European Commission published favourable figures on Hungary

The Spring Forecast of the European Commission contains economic projections which are similar to those in the macroeconomic outlook of the Convergence Programme. This confirms that the Hungarian Government's forecast is reliable and trustworthy. **The majority of data published by the Commission are better than those in the Winter Forecast 2014**. The institution is prognosticating economic growth for 2014 that is on a par with the Government's estimate: **the Hungarian economy is expected to expand by 2.3 percent this year and 2.1 percent next year.** In the opinion of the Commission, employment growth will be 0.7 percent in 2014, while they are predicting an unemployment rate of 9.3 percent in 2014. This indicator is expected to drop below 9 percent by 2015, 0.4 percentage points below the figure projected in the Winter Forecast 2014. These predictions confirm the effectiveness of labour market stimulus measures introduced by the Government as well as the improving capacity of the private sector to hire, as driven by the economic revival this segment is gaining momentum.

Hungary's key macroeconomic data for 2014 and 2015, according to the Winter and Spring Forecast of the European Commission:

	Winter 2014	Spring 2014	Winter 2014	Spring 2014
	2014		2015	
GDP growth (%)	2.1	2.3	2.1	2.1
Employment growth (%)	0.6	0.7	0.6	0.6
Unemployment rate (%)	9.6	9.0	9.3	8.9
General government budget balance (in percentage of GDP)	-3.0	-2.9	-2.9	-2.8
General government debt (in percentage of GDP)	79.1	80.3	78.9	79.5

Source: ec.europa.eu (EEF, Spring 2014)

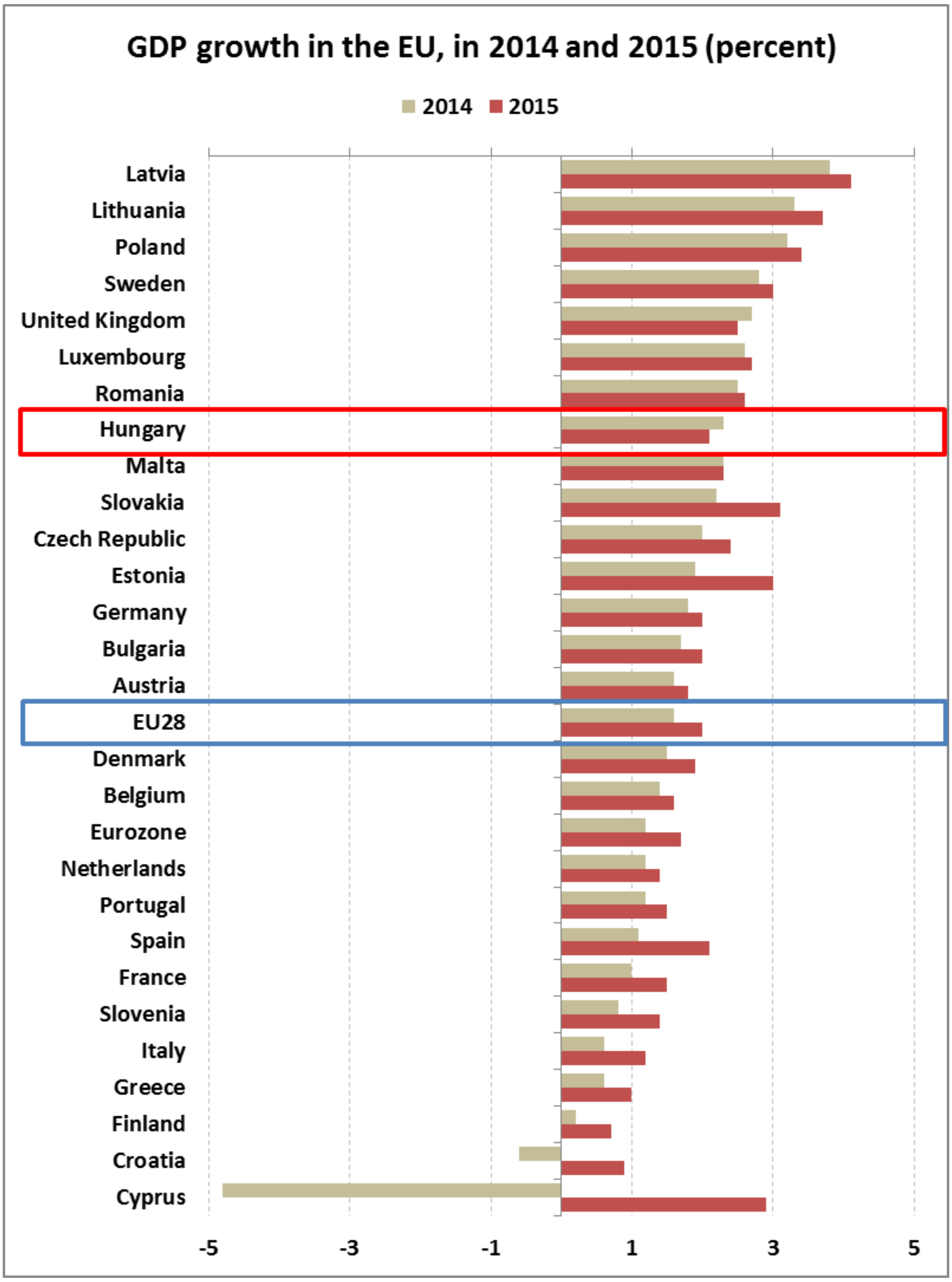
In comparison to the Winter Forecast, the Commission's figures are also more favourable concerning investment and the budget deficit. **The Commission also expects that the budget deficit will remain below 3 percent both in 2014 and 2015.** Compared to the Winter Forecast, the fiscal prognosis has become more positive and currently the deficit figures predicted for 2014 and 2015 are identical with those laid down in Convergence Programme. This view confirms the sustainability of the Programme. However, in order to achieve this goal extraordinary reserves (constituting 0.3 percent of GDP) must not be disbursed. On the other hand, in case the accounting method for calculating the amount of own funds within EU funding is modified, the Hungarian budget may be boosted by a significant, one-off revenue amount. As far as general government debt is concerned, the Commission published figures that are worse compared to projections of the Winter Forecast: due to forint depreciation the general government debt-to-GDP ratio is seen to be above 80 percent in 2014, while it is expected to be 79.5 percent in 2015.

