

HUNGARY

After a sizeable contraction in 2009, GDP growth should progressively resume in 2010, and gather pace in 2011, on the back of a strengthening foreign demand and easing credit conditions. Unless the upcoming election year repeats past electoral profligacy, planned fiscal austerity should curb domestic demand. The unemployment rate will peak at over 10% in 2010 before falling slightly. The significant output gap and the recent appreciation of the exchange rate have dampened inflationary pressures, which should not increase before the recovery gains momentum.

A tight macroeconomic policy under the programme of International Monetary Fund and the initial success in reining in expenditure growth have boosted investor confidence, strengthened the exchange rate and provided room for a series of interest rate cuts since mid-2009. Scope for further easing will be determined by the credibility of continued fiscal consolidation and conditions in global financial markets. To maintain investor confidence, it is crucial that the government sticks to the newly adopted medium-term fiscal framework and supports the efforts of the new fiscal council.

Hungary: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices HUF billion	Percentage changes, volume (2000 prices)				
Private consumption	12 800.2	0.4	-0.5	-7.8	-5.3	1.2
Government consumption	5 423.2	-7.4	-0.8	0.0	-0.9	1.0
Gross fixed capital formation	5 161.3	1.6	0.4	-6.6	0.2	4.1
Final domestic demand	23 384.7	-1.2	-0.4	-5.8	-3.1	1.8
Stockbuilding ¹	536.0	0.0	1.0	-8.0	0.3	0.0
Total domestic demand	23 920.7	-1.0	0.4	-10.1	-2.8	1.9
Exports of goods and services	18 329.7	16.2	5.6	-11.2	6.0	7.0
Imports of goods and services	18 494.9	13.3	5.7	-18.1	3.0	5.6
Net exports ¹	- 165.2	2.2	0.0	5.5	2.5	1.3
GDP at market prices	23 755.5	1.0	0.6	-6.9	-1.0	3.1
GDP deflator	—	5.9	3.8	2.4	2.3	2.0
<i>Memorandum items</i>						
Consumer price index	—	8.0	6.0	4.5	4.0	3.0
Private consumption deflator	—	6.2	5.6	4.6	4.5	4.6
Unemployment rate	—	7.4	7.9	9.9	10.3	9.3
General government financial balance ²	—	-5.0	-3.7	-4.3	-4.1	-3.6
Current account balance ²	—	-6.8	-7.1	-1.6	-1.8	-2.6

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

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