

POSSIBLE SCENARIOS FOR THE HUNGARIAN PARLIAMENTARY ELECTIONS

Implications for international investors as Hungary heads towards its most unpredictable electoral race since 2010

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In less than two months, Hungarians will go to the polls in the country's most open parliamentary elections since Prime Minister Viktor Orbán's ruling Fidesz-KDNP alliance received a supermajority in the Hungarian National Assembly in 2010. The upcoming vote is the toughest electoral challenge yet for Fidesz as – for the first time in nearly 12 years – Hungary's diverse multi-party opposition is running on a joint ticket and looking to unseat Orbán and install conservative small-town Mayor Péter Márki-Zay as Prime Minister.

With the opposition standing united, a change of government has increasingly become a possibility. Running a robust election campaign, however, Fidesz has managed to consolidate public support and remains the strong favourite to win the upcoming parliamentary vote, although most likely with an absolute majority instead of a constitutional one. At the same time, several other factors have the potential to impact the parliamentary elections, leaving multiple outcomes possible.

Below, Kesarev provides a brief overview of the election campaign, the state of the electoral race, the multiple scenarios for the parliamentary vote and the implications it holds for political stability.

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The most open electoral contest since 2010

On April 3th, Hungary will hold its most unpredictable parliamentary elections since Prime Minister Viktor Orbán's ruling Fidesz-KDNP alliance came to power in 2010. The parliamentary vote represents Orbán's toughest electoral challenge so far. Unlike the last three parliamentary elections, he and his party are now facing a united opposition front drawn together by the common aim of unseating him.

Following two failed attempts to defeat Fidesz in 2014 and 2018, Hungary's main opposition parties in late 2020 agreed to run as an electoral alliance, which they hope to transform into a rainbow coalition of social democratic, green, liberal and conservative parties. This agreement, which was made because Hungary's first-past-the-post electoral system favours¹ larger parties and electoral alliances, was followed by the first-ever national opposition primaries² last October, in which more than 800,000 Hungarians voted to choose the opposition's candidate for Prime Minister and its single-district candidates in the country's 106 constituencies. Defying expectations, Péter-Márki-Zay, an independent, conservative-minded small-town Mayor, emerged as the unlikely winner of the two-round primary race, defeating centre-left Prime Ministerial hopeful Klára Dobrev, an MEP from the leading opposition Democratic Coalition (DK) party in the second round.

Responding to the concerted effort to unseat Orbán, the Government in January introduced a sweeping pre-election welfare program that includes tax cuts for families, entrepreneurs and young people, as well as extra money for pensioners and salary increases in a number of sectors. In addition, Hungary will also hold (simultaneously with the parliamentary vote) a government-initiated national referendum on a controversial anti-LGBT+ law introduced last summer. While these factors are likely to shift the public mood towards Fidesz, it remains unclear whether they will be enough for the ruling party to maintain its majority.

To boost public support for Márki-Zay, the opposition parties – now running as United for Hungary (UfH) – launched their own referendum campaign against the government's plans to establish the Budapest campus of China's Fudan University, which critics say would threaten a popular mass housing site for university students in Southern Budapest. The opposition also petitioned to extend the duration of unemployment benefits in the wake of the COVID-19 crisis. The opposition parties collected more than 200,000 signatures to submit each question to the country's public bodies for consideration and aimed to hold the referendum on the same day as the government's and – more importantly – the general election. Both referendum campaigns were launched to influence the results of the general election, however currently only the government's referendum looks certain to be held on April 3th.

The importance of the April elections can hardly be overestimated: Orbán's defeat would ultimately be seen as a defeat of right-wing illiberalism in Central and Eastern Europe. Under his leadership, Hungary has been locked in long-running disputes with the European Union, and particularly the European Commission, which has blocked crucial post-pandemic recovery funding for Budapest over alleged corruption concerns. Similar to other EU institutions, the Commission also stressed concerns over the rule of law in Hungary and has been considering suspending 2021-2027 budget funds.

¹ Under the Hungarian parliamentary election system, 106 of the country's 199 MPs are elected from constituencies with a relative majority, while the remaining 99 seats are allocated proportionately between party lists receiving at least 5% of the popular vote.

² See [here](#) for our overview of the 2021 Hungarian opposition primaries

Less than two months before the much-awaited vote, the election campaign is increasingly gaining international attention. Some of Orbán's international critics have even argued that he might refuse to accept the election results if he loses, which the Government has repeatedly denied. Furthermore, recent events suggest that Orbán is actively preparing for at least the possibility of an election loss. Over recent months, the Fidesz-KDNP supermajority has taken steps which critics consider are designed to keep Fidesz-friendly government officials in power³ if Márki-Zay forms a government, suggesting that concerns over Orbán rejecting the election results are overestimated. At the same time, the Organization for Security and Cooperation in Europe (OSCE), the continent's primary intergovernmental security organization, has recommended a full observation mission to monitor the parliamentary vote – an unusual step for the organization to make in an EU member state.

