

SPRING 2012 REFORM BAROMETER – HUNGARY

| | Level | | | Rank | | | Gap | | Areas of Action | |
|------------|---|--------|--------|-------|------|--------|----------|------------------|-----------------|--|
| | 2010 | 2011 | Change | 2010 | 2011 | change | EU top 5 | Gap ¹ | | |
| Pillar I | 1 GDP per capita (Purchasing Power Parity- PPP) | 15460 | 15938 | 3,1% | 27 | 28 | -1 | NL AT IE SE DK | -50% | |
| | 2 GDP per capita (€ at 2000 prices) | 8260 | 8390 | 1,6% | 27 | 28 | -1 | DK IE SE NL AT | -76% | |
| | 3 Labour productivity per hour worked (PPP) | 19,7 | 20,3 | 2,9% | 26 | 26 | 0 | NL BE FR IE DE | -55% | |
| | 4 Labour productivity per person employed (PPP) | 38587 | 39524 | 2,4% | 26 | 26 | 0 | IE BE AT FR NL | -43% | |
| | 5 Private investment (excluding non residential, %GDP) | 4,5 | 4,6 | 0,1 | 15 | 18 | -3 | SK AT BE IT CZ | -3,8 | |
| | 6 Industrial activity (% total value added) | 27,8 | 28,4 | 0,6 | 5 | 5 | 0 | SK CZ IE RO HU | -2,0 | |
| | 7 R&D expenditure (% GDP) * | 1,2 | 1,2 | 0,0 | 23 | 23 | 0 | FI SE DK DE AT | -2,0 | |
| | 8 Operating surplus (% total value added) | 45,2 | 47,0 | 1,8 | 14 | 14 | 0 | BG GR RO LT IE | -8,1 | |
| Pillar II | 9 Current Account (% GDP) | 1,0 | 1,7 | 0,7 | 15 | 12 | 3 | SE DK NL LU DE | -4,0 | |
| | 10 Export market share (gain from 2000) | 53,3 | 58,1 | 4,7 | 3 | 3 | 0 | LT RO HU BG CZ | -5,1 | |
| | 11 Net export contribution to GDP | 2,1 | 2,5 | 0,4 | 6 | 5 | 1 | PT IE GR SK HU | -0,5 | |
| | 12 Relative yearly gain in global trade share (% total trade) | -0,05 | -0,03 | 0,0 | 14 | 18 | -4 | EE LT LV BG CZ | -0,13 | |
| | 13 Relative unit labour cost (gain from 2000) | 27,0 | 29,2 | 2,2 | 28 | 27 | 1 | DE SE AT PL GR | 36,2 | |
| | 14 High-tech exports (% total exports) ** | 20,2 | 22,3 | 2,1 | 6 | 5 | 1 | MT LU HU IE CY | -7,7 | |
| Pillar III | 15 Employment rate (% working age population) | 55,4 | 55,2 | -0,2 | 25 | 24 | 1 | AT NL LU DE CY | -15,2 | |
| | 16 Employment rate 15-24 (% population 15-24) | 18,3 | 18,0 | -0,3 | 32 | 31 | 1 | NL DK AT DE UK | -35,4 | |
| | 17 Employment rate 55-64 (% population 55-64) | 34,4 | 35,4 | 1,0 | 30 | 30 | 0 | SE DE DK UK FI | -25,3 | |
| | 18 Annual hours worked (per capita) | 1961 | 1951 | -0,5% | 3 | 5 | -2 | PL PT CZ GR HU | -1% | |
| | 19 Labour participation (% working age population) | 62,9 | 63,2 | 0,3 | 31 | 30 | 1 | SE DK NL PT DE | -16,5 | |
| | 20 Working age population (as % total population) | 68,8 | 68,9 | 0,1 | 11 | 9 | 2 | SK PL CY LT RO | 1,0 | |
| | 21 Unemployment rate (% labour force) | 11,1 | 11,0 | -0,1 | 25 | 24 | 1 | AT NL LU DK MT | 5,6 | |
| Pillar IV | 22 Gross debt - general government (% GDP) | 81,3 | 75,9 | -5,4 | 21 | 20 | 1 | EE BG LU RO SE | 53,3 | |
| | 23 Net debt - general government (% GDP)* | -60,7 | -61,1 | -0,4 | 23 | 22 | 1 | EE DK BG RO SE | -66,5 | |
| | 24 Government budget balance (% GDP) | -4,2 | 3,6 | 7,8 | 11 | 2 | 9 | HU SE EE LU FI | 5,1 | |
| | 25 Primary balance (% GDP) | -0,1 | 7,5 | 7,6 | 6 | 2 | 4 | HU SE DE EE IT | 5,1 | |
| | 26 Tax burden (% GDP) | 37,8 | 36,1 | 0,0 | 20 | 19 | 1 | BG LT LV RO SK | 8,2 | |
| | 27 Highest marginal tax rate, individual rate (%) | 32,0 | 16,0 | -0,5 | 10 | 4 | 6 | BG CZ LT RO SK | 27 | |
| | 28 Public investment (% total public expenditure) | 7,5 | 7,4 | 0,0 | 17 | 14 | 3 | RO PL BG LV LT | -7,6 | |
| | 29 Net foreign assets (% GDP) * | 120,2 | 111,4 | -8,8 | 28 | 26 | 2 | LU NL CY BE DE | 187,1 | |
| Pillar V | 30 Net financial assets, households (% GDP) * | 66,4 | 66,9 | 0,6 | 17 | 18 | -1 | BE IT MT NL CY | -103,9 | |
| | 31 Net financial liabilities, non financial corporations (% GDP)* | -128,5 | -121,4 | 7,0 | 19 | 19 | 0 | SK DE NL GR DK | 61,1 | |
| | 32 Regulatory tier 1 capital to risk weighted assets * | 11,7 | 11,4 | -0,3 | 15 | 21 | -6 | EE BE MT LU RO | -3,5 | |
| | 33 Non performing loans to total gross loans | 6,7 | 12,4 | 5,7 | 23 | 24 | -1 | FI LU SE AT BE | 0,4 | |
| | 34 Loans to private sector (% GDP) * | 70,1 | 66,3 | -3,8 | 6 | 6 | 0 | RO SK PL CZ LT | 14,6 | |
| | 35 Bank liabilities (%GDP) * | 711,1 | 806,4 | 95,3 | 23 | 24 | -1 | RO SK PL LT BG | 726 | |

