD's 2026 country report concerns expanding the data available for credit assessment, noting that information other than credit data is currently inaccessible. Changes in online shopping habits, together with stricter banking regulation, mean that FinTech and BigTech firms now hold more extensive and detailed information about customers' payment habits than banks can access, potentially enabling them to develop more accurate credit assessment processes. Access to a wider range

of data would be beneficial not only for improving competitiveness against cross-border providers but also because it would allow banks to assess customers' risk profiles more accurately and offer personalised and generally cheaper loans. Similar databases are available in several Member States; Germany's SCHUFA, Slovenia's SISBON and Bulgaria's RegiX are good examples. Implementation requires reconsidering the role of the Central Credit Information System (KHR) and amending the relevant legislation.

5. **Making electronic signatures available to SMEs:** Hungarian small businesses have a low level of digital readiness, and most have lacked an electronic signature solution since AVDH was withdrawn. DÁP eAláírás is beginning to gain traction but cannot currently be used for company representation. We recommend examining the fee arrangements under which businesses could be allowed to use it. Making electronic signatures available to SMEs would directly improve access to financing and reduce the administrative burdens arising from their operations.

6. CONCLUSION

Alongside the prospect of euro adoption, Hungary now has an opportunity for an economic policy turnaround. Recent years have been characterised by a rapidly changing legal environment and a highly active legislator, with sector-specific and frequently changing special taxes. These have weakened investor confidence and contributed to higher interest rates, whose effects economic policy sought to offset through a complex support system. Household support schemes, predominantly related to housing, have made mortgage lending complex and created cumbersome processes. A telling example is the combination of a CSOK Plusz loan with rural CSOK and Babaváró support, where the definition of support differs across the schemes. SME interest subsidies operate exclusively through one intermediary, KAVOSZ; subsidised lending remains predominantly paper-based, while lower-interest subsidised loans have crowded out digital market-based product development. Intervention in the market economy has triggered an escalating spiral in which new measures seek to offset the adverse effects of earlier interventions. Limited cooperation among ministries, public institutions and market participants has meant that even digitalisation efforts have remained fragmented, without end-to-end digital journeys that fully support customers. Ultimately, the complex support system produces interest rates similar to those in neighbouring countries. A good example is that market-based mortgage rates elsewhere in the

region match the preferential rate of the Otthon Start Programme, without fiscal subsidies (Becsei–Incze, 2026).

In this study, we have put forward *several proposals* in response to these problems. *Our foremost recommendation is a predictable economic regulatory and legal environment.* The relationship between higher economic growth and predictability has also been examined by Nobel laureate Philippe Aghion (Aghion et al., 2023). Rather than continuous interventions requiring rapid implementation, substantive professional consultation with the sectors concerned and adequate preparation periods would be preferable. Tax and financial regulations should be stable in order to reduce regulatory risk. Although sector-specific special taxes benefited the budget in the short term, they became permanent and spread to other sectors. This constantly changing tax environment itself played a decisive role in the decline in investment activity. We propose a credible timetable for phasing out the special taxes already introduced.

Given its multiplier effects, we have devoted particular attention to *improving mortgage lending*. Rather than relying on a rapidly changing support system tied to electoral cycles, euro adoption could make lower interest rates available on a market basis. After almost 120 years, Hungary could once again join a currency area offering favourable interest rates and long-term funding without exchange rate risk. A consensual reform of notarial processes, alongside the stabilisation and genuine digitalisation of land registration procedures, would provide the foundations for modern mortgage lending.

The *Marcel Breuer Home Renovation Programme* would encourage the modernisation of Hungary's housing stock within a long-term building energy performance strategy extending beyond electoral cycles. Built on simpler administration, modularity and sustainable financing, the programme could reduce Hungary's energy consumption and improve energy independence through green loans with interest subsidies, targeted grants and incentives for household saving, while stimulating domestic SME activity and improving housing conditions.

Government intervention is most strongly felt in *SME lending*. Owing to fiscal support, the Széchenyi Card product available through KAVOSZ can offer favourable lending rates, typically 3%. The system is nevertheless characterised by complex subsidies and paper-based processes. If financial institutions could access interest subsidies independently, or preferably if the sector could move towards market-based lending, there would be greater scope to simplify and digitalise processes. KAVOSZ could subsequently operate on a market basis, with targeted interest subsidies available both directly and through KAVOSZ.

Banking administration as a whole can be improved through public and market-based *digitalisation processes that build on and reinforce one another*. The intro-

duction of DÁP was welcome, but integrating it into banking processes, for example, would be equally important. This would allow changes in customer data to be communicated digitally rather than requiring customers to report them in person.

Simplifying support systems, linking them to specific objectives, and developing and integrating public and market-based digital processes, together with euro adoption, will result in a more competitive Hungary.

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