



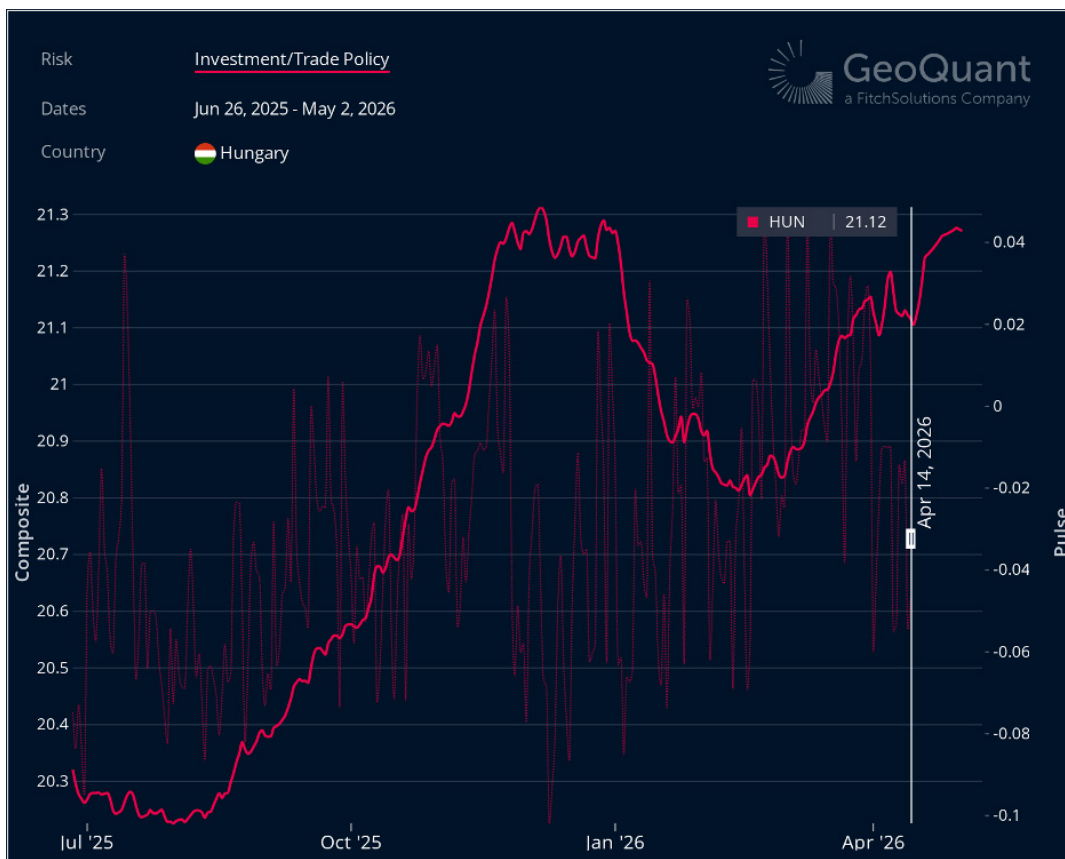
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Hungary: Alternation will change regime, reset domestic and foreign policies

Spotlight

- **Domestic policy:** Under new PM Péter Magyar, Hungary is likely to pursue a first-year fiscal and institutional reset – centered on anti-corruption reforms, EPPO accession, procurement changes, and efforts to unlock EU funds - while avoiding major welfare expansion or ideological shifts and taking a more constructive but still quota-skeptical stance on EU migration policy.
- **Foreign policy:** In its first year, Hungary is likely to move closer to the European mainstream through a more cooperative EU stance and less obstruction on Ukraine-related aid and Russia sanctions to unlock EU funds, while stopping short of a full geopolitical realignment given domestic political constraints and Magyar’s pragmatic positions on minority rights and Moscow.
- **Regime change:** TISZA likely enacts early symbolic and institutional reforms – such as prime ministerial term limits, stronger rule-of-law engagement, and incremental improvements to judicial, electoral, and media oversight – but deeper democratic restoration will be gradual and contested due to entrenched Orbán-era networks, long-term appointments, concentrated media ownership, and weak administrative enforcement capacity.

The center-right Respect and Freedom (TISZA) party secured a decisive victory over the incumbent Fidesz–Hungarian Civic Union (Fidesz) this weekend, winning a parliamentary supermajority. This places TISZA in a strong position to begin dismantling elements of Fidesz’s institutional control and begin changes to the regime that Fidesz implemented to strengthen its grip on power. Given TISZA’s recent formation, there is limited information on the full scope of its policy positions and governing approach, which will keep overall Policy Risk elevated (figure below), reflecting not only a lack of track record but also that its policy agenda remains underdeveloped, beyond its core anti-corruption and pro-EU platform, because it had to draw on support from across the political spectrum to defeat Fidesz.