■ Five best
■ Lowest third

1. Percentage points, when not indicated otherwise

* 2009/ 2010 data
** 2008/ 2009 data

A methodological note can be found in the report or [here](#).

PRIORITIES FOR REFORM IN 2012

| | I. Policy Area | II. Concrete Recommendations | III. Are the proposed recommendations already in the agenda of your Government? | |
|-------------------|----------------|---|---|----|
| | | | Yes | No |
| Priority 1 | 23 | Avoiding those governmental steps which negatively affect the capital of banks, and worsen the lending capacity. | x | |
| Priority 2 | 5 | Improving the effective distribution of the sources of EU funds and reducing burdens of the labour cost. | | x |
| Priority 3 | 16 | The redistribution rate should be reduce by at least 5 percent (to 40-42 %). Reforms had been started, results are not seen yet. | x | |
| Priority 4 | 11 | The system of tripartite consultation had been pulled down. The social partners have lost their right to agree on national level minimum wage, government entitled to set it up by it own. Wage bargaining system operates only in company level in practise. | | x |
| Priority 5 | 3 | MGYOSZ considers very important to enhance to rate of R&D activities for 1,6 % of the state budget by 2020. It is in the Government's agenda, but this year it will be less then 1 %. | x | |

Policy areas

1. Business Environment - Regulatory barriers to entrepreneurship
2. Business Dynamics - Start-up conditions
3. R&D and Innovation
4. ICT
5. Competition policy framework
6. Sector specific regulation (telecom, energy)
7. Market integration - Openness to trade and investment
8. Active labour market policies
9. Job protection
10. Labour supply measures for specific groups (older workers, women...)
11. Wage bargaining and wage-setting policies
12. Labour market mismatch and labour mobility
13. Making work-pay: interplay of tax and benefit system
14. Pension and health care reforms
15. Quality of fiscal institutions and budgetary framework
16. Consolidation of public expenditures
17. Public sector efficiency
18. Public investment
19. Tax reforms
20. Access to bond markets
21. Access to equity markets
22. Venture capital and SME financing instruments
23. Bank lending conditions
24. Long term investment instruments

