

The Advantages and Disadvantages of Introducing the Euro: Debates and Economic Conditions

Magdolna Csath¹

ABSTRACT: In analyzing the advantages and disadvantages of adopting the euro, this article concludes that introducing the euro before the economy and society are adequately prepared could push the Hungarian economy into a development trap. It supports this conclusion with a detailed analysis of the current state of the economy and society. It recommends that, although a balanced fiscal adjustment is warranted, the planned date for adopting the euro should be set only after a comprehensive and objective assessment of the situation and the development of a strategy to address weaknesses.

KEYWORDS: competitiveness, added value, innovation, investment in knowledge, productivity, adoption of the euro

JEL-CODES: E22, I25, L16, L52, O11, O30

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“EU member states must relinquish their national sovereignty in favor of EU sovereignty so that the EU can compete with the United States and China. This means a unified financial market, a savings and investment union, the interconnection of energy systems and digital services, but it also means joint borrowing.”

(Statement by Enrico Letta, former Italian Prime Minister, to Euronews, July 14, 2026)

Introduction

By adopting the euro, Hungary is making a decision that irrevocably subordinates its economic and social opportunities to the EU's economic and political interests, which do not always and in every respect coincide with Hungarian national interests. It is in Hungary's national interest for both its

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economy and society to successfully adapt to environmental changes, avoid dangers, and take advantage of opportunities. The EU's interest, as we see from the Letta quote, is to strengthen the EU's unity and secure a favorable position in geopolitical competition. Therefore, membership in the eurozone may subordinate decision-making based on national interests to the interests of the EU as a whole. At the same time, there are also advantages to belonging to a strong economic bloc, even if it requires sacrificing some of one's own interests. The question, however, is whether the advantages and disadvantages can be assessed in advance. Furthermore, what can the country itself do to maximize the advantages and minimize the disadvantages? What economic and social conditions must a country achieve for this balance to work in its favor, so that an expansion of public goods can follow accession? This article explores these questions, building on previously expressed expert opinions.

A Brief History of the Euro²

Officially, the euro was launched as digital currency on January 1, 1999. It became available in physical form on January 1, 2002. Initially, 12 countries adopted it.

However, the idea of a common currency originated much earlier, in the 1960s, with the goal of facilitating economic cooperation and trade among countries. The conditions for the introduction of the euro are set forth in the Maastricht Treaty, signed in 1992.

Currently, six countries have not yet adopted the euro: the Czech Republic, Romania, Poland, Hungary, Sweden, and Denmark. The EU has granted Denmark permission not to adopt the euro (opt-out). This stems from a referendum held in 2000, in which the Danish people rejected the introduction of the euro. The other countries, however, are obligated to adopt the euro, although the EU has not set a deadline for any of them. Most recently, Croatia (2023) and Bulgaria (2026) joined the Eurozone.

The Maastricht Criteria³

To adopt the euro, progress must be made in four areas:

- ▶ price stability
- ▶ sound public finances
- ▶ long-term interest rates
- ▶ exchange rate stability.

2 EU: History and Purpose April 21, 2026

3 EC: (January 1, 2026) How to join the euro area.

Price stability means that the average annual inflation rate may be no more than 1.5 percent higher than the average inflation rate of the three best-performing countries.

The essence of sound public finances means a general government deficit of less than 3 percent of GDP and public debt of less than 60 percent of GDP.

The rule for long-term interest rate is that it may not exceed the average of the three best-performing countries by more than 2 percent.

Finally, exchange rate stability must be demonstrated by showing that exchange rate fluctuations in the country can be kept within certain limits. To demonstrate this, the country must participate in the so-called exchange rate mechanism (ERM II) for at least two years, which means that the country's currency, pegged to the euro's central rate, cannot fluctuate outside a 15 percent band. During this period, the country is already required to cooperate closely with the European Central Bank (ECB). After joining the eurozone, the country's monetary policy is shaped by the ECB, and it must also coordinate its fiscal policy with the European Commission.

The Advantages and Disadvantages of the Euro: Some Expert Opinions

The following are typically cited as advantages of adopting the euro:

- ▶ reduced administrative burden
- ▶ elimination of exchange costs
- ▶ easier comparison of prices and costs
- ▶ easier travel and studying abroad
- ▶ improved economic stability.

From the EU's perspective, the expansion of the eurozone contributes to the growth of its economic strength, the strengthening of the euro's role as a reserve currency, and Europe's ability to exert influence in the global economy. At the same time, less developed and less competitive countries face business closures in an increasingly unified market, as their economies come under the influence of companies from stronger countries.

Experts have been widely debating the pros and cons of adopting the euro for some time now and, based on this, are proposing dates for its introduction. In June–July 2026, a series of articles on the topic was launched on the “Növekedés.hu” news portal. Below, we summarize the main arguments of this debate, highlighting—though generally not quoting verbatim—the most important points.

In his article, Elemér Terták, former State Secretary at the Ministry of Finance, quotes an article by former central bank governor György Matolcsy published in the Financial Times in 2019, in which the central bank governor stated: *“Although the central bank is committed to the successful and safe introduction of the euro, the country's economy is not yet at the appropriate level of euro readiness.”*

The Tisza Party's program, however, sets 2030 as the target date for meeting the necessary conditions. The targeted date for adoption, however, requires the necessary conditions to be met at a rather accelerated pace, all the more so because, in terms of meeting the so-called Maastricht criteria for joining the eurozone, Hungary has drifted away from the requirements for joining the currency union in recent years, and currently meets none of them.

Furthermore, in the absence of structural reforms, the introduction of the euro could even lead to a decline in production and an increase in emigration, as has occurred in other countries joining the eurozone. In addition, a significant portion of economic sovereignty would be lost. Nor should we forget that a decade and a half ago, we saw several countries—including Greece and Ireland—that adopted the euro, yet despite this, or perhaps precisely because of it, drifted into a serious financial crisis and were forced to implement painful adjustments.

At the same time, there are also examples showing that it is possible to achieve low inflation and stable economic growth while retaining a national currency, as we can see in the cases of Sweden, the Czech Republic, and, to some extent, Poland.

It is clear from these examples that the euro is not some kind of magic bullet: its introduction alone does not guarantee growth, stability, or low inflation. So why all the rush to adopt the euro as soon as possible? Simply because Hungary, upon accession, committed to adopting the common currency at some point?