The main growth engine of the Hungarian economy is predicted to be rebounding domestic consumption which in 2013 was mainly driven by public sector investment with an increase of 34 percent, while private sector investment gained 3.1 percent. Thanks primarily to new foreign investment within the car industry, the volume of Hungarian exports increased. In the coming years, the pickup in domestic demand and a construction sector fuelled by EU funding are expected to provide a basis for growth.

Brussels considers Hungary's positive trend reversal of 2013 to be sustainable, as – **parallel to rebounding domestic demand – foreign trade surplus and the country's financing capacity will also remain solid.**

<u>**European Union Outlook**</u>

In 2014, economic growth in the EU28 is seen to be 1.6 percent, while in the eurozone GDP will be up by about 1.2 percent. Data for 2015 are expected to be better with an increase of 2.0 percent and 1.7 percent, respectively. In case of the EU28, in comparison to the Winter Forecast, the estimate was revised downward by 0.1 percent in 2014, while the GDP growth projection of the eurozone for 2015 was also downgraded by 0.1 percent. Hungary's economic expansion will in both years exceed the EU average and this year -- along with Poland -- Hungary will be the best performing country among the Visegrád Four and the 8th among EU member states. Forecasts show that member states which joined the EU in 2004 or later will take the top slots with regard to economic growth, replacing old members. In Hungary, current account surplus continues to be better compared the EU average. The general government debt-to-GDP ratio within the EU is some 10 percentage points higher than the Hungarian figure. It is an encouraging sign that in 2015 the economies of each EU member states are seen to grow, thanks especially to strengthening domestic demand.



Source: ec.europa.eu (EEF, Spring 2014)