Multiple Possible Outcomes

With the opposition standing united in an electoral system that favours large parties and alliances over smaller ones, and opinion polls showing approximately the same level of public support for both sides, the upcoming elections will be the most open electoral race in more than a decade. This represents a major challenge for Fidesz, even with the ruling party still enjoying far greater electoral experience, financial resources and media support than the opposition.

At the same time, there are additional factors that will shape the electoral race, including but not limited to possible scandals that might hit either side of the aisle and how parties not belonging to the two large blocs will perform. The result will ultimately be decided by voting in the country's 106 single-mandate constituencies, where more than half of the 199 total seats will be allocated. As the opposition is now fielding joint candidates in every single-mandate constituency, the unpredictability of the election outcome is higher than ever before.

Two months before the parliamentary vote, we consider the following scenarios to be the most likely outcomes under different conditions:

- Our baseline scenario assumes that Fidesz will win the elections and gain an absolute majority. While the ruling parties and the opposition have polled neck-and-neck for months, current polls suggest a slight Fidesz advantage that is likely to stay as Orbán's pre-election welfare program is implemented. Furthermore, the pro-government sphere is running a robust and decisive election campaign along traditional pro-Fidesz narratives such as Christian values and national identity. Fidesz is also running a strong campaign to compare the current, welfare-based crisis management efforts with the austerity-driven anti-crisis measures of the former socialist-liberal governments that ran the country during the 2008-2009 economic downturn. Under this scenario, the Fidesz-KDNP alliance would gain its fourth consecutive parliamentary majority since 2010 and Viktor Orbán would be re-elected Prime Minister. Taking the state of the race into account, this is most likely to happen with a stable but non-constitutional majority in the country's National Assembly, meaning that Fidesz would rely on support from the opposition should it plan to introduce constitutional changes.
- An opposition victory remains possible, also with an absolute majority. Two months before the parliamentary vote, Fidesz's campaign is gaining momentum, while the opposition's campaign has been struggling since the 2021 primaries to place Márki-Zay and the united front in the limelight. This might change when the election campaign officially begins on February 12th and the parties behind Márki-Zay turn their focus to a more united approach to

³ See [here](#) for our overview of the recent steps taken by the Orbán Government in Kesarev's 2022 Outlook on CEE

support their candidate for PM. While the Fidesz campaign looks more robust and on-message, the slight difference between the two large electoral blocs and the upcoming (and unpredictable) battle between their single-district candidates leaves the electoral race wide open. If the opposition can convincingly project its ability to govern, Márki-Zay could become the country's first PM running a six-party government, supported by a rainbow coalition. If the opposition wins, the centre-left Democratic Coalition (DK) and the far-right-turned-conservative Jobbik are expected to be the strongest parties within the coalition. Besides announcing its election program, the opposition named its "policy spokespersons" to communicate their agenda in each policy area, however the composition of a Márki-Zay-led government would be the subject of (foreseeably intense) coalition talks between the multiple parties.

- ✦ The greatest variable to the election results will be the performance of smaller parties. Aside from the two electoral blocs expected to receive most of the seats in the National Assembly, two small parties have the chance to pass the 5% threshold needed to get into parliament: the far-right Our Homeland (Mi Hazánk) party and the Hungarian Two-Tailed Dog Party (MKKP), a satirical party known for its street art and charity actions. Two months before the vote, both parties are polling near the parliamentary threshold, consequently meaning three possible scenarios in our forecast:
- ✦ Over the past months, Our Homeland has positioned itself as the country's primary COVID-19-sceptic and anti-vaccination movement by staging a number of demonstrations against lockdown measures and a billboard campaign against mandating coronavirus vaccines. Recent examples across CEE have showed that anti-vaccination sentiment is able to push such movements into parliament – as in the case of Romania's 2020 parliamentary elections and Bulgaria's second re-run parliamentary vote last November. Should the party be able to exploit the anti-vaccination (and anti-establishment) vote, Our Homeland could parachute into parliament. Despite their differences on pandemic policies with Fidesz, Our Homeland is a natural coalition partner for the current ruling parties, given their ideological proximity on the majority of policy issues. The party has repeatedly denied that it would seek a coalition with Fidesz, however it remains widely unlikely that Our Homeland would return a coalition offer if this is required to prevent the united opposition from forming the next government.
- ✦ Shortly after winning the national opposition primaries, Márki-Zay called on the Hungarian Two-Tailed Dog Party (MKKP) to join the united opposition. MKKP and its voters are generally disillusioned with certain parties of the opposition, hence the party refused to cooperate with Márki-Zay and has so far put forward 94 single-district candidates. At the same time, the party is strongly anti-Fidesz and will most likely call on its voters to support candidates from the united opposition in the 106 constituencies. If Márki-Zay's campaign is unable to grow momentum, disillusioned opposition voters could turn to MKKP, making it the third formation in parliament besides the two larger blocs. If the party gets into parliament and its seats – combined with those of the united opposition – support a parliamentary majority, the satirical party will join Márki-Zay's coalition.
- ✦ It is also possible that both minor parties gain enough votes to enter parliament at the expense of the two larger blocs. Under this scenario, the parliamentary seats distribution will decide over which party/electoral bloc would be tasked to form a government and a parliamentary majority. Accordingly, this would mean coalition talks between Fidesz and Our Homeland or the united opposition and MKKP, depending on the number of seats each party has secured during the general election.