Fulfilling this commitment is not tied to a specific deadline, so there is no reason to rush into preparations for its introduction. However—adds Elemér Terták—the significance of the 2031 target date for adopting the euro does not lie in the fact that, upon reaching it, the forint—which will be 85 years old by then—will be replaced by the euro, but rather in the fact that this will require five years of committed, consistent, and rigorous economic policy. (*Növekedés.hu*, July 1, 2026)

According to Gyula Pleschinger, a former member of the Monetary Council of the National Bank of Hungary (MNB), when setting a target date for the introduction of the euro, it is first necessary to estimate when the announced economic policy measures will yield the expected results, because rushing the accession process could be counterproductive. Hungary would be best able to take full advantage of the benefits of eurozone membership if, even before joining, it were able to demonstrate a sustainable macroeconomic balance and an economic policy that supports credible convergence. After all, the euro alone does not guarantee an economy's success. (*Növekedés.hu*, July 6, 2026)

According to Dávid Németh, a senior analyst at K&H Bank, reducing the budget deficit will be a major challenge, as will determining whether we can sustainably transition to a lower inflation rate. Meanwhile, public debt must also be reduced. And let's not forget that for two years, the forint will have to remain within a fixed exchange rate band under the system known as ERM II.

At the same time, he believes that the low per capita GDP is not an obstacle.

Catching up in this area can continue even after accession. (*Növekedés.hu*, July 5, 2026.)

We must add that the low and very slowly growing per capita GDP relative to the EU average points to structural economic problems, such as the high proportion of economic sectors producing low added value in the economy, a situation that will be even harder to change after accession.

We see this in the example of Greece as well. Before joining the Eurozone, Greece was ahead of Hungary in terms of GDP per capita relative to the EU average. After joining, however, it fell behind us. In 2025, the Greek figure was 68 percent, while Hungary's value was 70 percent.⁴ This also serves as a warning that Hungary, too, should improve its economic structure even before adopting the euro, increasing the share of economic sectors that generate high local value-added within that structure.

According to Zoltán Török, an analyst at Raiffeisen Bank, adopting the euro by 2030 is a huge challenge, but not an impossible one. At the same time, a timeline of this pace would likely be unprecedented in the history of the eurozone. The greatest challenge would be achieving a general government deficit of 3 percent of GDP, which would require fiscal discipline. Achieving persistently low inflation would also be no easy task; one need only look back at Hungary's past inflation trajectory. Of course, another key question is how the external environment will evolve. No one knows the definitive answer to that. One need only think of the shocks—such as the COVID-19 crisis or wars—that have derailed international economic processes from their normal course. In the coming years, there may be further external shocks that could halt Hungary's convergence process.

However—according to the author—Hungary belongs in the eurozone. The past nearly two decades have proven that the economic and social costs of the forint's unpredictable fluctuations and significant devaluation are too high. In light of this experience, the arguments in favor of adopting the euro—such as the elimination of exchange rate risk and the elimination of currency conversion costs—take on particular significance. However, the author warns that adopting the common currency alone is not a panacea; moreover, it can easily become a double-edged sword.

It would be wise to proceed with this only after the Hungarian economy has shifted to a sustainable growth model—one that is not based on the use of EU funds or the inflow of monocultural working capital. Even in this case, it is not easy to find a conversion rate that is viable in the long term. In the event of premature accession, there is also a greater risk that the final exchange rate will not support competitiveness and growth prospects. (*Növekedés.hu*, June 10, 2026)

Zsolt Becsey, a professor at Károli Gáspár University, writes: "Anyone who wants to join the Eurozone will eventually be able to do so, as this is also in

4 Eurostat, July 9, 2026.

the EU's interest." However, an important national prerequisite is improving competitiveness and reducing excessive dependence on foreign trade, inflows of working capital, and external financing. To achieve this, in addition to disciplined fiscal and living standards policies, economic actors must also be conditioned not to rely on currency devaluation to solve their competitiveness problems. Zsolt Becsey also notes that, in improving competitiveness, we must avoid falling into the "middle-income trap." Furthermore, in his view, improving competitiveness takes precedence over welfare measures, since the latter will not lead to improved competitiveness, whereas improved competitiveness can go hand in hand with a rise in the standard of living. He sees discipline as the greatest benefit of joining the eurozone, since—as he puts it—the Maastricht criteria, especially maintaining a balanced budget, are important not so much because of the introduction of the euro, but for our own sake. (*Növekedés.hu*, June 30, 2026)

It is worth adding to this argument that competitiveness, well-being, and the middle-income trap are indeed interrelated concepts. However, we must not forget that national competitiveness is not only an economic issue but also a social one and a matter of overall development. Avoiding the development trap is therefore inconceivable without improving social indicators. This is why a distinction must be made between the growth trap and the development trap. We will return to this topic later.

Finally, a noteworthy argument can be found in an article by Gábor Horváth, chairman of the Fiscal Council, published in the online journal *Köz-Gazdaság*.⁵

The author puts it this way: I consider both the fetishization and the demonization of the euro and its adoption to be harmful; there are examples showing that it is possible to pursue prudent economic and fiscal policies without the euro at low financing costs (the Czech Republic), and that it is also possible to go bankrupt even with the euro (Greece). It is not the presence or absence of the euro that will solve the majority of the Hungarian economy's competitiveness problems. The latter requires targeted policies to raise the Hungarian economy's potential growth rate. The effectiveness of these policies has an indirect impact on fiscal issues as well, but perhaps this is what strengthens investor confidence the most in the long term.

The opinions cited could be summarized as follows:

- ▶ The adoption of the euro is just as much, if not more, in the EU's interest as it is in Hungary's
- ▶ There is no reason to rush; the majority does not recommend a hasty adoption
- ▶ The adoption of the euro entails a significant loss of sovereignty
- ▶ After adopting the euro, several countries fell into financial crisis; there was no increase in growth, inflation did not decrease, and stability did not even improve

5 Public Economics. Vol. 21, No. 2, Summer 2026

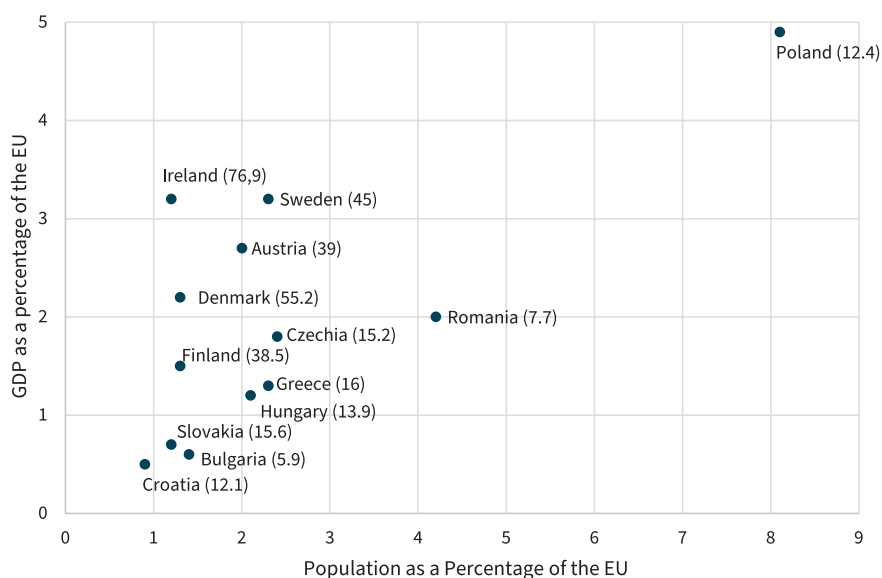
- ▶ Non-euro countries are also performing well; success does not require the euro—smart economic policy is what matters
- ▶ To achieve “euro readiness” before adoption, the competitiveness of the economic structure must be improved; otherwise, joining the eurozone could lead to a decline in production and a rise in unemployment
- ▶ Fiscal discipline is important, but forcing the 3 percent deficit target could result in economic and social losses
- ▶ In the longer term, it is worthwhile to set the adoption of the euro as a goal because—as many have pointed out—we have committed to doing so.

