



SPRING 2010 REFORM BAROMETER - HUNGARY

1. SUMMARY TABLE

<u>Hungary</u>				Rank among 29 **			Relative Gap	
	2008	2009	Change	2008	2009	Change	EU 5 top performers 2009	Gap to EU 5 top performers 2009
GDP per capita (Purchasing Power Parity - PPP)	15729	14527	-7.6%	24	23	1	LU, IE, NL, AT, BE	-57%
GDP per capita (€ at 2000 prices)	6647	6223	-6.4%	25	25	0	LU, DK, SE, IE, UK	-82%
Labour Utilisation (Annual hours worked per capita)	826	802	-2.9%	11	7	4	CY, SI, GR, CZ, PL	-9%
Annual hours worked per person employed	2117	2117	0.0%	2	2	0	GR, HU, PL, SI, CZ	5%
Employment as % of labour force (100-unemployment rate)	92.2	89.5	-2.7	26	23	3	NL, DK, AT, CY, LU	-6
Labour participation (labour force as % of active population)	61.5	61.6	0.1	28	28	0	NL, DK, SE, DE, UK	-21
Dependency ratio (working age population as % of total population)	68.8	68.7	0.0	10	10	0	SK, PL, CY, CZ, RO	-3
Labour Productivity (GDP per hour worked, in PPP)	19.2	18.3	-4.9%	23	23	0	LU, BE, NL, FR, DE	-58%
Labour Productivity (GDP per hour worked, € at 2000 prices)	8.1	7.8	-3.6%	24	25	-1	LU, SE, BE, DK, FR	-83%
Capital deepening (capital stock per hour worked)*	N/A	N/A	N/A	N/A	N/A	N/A	IE, FR, LU, AT, SE	N/A
Total Factor Productivity (level of economic efficiency per hour worked)*	N/A	N/A	N/A	N/A	N/A	N/A	LU, UK, DK, SE, BE	N/A
Corporate Investment (private investment excluding non-residential, % GDP)	10.9	9.9	-1.0	21	14	7	BE, RO, AT, DK, SK	-3.2
Current Account Balance (as % GDP)	-6.6	-1.3	5.3	19	15	4	LU, SE, LV, DE, EE	-7.7
Export market share measured in volume relative to main 35 trading partners (from 2000)	46.3	46.4	0.0	4	3	1	RO, LT, HU, CZ, PL	-8.3
Labour Costs relative to main 35 trading partners (from 2000)	33.4	31.3	-2.0	26	25	1	DE, PL, AT, SE, GR	38.4
Public Debt (as % GDP)	72.9	79.1	6.2	26	26	0	EE, LU, BG, RO, LT	61.2
Net lending/net borrowing of general government (as % GDP) *1	-3.8	-4.1	-0.3	22	11	11	BG, DK, SE, LU, FI	-2.1
Required budgetary adjustment related to ageing (%GDP)	N/A	0.4	N/A	N/A	3	N/A	PL, EE, HU, BG, SE	0.3
Public Investment (as % total public expenditure)	6.3	6.3	0.1	17	18	-1	BG, RO, EE, CZ, PL	-10.0
Tax burden (as % GDP)	40.4	39.8	-0.6	21	20	1	LV, RO, IE, SK, LT	12.0

Note: Labour utilisation and productivity are a product of its sub-components.

* Rank refers to EU15 ** EU 27, Norway and Switzerland

*1 Since 2006 continuous decreasing due to tight fiscal policy. Recent downturn caused by GDP fall.

2. PRIORITIES FOR REFORM: ANSWERS FROM MGYOSZ (HUNGARY)

	1. Priority areas	2. Concrete Recommendations	3. Are the proposed recommendations already in the agenda of your Government?	
			Yes	No
Priority 1	Making work-pay: interplay of tax and benefit system	Structural reform of national pension system towards self-sustainable pension scheme. Implementation of NCD to encourage selfprovidency		x
Priority 2	Labour taxation to stimulate labour demand	Overall reform of tax system for simplifying taxations; Raising the limit of lowest tax rate to 15 m HUF by 2011. Whereas 95% of the employees would pay quasi a flat tax system; Rearranging overall tax rates; decreasing tax rates and affixes on labour while increasing the rates on private property (property, car, etc)	x	Overall simplifying still needs to be done
Priority 3	Sector specific regulation (telecom, energy)	Overall implementation and support of national sectoral strategies to take advantage of existing competitive advantages (e.g. Logistics, IT, pharmaceutical industry, biotech, automotive industry)	x	
Priority 4	Orientation and sustainability of public finances	Leaning municipality sector. Streamlining the multi-level municipality system: reinforcing the regional local-governments (corresponds to NUTS-2; 7); reducing the number of the 3170 communal local governments, by pooling of competences.		x
Priority 5	Financial markets and access to finance	Introducing a "code of conduct" for banks for transparent pragmatics in company financing.		x