



IMF predicts Hungarian economic growth to be above former expectations

The International Monetary Fund (IMF) published its quarterly World Economic Outlook (WEO) report on 7 October. The paper predicts that the global economy will grow less than formerly anticipated, by around 3.3 percent in 2014 and 3.8 percent in 2015, which shows that in comparison to summer the institution cut expectations by 0.1 percentage point and 0.2 percentage points, respectively. In the case of Hungary, the Washington-based organization revised upward its prognosis in comparison to the previous quarter.

Eurozone growth seen around 1 percent

As far as the economic outlook of the eurozone is concerned, the IMF expects growth of 0.8 percent in 2014 and 1.3 percent in 2015. This will be accompanied by low inflation (0.5 percent and 0.9 percent) and slightly improving unemployment rates (11.6 percent and 11.2 percent). The IMF study calls attention to recession risks in the eurozone, pointing out that economic indicators of Italy, France and Germany all show deterioration.

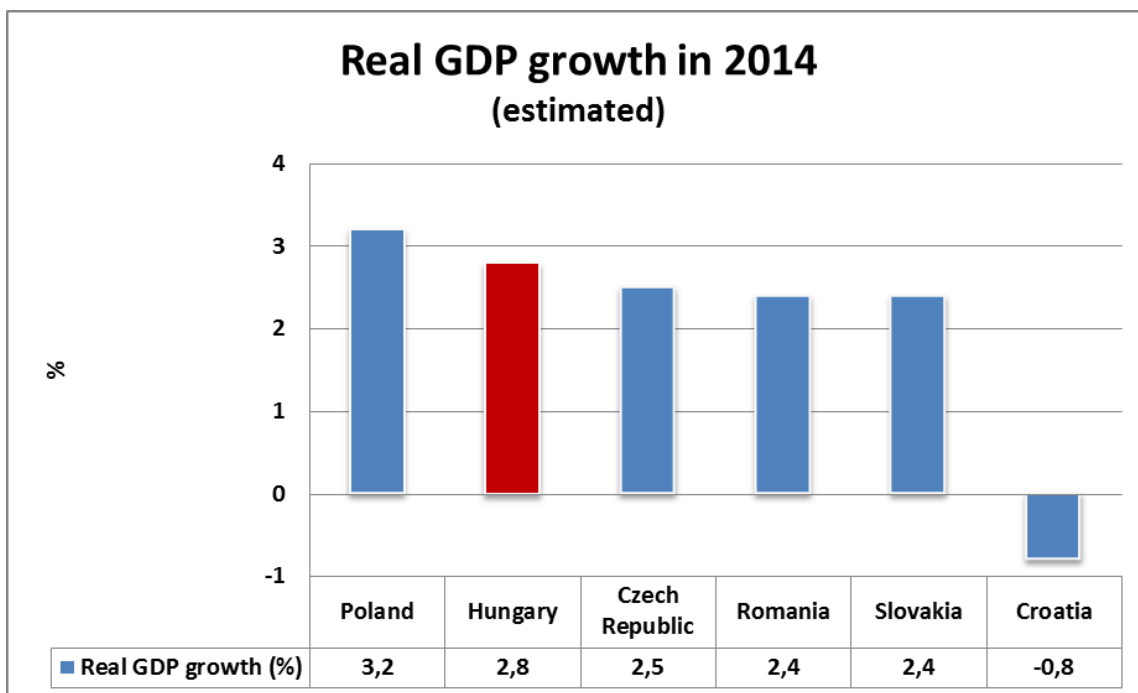
Hungary: economic growth near 3 percent this year

The report of the institution prognosticates that Hungary's economy will expand by 2.8 percent in 2014 and by 2.3 percent in 2015, which signals a significant change in comparison to former data as in the summer the IMF forecast growth of 2 percent and 1.7 percent, respectively. Inflation in Hungary is expected to pick up as consumer prices may increase by 0.3 percent in 2014 and 2.3 percent in 2015. The IMF is of the opinion that due to predictable monetary policy and increasing state investment economic growth in Hungary will be higher in 2014, but in 2015 deteriorating monetary conditions and fiscal tightening will lead to slower growth. In general it can be stated that the largest risks emerging Europe may be facing are the return of market turbulences and weaker than expected recovery in the eurozone. For some countries of the region the high level of external debt is also a risk factor which, however, may be mitigated by the recently announced measures of the European Central Bank.



Economic outlook of the region's countries

With regard to neighbouring countries, Poland's economy is expected to expand by 3.2 percent in 2014 thanks to rebounding investment and lower unemployment, and growth may reach 3.3 percent in 2015. In the Czech Republic, GDP growth is seen at 2.5 percent this year and next, with falling unemployment and an unemployment rate of 6 percent in 2015. In Romania, economic growth of 2.4 percent in 2014 and 2.5 percent in 2015 is expected. Slovakia's economic expansion is forecast around 2.4 percent this year. Unemployment will also show a downward trend, but it will still be relatively high with 13.2 percent in 2015. Hungary's southern neighbour, Croatia, will have to reckon with recession in 2014, but the IMF is estimating growth of 0.5 percent for next year. The unemployment situation, on the other hand, is set to worsen as this year's 16.6 percent rate will edge up to 17.1 percent by 2015.



Source: IMF (WEO, October 2014)