Beyond the debate launched by the Növekedés.hu portal, a wide range of opinions has already been expressed regarding the introduction of the euro. The majority of these opinions hold that the introduction of the euro will be necessary. However, opinions differ widely regarding the timing and the necessary conditions. The author of this article believes that introducing the euro too early—which is clearly in the EU’s interest—would place Hungary in an even more vulnerable position within the EU than it is now. The main reasons for this lie in weak competitiveness, a lack of strong knowledge base and innovation needed to improve it, low local value-added production, and the low level of productivity closely linked to all of these factors. If significant improvements are not achieved in these areas before the introduction of the euro, Hungary will be the loser in joining the Eurozone. Its dependence on countries with stronger economies will continue to grow, and locally generated profits will leave the country in even greater proportions through foreign companies. The domestic small business sector could fall victim to foreign takeovers before has a chance to strengthen. Ultimately, along with monetary and fiscal decisions, other areas of economic policy will also be hollowed out, eliminating any chance of making meaningful local development decisions aligned with a national vision for socio-economic development. This path would lead to marginalization and a development trap. That is precisely why it is essential that we be fully prepared when we take our place at the starting line.

In addition to improving the competitiveness of the real economy, another important aspect of this preparation is, of course, putting our finances in order. But where do we even begin? To answer this question, let’s first look at an interesting statistic!

The following figure compares the share of several countries’ populations and economic output within the EU as a whole. Both sets of data are for the year 2025. In parentheses, we see productivity, expressed as the value produced per hour worked, in euros. This data is from 2024.

Figure 1: Share of population and GDP of selected EU countries in the EU as a whole (% , 2025)
(Productivity, measured by the euro per hour worked, is shown in parentheses)



Source: Eurostat July 8, 2026; July 10, 2026; June 2025

Figure 1 shows that, without exception, for every developed country that joined the EU earlier, the proportion of its population in the EU's total population is smaller than the proportion of its economic output. For less developed countries, the relationship is reversed. The productivity figures shown in parentheses are much higher in developed countries than in less developed ones. A related finding is that developed countries typically have a much higher value of foreign direct investment abroad than the value of foreign direct investment in their own countries. This relationship is reversed in less developed countries. This also suggests that capital outflows in the form of profits are likely greater from countries with less developed economies, while inflows are greater in developed countries. We will return to this topic later when discussing structural issues.

The data in Figure 1 also raise the question of whether the competitiveness of the EU as a whole could best be enhanced by strengthening the economies of less developed countries. It is likely, however, that countries with less developed economies face structural problems that are partly linked to the assembly-based activities of foreign capital investments from developed countries and the lower levels of productivity characteristic of these activities. As a result, economic activity as a whole is characterized by lower levels of local value added, which is reflected in a share of economic activity within the EU economy

that is lower than the share of the population. This is clearly evident in the case of Romania, for example. While its population accounts for 4.2 percent of the EU's total population, its share of economic activity is only 2 percent. Hungary's population accounts for 2.1 percent, while its share of economic output is only 1.2 percent. Poland stands out with its high population share, but its share of economic output is much more modest. If the share of economic output were to increase in those countries where it currently remains below the population share, this would strengthen the EU as a whole. In the case of Hungary, we must consider whether it is appropriate to join the Eurozone with such productivity figures, or whether we should first improve productivity and thereby enhance the economy's role within the EU. But where do we even begin with adopting the euro? In the following, we will analyze key data to help answer this question.

Hungary's Competitiveness Position

Joining the eurozone could pose a serious disadvantage if a country lags far behind in terms of its economic and social competitiveness. The best-known organization analyzing countries' competitiveness is the Swiss-based IMD.⁶

The IMD has been publishing competitiveness studies for 38 years. In 2026, it evaluated the performance of 70 countries across four key areas using 264 indicators, 65 percent of which were based on statistical data and 35 percent on survey responses.

Table 1 shows the V4 countries' overall competitiveness rankings and their rankings across the four main areas in 2026.

Table. The V4 Countries' Positions in Each Area

Country	Overall ranking	Economy	Government Efficiency	Business Efficiency	Infrastructure
Hungary	51	43	51	68	40
Czech Republic	33	27	28	48	29
Poland	41	33	39	47	37
Slovakia	63	58	66	66	52

Source: IMD World Competitiveness Report 2026

According to Table 1, Slovakia, a member of the eurozone, ranks lowest in terms of overall competitiveness, but it also performs poorly in the area of corporate efficiency. Hungary's lowest ranking is also in the area of corporate

6 IMD: International Institute for Management Development. Lausanne, Switzerland

efficiency. We must ask why neither competitiveness nor corporate efficiency in Slovakia has improved since the introduction of the euro, and—in connection with this—what the consequences of a rapid adoption of the euro would be for the Hungarian economy.

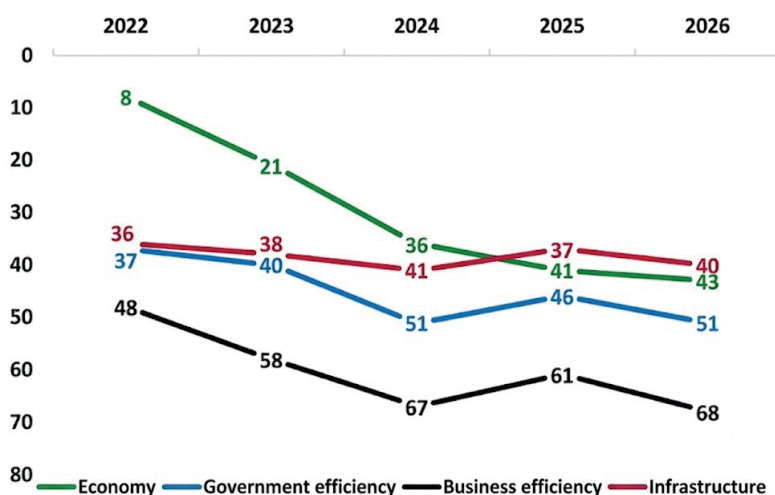
One possible explanation is that the Slovak economy’s capacity to generate new value locally has not improved at all since the introduction of the euro. The economy continues to be dominated by assembly plants that produce low added value. This, in turn, goes hand in hand with low productivity levels.