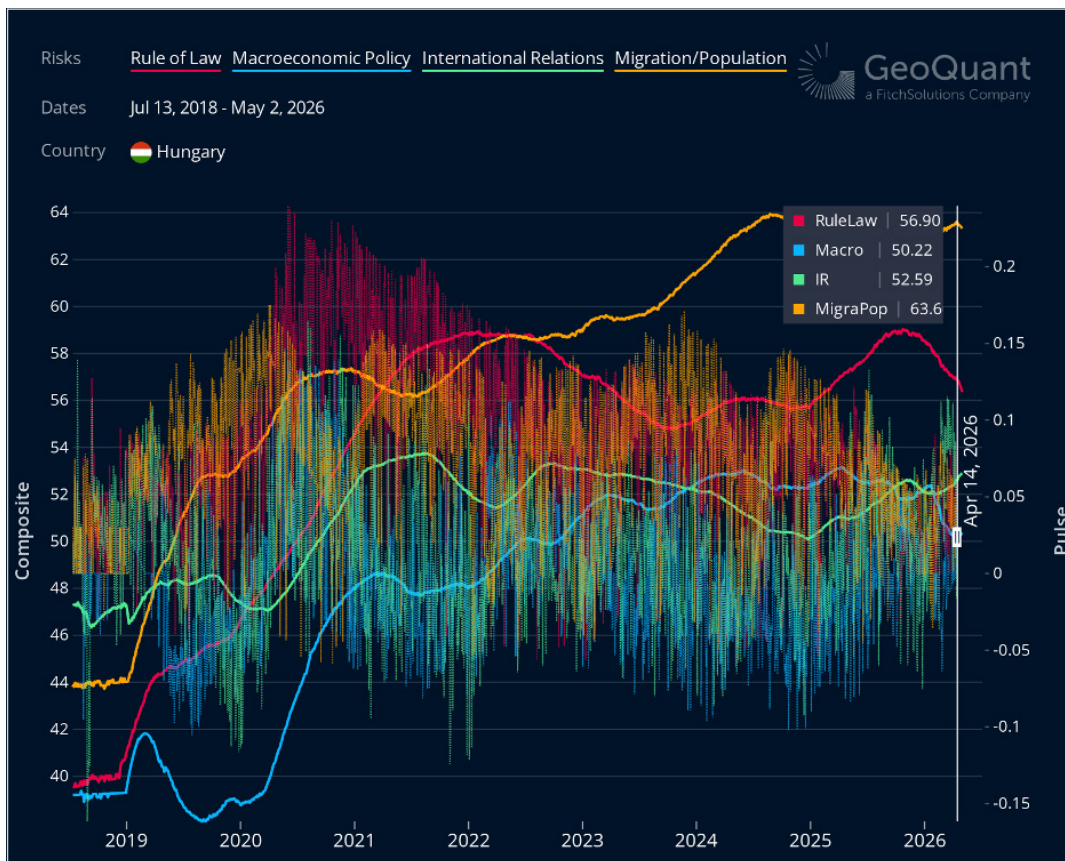


Source: GeoQuant

In addition, another key near-term challenge will be the party’s capacity to rapidly identify and appoint sufficiently experienced personnel to run state institutions. A further structural constraint is Fidesz’s entrenched control across state institutions and aligned economic networks, which will limit the speed and depth of institutional change.

