MINISTRY
FOR NATIONAL ECONOMY

European Commission upgraded Hungary's growth estimate for this year

In the European Commission's Autumn Forecast, the economic growth prognosis for Hungary with regard to 2014 and 2015 was revised upward. This estimate is in line with the Government's forecast. Data for 2014 and 2015 are especially noteworthy as the pace of growth within the EU28 is expected to decelerate this year and next.

The majority of data published by the Commission are more favourable than those in the Spring Forecast of 2014. The panel predicts that **economic growth will be 3.3 percent in 2014 and 2.5 percent in 2015**, which are 0.9 percentage points and 0.4 percentage points, respectively, above the spring estimates. **These growth figures are in line with the estimates of the macro-economic path that have been submitted with the budget bill.** The Commission has thus confirmed that the Government's growth prognosis is reliable and credible.

Growth estimates, however, were not the only figures that Brussels has upgraded. The Commission is of the opinion that **employment will be 3.3 percent higher in 2014**, which constitutes an improvement of 2.6 percentage points. **As far as the unemployment rate is concerned, the panel is prognosticating 8.0 percent for 2014 and 7.8 percent for 2015** that are 1.0 percent and 1.1 percentage points better, respectively, in comparison to the figures published in the Spring Forecast. These data demonstrate that the Government's labour market stimulus measures have been effective and -- underpinned by economic revival -- the private sector's hiring capacity has improved.

Hungary's key macro-economic data for 2014 and 2015, according to the Spring and Autumn Forecasts of the European Commission:

	Spring 2014	Autumn 2014	Spring 2014	Autumn 2014
	2014		2015	
GDP growth (%)	2.3	3.2	2.1	2.5
Employment growth (%)	0.7	3.3	0.6	0.5
Unemployment rate (%)	9.0	8.0	8.9	7.8
Fiscal surplus/deficit (in percentage of GDP)	-2.9	-2.9	-2.8	-2.8
Government debt (in percentage of GDP)	80.3	76.9	79.5	76.4

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

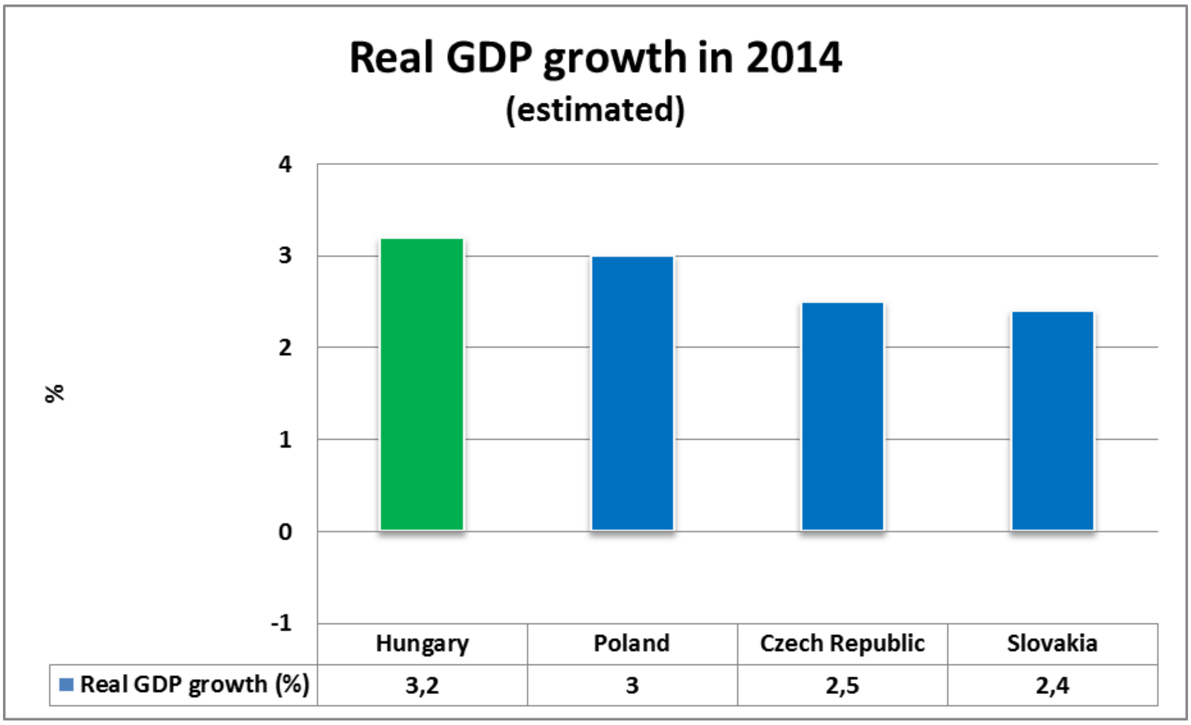
Higher economic growth expected for 2014 is a consequence of better-than-anticipated investment data that stem from the faster utilization of EU funding and the note bank's lending programme. Thanks to households' increasing incomes in real terms, domestic consumption will also remain robust and net exports will also continue to contribute to economic growth.

In addition, the Commission has endorsed the Government prognosis submitted for Eurostat in a report. Thus, **the Commission still expects that central government fiscal deficit will stay remain 3 percent: it will be 2.9 percent in 2014 and 2.8 percent in 2015**. Compared to the Spring Forecast, the budget outlook has been revised significantly upward: the state debt-to-GDP ratio is seen at 76.9 percent in 2014 and 76.4 percent in 2015.

Parallel to strong domestic demand, the country's foreign trade surplus and financing capacity will stay sound. Due to that, the fast decrease of Hungary's external debt will continue in the coming years which will in turn reduce the economy's vulnerability.

Hungary's performance is also outstanding within the Visegrád Four

In light of the forecast of the European Commission, economies of the Visegrád Four are set to grow. The economy of the country with the largest population within the bloc, Poland, is expected to expand by some 3 percent in 2014 and 2.8 percent in 2015. The GDP of Slovakia will increase by 2.4 percent this year and by 2.5 percent next year, while in the Czech Republic growth of 2.5 percent and 2.7 percent, respectively, are expected. **As far as the performance of the Hungarian economy is concerned, the country's GDP growth is the second largest within the entire European Union.** The only country ahead of us is Ireland, with an expected growth of 4.2 percent. The Hungarian economy is set to expand in a stable manner in 2015 and 2016, with growth rates of 2.5 percent and 2 percent, respectively. In the view of the Commission, inflation is expected to gradually pick up and the general deflationary environment will improve: Hungary's inflation rate will until 2016 increase to the sound level of 3 percent and that will also be the highest figure within the EU. In line with EU trends, unemployment rate will decrease in every member of the Visegrád Four until 2016. As a whole, the Commission estimate shows that the indicators of the V4 (especially economic growth) will improve, exceeding the average of the euro-zone and the EU28 in coming years. **The European Commission's predictions with regard to Hungary are more favourable than the October report of the International Monetary Fund.**



Source: European Commission