We could expect a similar situation in Hungary as well.

Now let’s look at the long-term trends in Hungarian competitiveness!

Figure 2 shows the evolution of Hungary’s positions between 2022 and 2026 in the four main areas.

Figure 2. Evolution of Hungary’s rankings in the four main areas (2022–2026)



Source: IMD World Competitiveness Report 2026

Figure 2 highlights that, in terms of business efficiency, Hungary’s ranking dropped by 20 places from 2022 to 2026, placing it 68th among the 70 countries surveyed. However, the decline is also significant in the other areas. The infrastructure sector is particularly worth noting. Within the “infrastructure” category, the IMD study analyzes the state of human resources, such as healthy life expectancy. This indicator is particularly important from the perspective of competitiveness, as it provides information on the state of the employable workforce. Among the 70 countries, Hungary ranks 47th on this indicator, and 24th among EU countries—meaning only three EU countries rank behind us. In terms of sustainable development as a corporate goal, we rank 63rd, and in terms of quality of life, we rank 61st. These indicators go beyond GDP-based

growth targets; improving them is at least as important as economic growth in terms of avoiding the development trap. Here, it is worth returning to the previously mentioned issues of the growth trap and development trap. The topic of growth trap seeks to answer whether a country's GDP production stagnates at a certain level; in other words, it analyzes the trend of a quantitative indicator.

Research on the development trap, on the other hand, seeks to answer the question of what kind of qualitative progress is taking place in a country. For example, how does the state of the natural environment change as a result of business activities, or in what direction do the characteristics of human capital—such as health status or level of knowledge—change?

If we adopt the euro with weak human indicators—for example, because “compliance” with deficit and debt ratios prevents the necessary investments from being made in these areas—then this will also hinder economic performance in the longer term. Economic growth is also hindered by a lack of knowledge, such as the low proportion of people with higher education among those in the prime working-age group (25–34 years). To avoid the middle-income trap, this situation must also be improved.

Overall, Hungary's competitiveness data raise serious concerns, which mean that adopting the euro too early could lead to the risk of being pushed to the periphery and getting into development trap. After all, as experts have pointed out, the adoption of the euro has led to such consequences in several countries, while, for example, many non-eurozone countries enjoy exceptionally strong competitive positions. Among EU countries, Denmark ranks first and Sweden third. Both countries are characterized by high levels of investment in knowledge, a healthy environment, and, in general, a high quality of life.

Another important factor in determining the timing of the euro's adoption is the level of innovation. This also has a significant impact on productivity trends.

Hungary's innovation performance

The EU analyzes innovation performance annually and publishes the results in the EU Innovation Scoreboard ⁽⁷⁾. The ranking is determined based on a composite score derived from the 32 indicators examined. Hungary has long been ranked between 21st and 22nd. In 2026, we moved up to 21st place. It should be noted that the 32 indicators are not considered equally important; however, no weighting is applied when calculating the composite indicator. Another methodological issue is that several of the indicators are closely correlated with one another, yet the study does not analyze the role of these correlations. One such example is research and development (R&D) expenditure as a percentage

7 European Innovation Scoreboard

of GDP, which is an input indicator, and the number of patents, which is an outcome indicator. The two indicators are clearly correlated. If a very high R&D-to-GDP ratio is not reflected in outcome indicators—such as an increase in the number of patents—it suggests an efficiency problem. Nevertheless, a high R&D-to-GDP ratio can significantly improve a country’s ranking even if it is not accompanied by an increase in outcomes—that is, even if the efficiency of the expenditure is low. For this very reason, a comparative assessment based on individual indicators is more useful. Key indicators of innovativeness include, for example, the state of human capital, the growth in intellectual capital achieved through R&D spending, and productivity. In Hungary’s case, these values are also crucial for the successful adoption of the euro. Let’s examine our ranking in these areas relative to the Czech and Austrian figures.

Table. Hungarian, Czech, and Austrian rankings for selected indicators.
Values relative to the EU average (EU=100) are shown in parentheses, 2026

Indicator	Hungary	Czech Republic	Austria
Overall ranking	21 (72.1%)	19 (79.1%)	8 (113.0%)
Human Resources	25 (54.7%)	18 (78.7%)	14 (99%)
Intellectual Property	23 (58.1%)	21 (67.2%)	2 (131.4%)
Productivity	21 (31.7%)	18 (46.6%)	9 (139.5%)

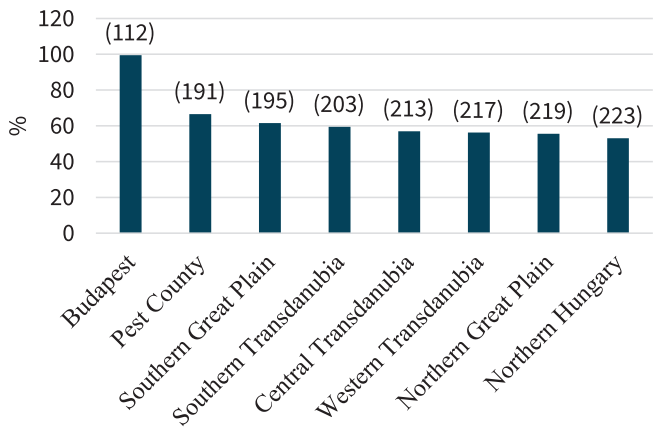
Source: EU Innovation Scoreboard 2026

The table highlights that both Hungary and the Czech Republic are in a much worse position than Austria in terms of key indicators for successful accession to the eurozone. Particular attention should be paid to the significant difference in productivity.

Regarding the data, it should also be noted that innovation performance in Hungary is characterized by enormous regional disparities. The vast majority of innovation takes place in the capital and its surrounding areas, as well as in university towns.

Regional data is currently only available for 2025, but it is unlikely that significant changes have occurred since then. The regional data is shown in Figure 3.