Domestic policy change: Anticorruption efforts likely to be a priority

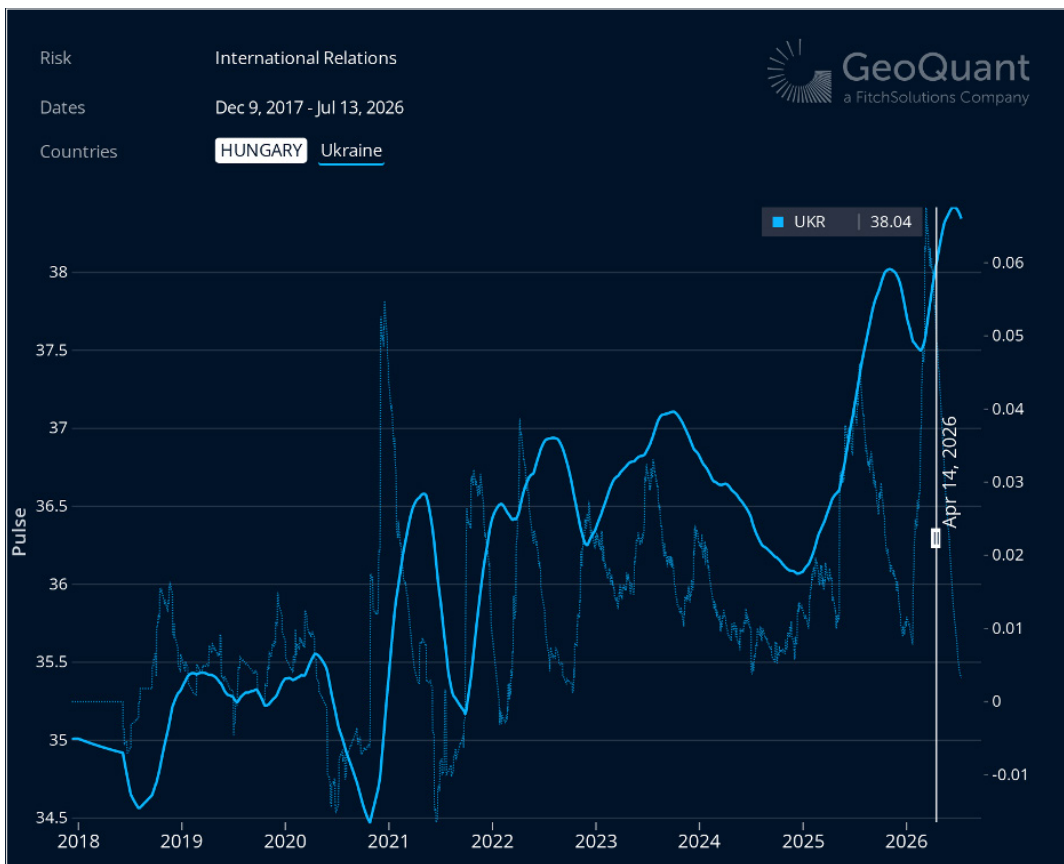
The immediate policy trajectory under new PM Péter Magyar will likely focus on a fiscal reset rather than a structural transformation. Fidesz kept several specific Policy Risks elevated, including Rule of Law, Macroeconomic Policy, and IR Risks as well as immigration issues which are captured by Migration/Population Risk. Within the first year, the government is likely to introduce anti-corruption measures, initiate accession to the European Public Prosecutor’s Office, and reform the public procurement process. These steps reflect both TISZA’s core campaign commitments and the practical objective of unlocking frozen EU funds to help restore macroeconomic credibility. TISZA’s parliamentary supermajority will ease those efforts. By contrast, large-scale welfare expansion or ideological policy shifts are unlikely, given TISZA’s center-right orientation and the absence of a developed redistributive agenda. Similarly, a liberal or progressive policy turn is unlikely; Magyar’s platform points instead to technocratic institutional repair. On migration, Hungary is likely to move toward constructive engagement with EU frameworks while continuing to oppose mandatory quotas and broad relocation mechanisms.