- Other small parties are unlikely to have any impact on the outcome of the parliamentary vote. Over the past months, much of the media's attention has gone to György Gattyán, Hungary's third richest businessman, who founded his own party (the Solution Movement) and is campaigning on the platform of digitalizing the Hungarian economy. Despite the high level of attention around him, however, his party will likely receive less than 0.5% on April 3th.
- A Fidesz two-thirds majority is our least likely outcome, but remains possible. The ruling alliance secured a constitutional majority during the last three elections. Besides the high level of public support for Fidesz at the time, this was due to the fact the opposition fielded their own candidates in each single-mandate constituency, allowing candidates from Fidesz to win the majority of them. Since the opposition united, a consecutive Fidesz supermajority has seemed unlikely, however if the opposition fails to run a strong campaign in the next two months, another constitutional majority behind Orbán is not unthinkable. This is also evidenced by the low level of public faith in a potential opposition victory, with polls suggesting two-thirds of Hungarians expect Fidesz to be re-elected into government.

Post-Election Uncertainty Looming

Irrespective of the result, the post-election period is expected to be very heated. While the possibility of Orbán contesting an unfavourable result seems unlikely, some in the opposition have hinted at possible attempts from Fidesz to rig the vote through a recent amendment to the country's election law that critics say would allow voting from fictitious addresses.

With polarization in Hungarian society running high, a Fidesz win could be followed by post-election mass protests, as in 2018. This will most likely happen if the popular vote margin between the ruling and opposition parties is narrow or Fidesz secures less than 50%, while the seat distribution is less proportionate. The 2018 post-election protests were provoked by Fidesz receiving another constitutional majority from less than 50% of the popular vote.

Nevertheless, an opposition win could also bring political risks and the return of political instability, since Márki-Zay would head an experimental rainbow coalition at the helm of Hungary's government. With an unprecedented, six-party coalition and a non-affiliated PM, tensions between coalition members would seem inevitable.

Concern has also grown after Márki-Zay signalled an intention to change the Hungarian Constitution even without a two-thirds majority in parliament – a move that could easily trigger a constitutional crisis. However, after months of uncertainty, the opposition candidate for PM pledged not to do so and initiate constitutional changes only through a potential future referendum if the opposition wins and he becomes PM.

Looking Ahead

Two months before this year's most anticipated electoral contest in the CEE region, the outcome of the Hungarian parliamentary elections remains unpredictable. Running a robust election campaign, holding years of experience in government and supported by a sweeping pre-election welfare program, Viktor Orbán's ruling Fidesz-KDNP alliance is the clear favourite to win, most likely with an absolute majority in the Hungarian National Assembly.

However, with the main opposition parties standing united for the first time since 2010, an opposition victory cannot be ruled out. A defeat for Fidesz would mean a dramatic swing to a potentially unstable coalition government led by conservative small-town mayor Péter Márki-Zay.

While the April vote is primarily seen as a battle between the two electoral blocs, two smaller parties – the far-right Our Homeland and the satirical Hungarian Two-Tailed Dog Party (MKKP) – also have the potential to shape the outcome of the race should they manage to pass the 5% threshold needed to enter parliament. If Orbán lacks a parliamentary majority on his own, Fidesz will likely reach out to Our Homeland with a coalition offer, while MKKP could expect the same if Márki-Zay's government required it.

Current polls show that Fidesz holds a slight lead over the united opposition, however Hungarian elections have a long history of defying pre-election polling. Despite the clear competition between the two large electoral blocs, the April parliamentary vote could produce interesting and unexpected results that could include surprise performances from either side, as well as from the smaller political parties.

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