Figure 3: Innovation Performance of Hungarian Regions
(EU average = 100, 2024)



Source: EU Regional Innovation Scoreboard 2025.
(The figures in parentheses indicate the ranking among the 281 EU regions)

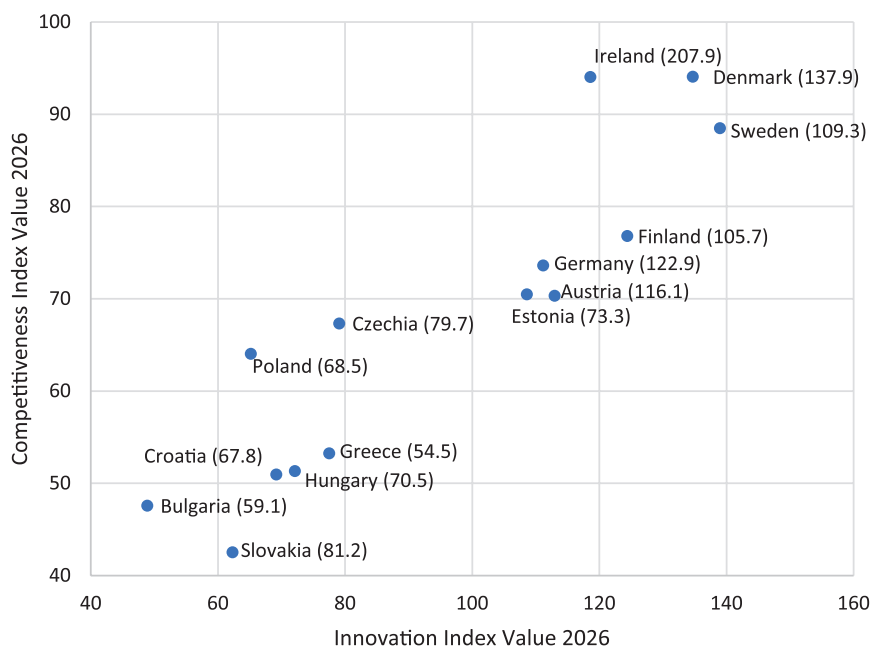
Figure 3 demonstrates that regional disparities are significant. Reducing these disparities is a key issue for competitiveness and therefore requires government intervention. However, following the introduction of the euro, the government’s role in economic development may face difficulties. On a purely market-based approach, however, the chances of narrowing the gap are slim, which increases the likelihood of falling into a development trap.

Let us now examine the relationship between the positions presented in the two comprehensive analyses and productivity levels!
The three sets of data compared are as follows:

- ▶ IMD Competitiveness Index, 2026
- ▶ EU Innovation Index, 2026
- ▶ Labor productivity per hour as a percentage of the EU average, 2025

Figure 4 illustrates the relationship between the results achieved in these two key areas—both in relation to each other and to productivity—using 14 countries as examples.

Figure 4. The Relationships Between Competitiveness, Innovation, and Productivity



Source: IMD 2026, European Innovation Scoreboard 2026, Eurostat July 7, 2026.

Figure 4 illustrates that there is a close correlation between competitiveness, innovation, and productivity. It is worth noting that among the top-ranked countries are Sweden and Denmark—both non-eurozone members—and, within our region, the Czech Republic.

This close correlation also serves as a reminder that Hungary must improve its standing in these areas before successfully adopting the euro. But let's examine which characteristics would help improve these rankings. One such area is the economic structure.

Key Characteristics of the Hungarian Economic Structure

A country's economic structure can be assessed from several perspectives. It is characterized by the ratio of domestically and foreign-owned companies, the share of individual economic sectors in overall economic output, the level of knowledge and technology in specific activities, and the distribution of companies by size. To improve the competitiveness of a given economy, it is important to increase the proportion of companies representing cutting-edge technology and, in terms of the range of products and services, the

degree of novelty and innovation, which also increases productivity levels. The proportion of domestically owned companies is an important issue in terms of the economy's external dependence. In a rapidly changing, unpredictable environment, economic dynamism becomes increasingly valuable, as does the small business sector—which facilitates adaptation—and the emergence of new companies that sense the opportunities offered by the uncertain environment and thereby gain significant growth potential.

In the following, we will analyze the share of local value added and the proportion of young, fast-growing companies, and then discuss the extent of foreign ownership.

Share of Local Value Added

One important indicator characterizing the structure of the economy is the share of local value added in total output. This measures the extent of new value and knowledge generated locally, and also provides insight into labor utilization and the quality of jobs. The analysis can be conducted by both sectors and company size. The most recent data available from Eurostat is from 2023. The following table shows the share of local new value creation in total output for several sectors and firm types. Since a breakdown by firm size is not available for the service sectors, they are not included in the table.

Table 3. Share of Value Added in Total Output in Hungary by Selected Sectors and Company Types (2023, %)

Sector	All companies	10–19 employees	20–49 employees	50–249 employees	250 or more employees
All companies in the business sector	36.74	–	–	–	–
Manufacturing (total)	22.74	37.08	34.46	24.38	20.83
Food industry	19.43	26.42	23.28	15.61	20.01
Chemical industry	21.31	33.13	32.98	21.76	19.74
Pharmaceutical Industry	47.92	53.74 (2022)	43.66 (2022)	40.10	47.82 (2022)
Rubber and Plastics Industry	28.08	32.53	33.91	26.59	27.73
Computers, Electronics, Optics	19.57	55.12	45.79	23.70	18.48
Electrical equipment	18.60	35.10	33.75	24.34	17.74

Sector	All companies	10–19 employees	20–49 employees	50–249 employees	250 or more employees
Battery, accumulator rechargeable batteries	12.90	–	–	5.93	13.19
Automotive Manufacturing	15.39	39.12	21.80	15.24	15.41
Passenger car production	13.21	47.26	11.84 (2022)	0.26	13.48 (2022)
Construction	35.10	39.49	31.10	34.33	31.43

Source: Eurostat, March 10, 2026.

Table 3 highlights some very important characteristics regarding the structure of the Hungarian economy. First, we see that in the manufacturing sector—with the exception of the pharmaceutical industry—, the share of local value added in output is low. This points to the sector’s dependent, vulnerable nature and its strong integration into international value chains. Data broken down by company size also confirm this. Smaller firms generally have a higher share of local value added in their output than larger ones. This further demonstrates that large firms are characterized by low local value-added production—that is, assembly. Furthermore, when examining data by subsector, it is precisely those subsectors that received significant non-repayable government subsidies where large companies exhibit a low share of local value added. Examples include battery manufacturing (13.19%) and passenger car manufacturing (13.48%). The figure for the vehicle manufacturing sector as a whole is also low (15.41%). The highest local value-added ratio is found in the pharmaceutical industry, but the pharmaceutical industry’s share of the economy is very low, at just 0.48 percent, while the vehicle industry’s share is 4.7 percent. Within the services sector, data broken down by company size are not available; however, within the sector, for example, the share of local value added in output is high—72.74 percent—in the arts, entertainment, and recreation sector, and 60.46 percent in the information and communications sector.