Source: GeoQuant

Foreign policy: From obstruction to conditional EU support

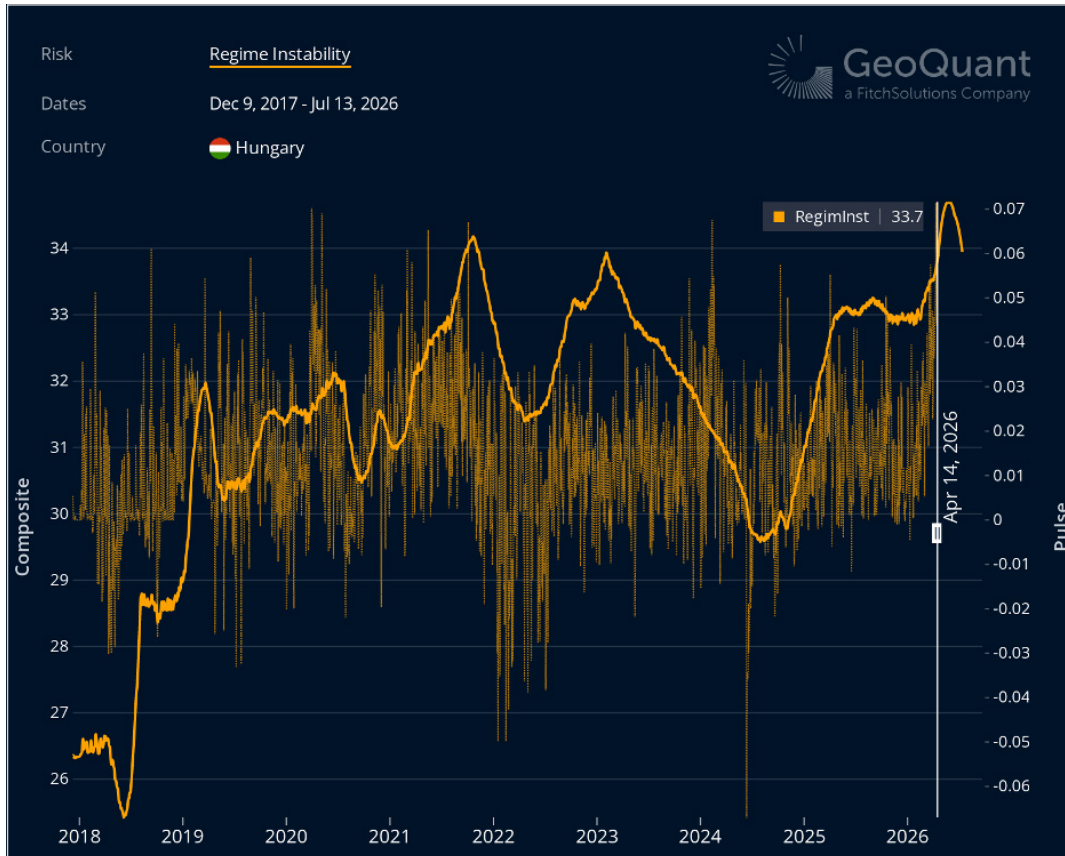
In the first year, Hungary is likely to experience a clear but limited realignment toward the European mainstream. The government is expected to adopt a more cooperative stance within the EU, particularly on fiscal and rule-of-law matters. Change on those fronts will enable TISZA to secure currently withheld EU funding. On Ukraine, the most immediate shift will be the removal of systematic vetoes on EU aid for Ukraine and sanctions on Russia, replacing previous obstruction with conditional support. Over the longer term, however, Hungary is unlikely to fully align with the EU's more assertive pro-Ukraine or anti-Russia positions, which is likely to keep bilateral Hungary-Ukraine IR Risk elevated (figure above). Magyar has signaled continued emphasis on minority rights and pragmatic engagement with Moscow. Accordingly, Hungary's external posture is best understood as a fundamental geopolitical reorientation, but one that will be constrained by the demands of domestic politics with respect to immigration and Russia's war on Ukraine.



Source: GeoQuant

Regime change: Systemic change will require sustained long-term efforts

Early symbolic reforms are likely, notably the introduction of two-term limits for prime ministers, as pledged during the campaign. More broadly, TISZA can be expected to pursue re-engagement with EU rule-of-law mechanisms, incremental strengthening of judicial independence and electoral fairness, and adjustments to media oversight, all enabled by its supermajority. This is evident in long-elevated Regime Instability Risk during Fidesz's rule – pulse consistently above zero. That instability will remain but will now be pushing in the other direction, both with respect to repairing democratic institutions and improving relations with the EU.



Source: GeoQuant

Deep, systemic change will be constrained by entrenched institutions: long-term appointments, concentrated media ownership, and weak enforcement capacity in high-level corruption cases will all constrain the pace of change. Orbán-era economic networks remain embedded across key sectors, including banking, energy, and media – as the state-aligned media ecosystem is structurally entrenched. As a result, reform will be gradual and contested. Over time, partial rebalancing is achievable, particularly if legal changes begin to influence appointments and enforcement practices, but full democratic restoration may require sustained political effort over multiple electoral cycles.

About GeoQuant

GeoQuant is an innovative AI-driven data and technology company, acquired by Fitch and now part of BMI, that is transforming the way the world's leading organizations are quantifying, integrating, and navigating political risk.

By fusing PhD-level political and computer science, GeoQuant generates high-frequency, quantitative measures of risk that are systematic, back-testable, and predictive.

The result is real-time updates for over 40 political risk indicators in more than 140 countries, and analytics that enable you to foresee risk trends and make proactive moves.

GeoQuant data, modelling and advisory services have been used to successfully inform the asset, risk and sovereign ESG strategies of leading institutional partners.

About BMI

In an uncertain macroeconomic environment, BMI's systematic, independent and data-driven market insights, analysis and forecasts enable you to recognize and assess risks and opportunities across 200+ markets and 20+ industries. For more than 40 years, we have provided impartial and transparent analytics, data and research

across themes, countries and sectors, with deep insight into emerging markets. Our detailed intelligence is frequent, consistent and systematic, enabling you to easily make comparisons and interrogate data to support your strategic plans and investment decisions.

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