REFORM PROGRESS IN 2011

| | I. Policy Area | II. Concrete Recommendations | III. Are the proposed recommendations already in the agenda of your Government? | | How do you assess reform progress over the past year? (1 for excellent progress; 5 for no progress) * | | Are these priorities properly identified in the National Reform Programme submitted by your government in 2011? | |
|------------|----------------|--|---|----|---|------|---|----|
| | | | Yes | No | Comments | Rank | Yes | No |
| Priority 1 | 12 | 1. strong territorial economic and labour market differences (including mobility-items). 2. The failures of education system's outcomes: mismatch between labour market demand and supply. | x | | Reform of the Labour Code started and likely to finish this year. The restructuring of VET However there are no common program for improving or fixing the structural failures of the labour market | 2 | x | |
| Priority 2 | 23 | Cost-driven inflation pressure and lack of government efforts to meet 3% inflation target keep interest rates high (comparing with euro-zone countries) | | x | There were several governing measure which worsened the credit conditions and lending-ability of the bank sector. | 4 | | x |
| Priority 3 | 10 | improve employment of ageing and young workers (these last due to structural reasons of the education system). Women's employment situation after giving birth raises up a lot issues to improve as well. | x | | The revision of the Labour Code has been started. The unemployment benefit system had been cut. There are no broad conception to harmonize each Government's activities as a whole for improving the labour market situation. | 3 | x | |
| Priority 4 | 16 | Government needs to take structural reform steps and keeps budget deficit under 3%. Extraordinary items have played key role to achieve the deficit targets in 2010-11. | x | | The 3 % deficit target is exist for 2011, structural reforms is underway. | 3 | x | |
| Priority 5 | 14 | The rate of No.of employees and pensioners are unsustainable. Employment level should be increased, retirement rules have to be restrictid. (Half part of total number of pensioners are under the age-limit.) The measure of Health Care Fund's debt and the situation of health care services are also crucial and necessary to consolidate immediately. | x | | There are no overall conceptions for the sustainability of pension system. There are measures taken regarding the health care sector, but it has just started. | 3 | x | |

* Please see list of areas on page 2 "reform priorities for 2012"

* **Rank of reform progress:** 1. Excellent/ no further progress needed; 2. Satisfactory; 3. Mixed; 4. Unsatisfactory; 5. No progress

REFORM PROGRESS IN OVERALL POLICY AREAS 2011

| | <i>Excellent</i> | <i>Satisfactory</i> | <i>Mixed</i> | <i>Unsatisfactory</i> | <i>No progress</i> |
|--------------------------------------|------------------|---------------------|--------------|-----------------------|--------------------|
| Productivity and investment | | | | X | |
| International competitiveness | | | | X | |
| Labour market | | | X | | |
| Public finances | | | X | | |
| Financial stability | | | X | | |

EUROPEAN SEMESTER

1. Do you believe the European Semester will bring a real change to policy coordination in Europe?

| <i>Yes, absolutely</i> | <i>To a large extent</i> | <i>To some extent</i> | <i>Not enough</i> | <i>Not at all</i> |
|------------------------|--------------------------|-----------------------|-------------------|-------------------|
| | x | | | |

2. Basing your analysis on the National Reform Programme submitted by your government, would you consider that it reveals a greater commitment from your country to this process?

| <i>Yes, absolutely</i> | <i>To a large extent</i> | <i>To some extent</i> | <i>Not enough</i> | <i>Not at all</i> |
|------------------------|--------------------------|-----------------------|-------------------|-------------------|
| | | x | | |

3. Do you believe the National Reform Programme submitted by your government properly reflects the key challenges in your county?

| <i>Yes, absolutely</i> | <i>To a large extent</i> | <i>To some extent</i> | <i>Not enough</i> | <i>Not at all</i> |
|------------------------|--------------------------|-----------------------|-------------------|-------------------|
| | x | | | |

4. The Commission's country specific recommendations for your country are:

| <i>Excessively complacent</i> | <i>Slightly too positive</i> | <i>Absolutely appropriate</i> | <i>Slightly too negative</i> | <i>Excessively harsh</i> |
|-------------------------------|------------------------------|-------------------------------|------------------------------|--------------------------|
| | x | | | |

5. Are the country-specific recommendations being properly implemented?

| <i>Yes, absolutely</i> | <i>To a large extent</i> | <i>To some extent</i> | <i>Not enough</i> | <i>Not at all</i> |
|------------------------|--------------------------|-----------------------|-------------------|-------------------|
| | | | x | |

6. Are commitments concerning the euro plus pact properly addressed by your government in the NRP?

| <i>Yes, absolutely</i> | <i>To a large extent</i> | <i>To some extent</i> | <i>Not enough</i> | <i>Not at all</i> |
|------------------------|--------------------------|-----------------------|-------------------|-------------------|
| | | | x | |

7. Do you believe the Commission recommendations in this area to be appropriate?

| <i>Yes, absolutely</i> | <i>To a large extent</i> | <i>To some extent</i> | <i>Not enough</i> | <i>Not at all</i> |
|------------------------|--------------------------|-----------------------|-------------------|-------------------|
| | x | | | |