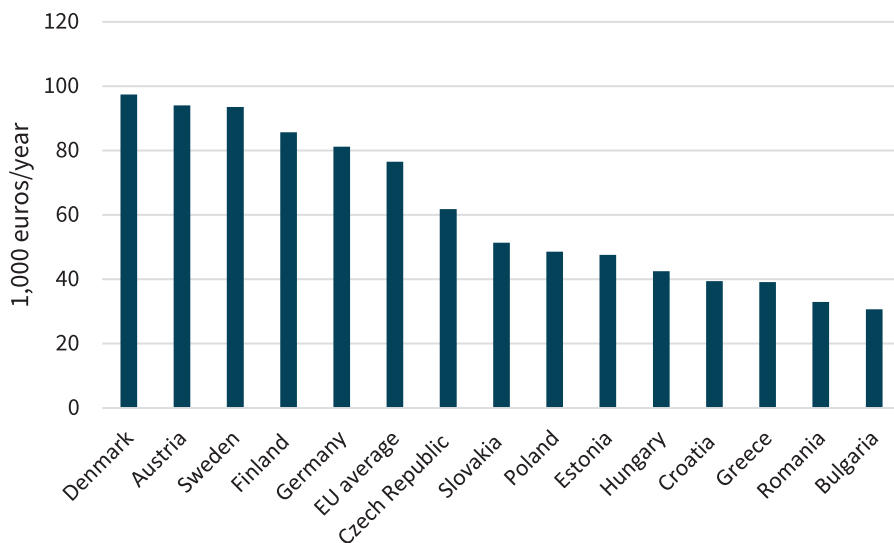
It is particularly encouraging that the share of local knowledge creation is also significant (62.74 percent) in professional, scientific, and technical activities, which are important for the knowledge-based economy and digitalization in general. An increase in the share of these sectors within the economy as a whole would help the Hungarian economy embark on a knowledge-based development path. Currently, this proportion is not very high: information and communications account for only 5.4 percent, while professional, scientific, and technical activities account for 6.3 percent.⁸ These structural data indicate

⁸ KSH April 1, 2026

a strong dependence within the Hungarian economy—primarily in the manufacturing sector—on foreign companies that have established operations with state support. In these sectors, however, the share of local value added is low, as is knowledge intensity; in other words, in typical assembly operations, workers do not generate significant local value.

Figure 5 illustrates this for the overall economy in several countries.

Figure 5. Value added per employee, in thousands of euros, 2026



Source: Eurostat, March 10, 2026.

Based on the average data, it is evident that only the Greek, Romanian, Bulgarian, and Croatian figures are lower than the Hungarian figure. It should be noted that three of these countries are already members of the eurozone. This suggests that their accession to the eurozone did not result in a catch-up in productivity. The low per capita figure is linked to the low share of domestic value added in total output, a fact confirmed by sectoral data.

The shift toward a knowledge-based development path requires structural changes. To achieve this, the share of more productive jobs that generate higher local value added must increase. However, it would also be important to increase the proportion of small businesses within the economy that are capable of dynamic growth. Hungary does not fare well in this area either, which stifles the economy and reduces its ability to adapt to change.

Proportion of Start-ups and Fast-Growing Companies

A recent EU study⁹ states: the presence of startups in the economy is important because they are the main sources of new, original innovations and therefore contribute significantly to improving competitiveness and productivity. It is important that young start-ups should also be able to scale-up.

The European Startup-Scaleup Scorecard examines country-performance related to newly founded and rapidly growing companies across six dimensions based on 36 indicators. The analysis is based on data from the 2020–2025 period. It compares the value of the calculated comprehensive index to the EU’s average performance.

It divides EU countries into four groups based on the index. These are as follows:

- ▶ front-runners (144–182 points)
- ▶ high-performing countries (116–142 points)
- ▶ catching-up countries (81–110 points)
- ▶ emerging countries (52–80 points)

Hungary ranks second-to-last among the catching-up countries in terms of overall performance. It is worth noting that among the countries that most recently adopted the euro, Greece, Bulgaria, and Slovakia are all in the bottom “emerging” group.

In the group of front-runners, we see eight countries led by Estonia, Sweden, and Finland.

It is worth examining the relationship between the startup-scaleup index and the innovation index. Figure 6 illustrates this for 14 countries.

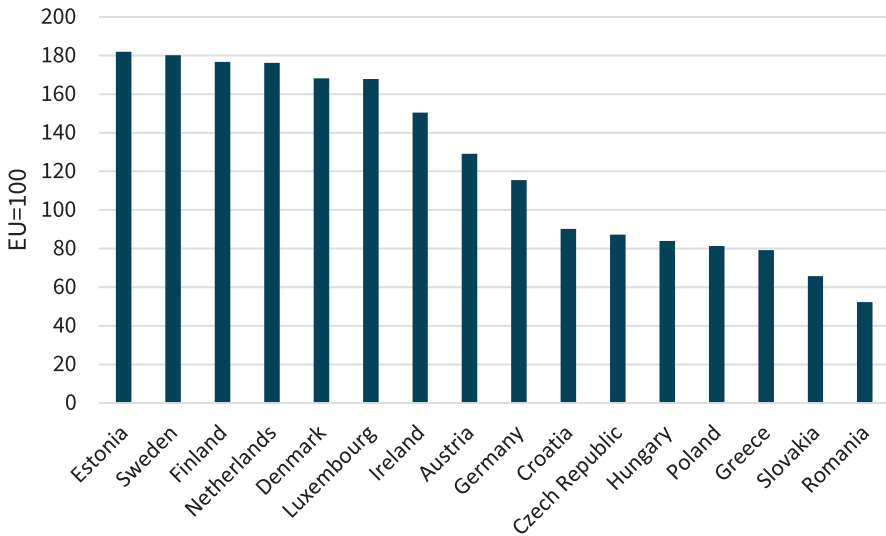
At the sectoral level, according to Eurostat data¹⁰, within the manufacturing sector—which accounts for 18.5 percent¹¹ of the economy—the share of young, fast-growing companies in Hungary is only 0.38 percent. In the construction industry, which accounts for 6 percent of economic output, the figure is even lower, at just 0.19 percent.

9 European Startup and Scaleup Scoreboard 202

10 Eurostat, March 16, 2026

11 Data on sectoral distribution are from the Hungarian Central Statistical Office (KSH) (April 1, 2026, 21.1.1.6).

Figure 6. “Startup” and “scaleup” index values for selected countries (EU=100)



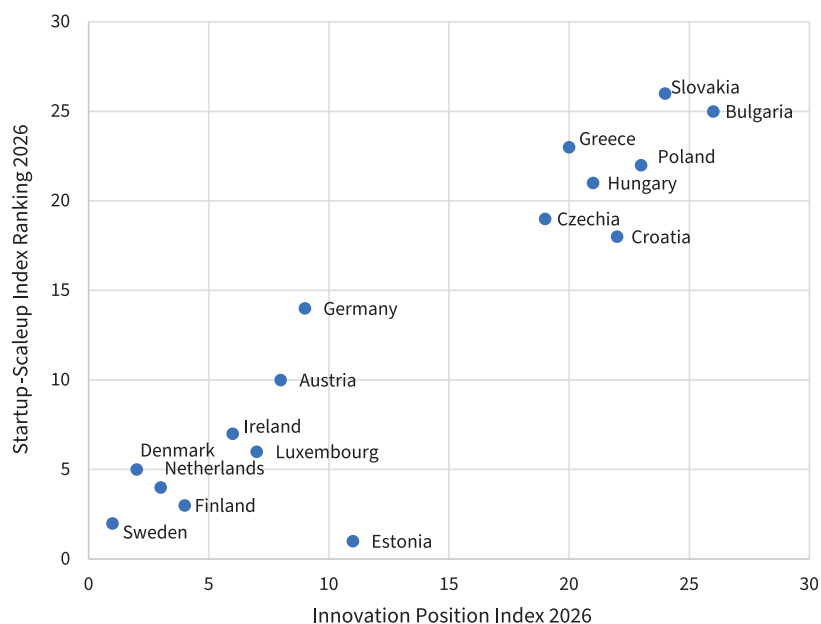
Source: European Startup and Scaleup Scoreboard 2026

Figure 7 below demonstrates, on the one hand, that the presence of dynamic small businesses and innovation are closely linked. On the other hand, it also shows that the Scandinavian countries lead the rankings for both characteristics. At the top of the list are Denmark, Sweden, the Netherlands, and Finland. The weaker positions of Germany and Austria are noteworthy. In the group lagging behind, we see the V4 countries—with a slight lead for the Czech Republic—along with Croatia and Bulgaria, which have recently joined the eurozone, alongside Greece, which joined earlier.

The emergence of many new, fast-growing companies requires, above all, an environment that encourages and values entrepreneurship, as well as business security, predictability, and a low level of bureaucracy. Of course, the availability of resources is also important.

The presence of many fast-moving companies brings dynamism to the economy, helps businesses successfully adapt to a changing external environment, and raises the level of innovation.

Figure 7. Correlation between startup and scaleup positions and rankings on the Innovation Index



Source: European Startup and Scaleup Scoreboard 2026, European Innovation Scoreboard 2026

In the case of Hungary, the introduction of the euro would require a large number of new, young companies capable of rapid growth. This would help revitalize the economic structure, strengthen its resilience, and ultimately boost the competitiveness of the Hungarian economy. If we adopt the euro with a rigid economy heavily dependent on large corporations, the Hungarian economy will have little chance of adapting to a rapidly changing and uncertain environment. Its position will be primarily influenced by the current international market position of the foreign corporate sector.

Foreign Assets, Foreign Direct Investment

In connection with the previous point, we must emphasize that an important characteristic of the economic structure is the ownership ratio—the value of foreign investments in the economy compared to the value of foreign investments made by companies in that economy. On the one hand, these data reflect differences in competitiveness; on the other hand, they also highlight how much newly created value produced locally may leave the country, for example, through profit repatriation.

Table 4 presents these important structural data.

Table 4. Stock of Direct Domestic and Foreign Capital Investments (2025, in millions of \$)

Country	Value of foreign capital investments in the country (A)	Investments by the country in foreign countries (B)	B/A (%)
Hungary	137,919	56,174	40.7
Czech Republic	272,572	94,880	34.8
Poland	419,527	46,104	11.0
Slovakia	74,238	6,247	8.4
Austria	245,429	323,660	131.9
Germany	1,386,251	2,531,050	182.6
Denmark	185,977	336,186	180.8
Finland	100,175	174,360	174.1
Sweden	513,761	597,080	116.2
Croatia	71,152	12,548	17.6
Romania	158,922	9,633	6.1
Bulgaria	67,688	6,143	9.1
Greece	100,326	31,488	31.4

Source: UN-UNCTAD 2026

We can see that the proportion of foreign direct investment that repatriates profits is much lower in developed countries than in less developed ones. Germany, Denmark, and Finland have the largest foreign investments—relative to domestic foreign direct investment—but the figures for Austria and Sweden are also significant. On the other hand, Romania, Slovakia, and Bulgaria have virtually no foreign investments, and the figure for Hungary is also low.

These ratios are further worsened by annual investment figures. For example, in the case of Hungary, the value of foreign direct investment in 2025 was \$3,946 million, while the value of outward investment (formerly known as “outbound investment”) was only \$2,633 million.

These capital investment ratios also indicate the degree of economic dependence. In an economy characterized by strong dependence, the premature introduction of the euro—precisely because of differences in competitiveness—could further increase this dependence, hindering the economy’s endogenous development, the proliferation of agile small businesses, and, ultimately, flexible adaptation to the external environment.

The following summary can be provided regarding the structural data of Hungarian industry:

- ▶ The share of local, new value added within total output is low in the economy, particularly in the manufacturing sector
- ▶ the situation is better in certain sectors of the service industry
- ▶ the share of local value added in output is higher in smaller firms
- ▶ The knowledge-intensity of jobs is low
- ▶ There are few young, high-growth companies in the economy
- ▶ The value of foreign ownership in the economy is high, while the value of foreign investments by domestic companies is low.

These characteristics contribute to weak performance in innovation and competitiveness.

If Hungary cannot improve these figures before the introduction of the euro, the chances of implementing an economic policy specifically aimed at strengthening these areas will be even slimmer afterward. One reason for this, among others, may be that, given strict budgetary constraints, there would not be sufficient resources for investments in knowledge—which are essential for improvement but yield results only in the long term.

Yet, as we have seen in the competitiveness and innovation studies, our standing in terms of human capital is not good. But what lies behind this? What characterizes human capital?

The Weaknesses of Hungary's Human Capital

From the perspective of the economy's potential for knowledge-based development, in addition to the general level of education, the proportion of people with higher education degrees, as well as the proportion of students and graduates in scientific and technical fields, are particularly important indicators. Let's take a brief look at where we stand in these areas!

General Educational Attainment Level

The general educational attainment level of the population is measured by the proportion of people with different levels of education, broken down by age group. The lower the proportion of people with low educational attainment, the easier it may be to transform the economic structure and to supply workers for new, more demanding jobs that require higher levels of knowledge.

Table 5 presents data on educational attainment broken down by age group for the years 2010 and 2025.

Table 5. Distribution of the population by educational attainment in selected age groups

Age Group	2010			2025		
	Up to primary education	At least secondary education	Higher education	Up to primary education	At least secondary education	Higher education
Total	18.8	69.4	14.0	11.8	86.2	31.6
Ages 25–34	13.6	86.4	26.1	12.4	87.6	32.6
Ages 35–44	16.7	83.3	19.1	10.4	89.6	36.8
Ages 45–54	19.7	80.3	18.3	11.2	88.8	30.7
Ages 55–64	25.7	74.3	16.3	13.6	86.4	26.2

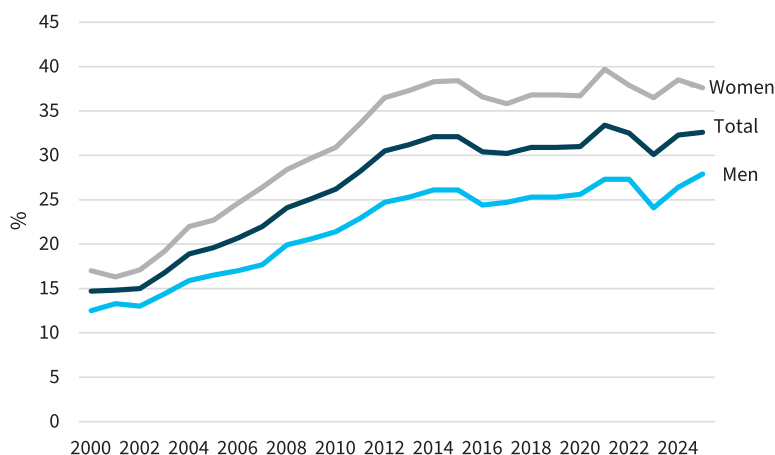
Source: Central Statistical Office, March 13, 2026.

According to the table, the proportion of people with a primary education is high and decreased by only 7 percentage points over the 15-year period examined. It is also worth noting that the proportion of people with a higher education degree is lower in the youngest age group examined than in the next age group (35–44 years). Our ranking regarding the proportion of people with a college degree is generally poor, even though “educated minds” — those with a college degree—facilitate the acquisition and use of modern technologies, that is, the absorption, creation, and application of knowledge. The educational attainment of the “core workforce”—the so-called “prime working-age group,” those aged 26–34—is particularly important.

Proportion of Individuals with a Higher Education Degree in the 25–34 Age Group

Figure 8 shows the proportion of people with a higher education degree in the 25–34 age group, broken down by men, women, and total, for the period 2000–2025.

Figure 8. Trends in the proportion of people with a higher education degree among the 25–34 age group in Hungary, 2000–2025, %



Source: Central Statistical Office, March 13, 2026.

The average rate of 32.6 percent in 2025 is very low: we are ahead of only two countries, Italy and Romania. The EU average is 44.8 percent.¹²

The Hungarian data is extremely unfavorable. It is also noteworthy that the proportion of men with a higher education degree is growing particularly slowly. The increase from 2000 to 2025 is only 15.4 percent. For women, it is 20.6 percent.

Students in STEM¹³ s and those with STEM degrees

The number and proportion of students in STEM fields and those working in such fields influence innovation opportunities and, more broadly, the ability to transition to a knowledge-based economy.

According to a May 2026 Eurostat report¹⁴, in 2024, 14.4 percent of 1,000 people aged 20–29 in Hungary held such a degree. This ranks Hungary 23rd in the EU. Ireland leads with 39.5 percent. The figures for Denmark and Ireland are 26.5 and 25.5 percent, respectively. It is worth noting that these countries also consistently rank at the top of the IMD competitiveness index. In 2026, for example, Denmark ranked first and Ireland second in the EU.¹⁵

In Hungary in 2024, the number of students in these fields in the 20–29 age

¹² Eurostat June 11, 2026

¹³ STEM: Science, Technology, Engineering, Mathematics

¹⁴ Tertiary education statistics. Eurostat, May 2026

¹⁵ IMD: International Institute for Management Development, Lausanne, Switzerland

group was 69.9 per 1,000, which is only slightly higher than the 2015 figure of 64.8. The figure for Austria is 117.7, for the Czech Republic 80.6, and for Poland 75.1.¹⁶ The EU average is 104.8, which is 34.9 percent higher than the Hungarian figure.

Another important figure is the number of people working in STEM fields in the labor market. This data also sheds light on the structure of the economy and the types of jobs that characterize companies.

Looking at the 20–64 age group, 8.17 percent of workers in Hungary were employed in these fields in 2025. The EU average is 11.06 percent. The highest figures are found in Ireland (15.35). Only three countries ranked behind Hungary in 2025, meaning we are in 24th place.

It is particularly noteworthy that the rate is no better among the younger population. In the 35–54 age group, 8.65 percent of the population worked in STEM jobs in Hungary. The EU average is 11.68. Compared to 2021, the Hungarian figure for this age group has barely improved, rising from 7.85 to 8.65—an increase of just 0.8 percentage points. The highest figure (17.84) is once again found in Ireland. However, the figures for Sweden (17.24), Finland (15.18), and Austria (14.25) are also high.

We can see, therefore, that few people in Hungary study or work in STEM fields. The proportion of people with such qualifications is also low. This raises the question: how can we make progress in the effective utilization of cutting-edge technologies—and, within that, in the more widespread application of artificial intelligence?

We must recognize that even if the tools and software are available, they will be of no use without the knowledge required to operate them effectively.

The human resources data examined support the findings of the IMD competitiveness study and the EU innovation performance study, which indicate that, in the area of human resources, Hungary is not sufficiently prepared for a transition to a new, knowledge-based path of development. Therefore, significant investment in human resource development would be necessary. But will the planned rapid fiscal tightening allow for an increase in investment in knowledge?

It is also likely that, following a rapid adoption of the euro, there will no longer be an opportunity to catch up, which could further entrench the peripheral nature of the Hungarian economy.

For this very reason, even before the introduction of the euro, the skill level of the workforce must be raised and the necessary knowledge secured to ensure the effective adoption of new technologies. This is why more time is needed to prepare for the successful introduction of the euro.

¹⁶ Eurostat, July 2, 2026

Summary and Conclusions

The purpose of this paper was to examine the benefits and risks of adopting the euro from multiple perspectives. It sought to draw attention to the fact that, given the Hungarian economy's current structural and human resource problems, an overly premature adoption could further increase the country's already significant dependence on more developed economies, thereby heightening the risk of falling into a development trap and being marginalized.

For socially and economically successful accession, investment in knowledge would be essential, but such investment could be hindered by efforts to rapidly reduce the budget deficit. At the same time, a lack of knowledge makes structural renewal and the effective utilization of new technologies—such as artificial intelligence—impossible.

Following the accelerated adoption of the euro, the freedom to formulate economic strategies will be more limited, and therefore the chances of catching up will be smaller. This is also evidenced by data from the countries that most recently joined the EU. It would therefore be worthwhile to launch a serious professional debate on what the ideal target date for adopting the euro might be—a date by which the structural renewal of the Hungarian economy could be achieved through a clear, objective, and consensus-based strategy—to such an extent that the subsequent adoption of the euro would provide further momentum for economic and social development rather than holding it back. It is also important to emphasize the social aspect. After all, for example, boosting growth through companies engaged in production that requires large amounts of raw materials, water, and energy would not constitute progress. In other words, quantity would not bring about a qualitative change. Hungary should choose only a path that does not sacrifice the natural environment and quality of life—that is, overall and qualitative social development—for the sake of economic growth at any cost. It is not enough to avoid the growth trap; we must also avoid the development trap.

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