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I. The world economy

The **global economic** outlook is still marred with uncertainties. The year 2023 started reasonably well, and an acceleration of growth seemed realistic amid the decrease in energy prices and the abolition of lockdown measures in China. Since then, the hope regarding the Chinese recovery proved exaggerated, the negative impact of worldwide monetary tightening has been become more pronounced and even the downward trend in energy prices was followed by an uptick during the fall. According to the latest OECD forecast, the global GDP will grow by 3% in 2023, a minimal upward revision compared to the previous predictions, while the next year will see a further deceleration to 2.7%. Inflation is decelerating but the monetary stance is still contractionary, and only a cautious monetary easing can be expected for 2024. Labor markets remained resilient: the firms have usually refrained from large-scale layoffs so far, despite the economic problems and the rate hikes, and the laid off can find new jobs relatively fast amid the continuation of rising employment. Yet, the downward risks are substantial: beyond the forecast period, an acceleration of growth depend on how fast the disinflation proceed, how fast real incomes grow, when central banks can start monetary easing at last and how severe and protracted the Chinese slowdown will be. Due to the pandemics and the fiscal measures responding on the energy crisis, state debt ballooned in several countries, and the highest interest rates cause higher debt service costs. Under such conditions, fiscal policy is unlikely to provide any meaningful growth impulses.

The **global trade** turnover lost momentum in the past months, which is reflected by a decrease in marine shipping fees. The slowdown is a combined result of inflation and adverse interest rate conditions. An additional factor is the increasing protectionism on the part of both the EU and the USA. The EU aims at achieving strategic independence and enhancing competitions on certain markets where at present China has a quasi-monopolistic position, but this is going to be a protracted process.

Energy markets remain volatile as well. The **Brent crude** price has recently started to rise again – at present, the USD/barrel price fluctuates within the 88-93 band. While the cumulative price was only about 83 USD/barrel in January-October, the rising trend from the second half of July is a warning sign. According to the IEA, the global oil demand may rise to 102.2 million barrels/day in 2023, a 2.2 million barrel increase from 2022. Despite the mixed news from Chine, 70% of the increase in oil demand can be attributed to Chinese demand. Global oil production may increase to 101.5 barrels this year from the 100 barrels in 2022. During the rest of the year, a contraction of supply is likely since the output cut by Saudi Arabia and Russia will be maintained until the end of the year. This can push prices upward as winter and the heating season is drawing near. The annual average oil price is likely to be around 85 USD/barrel in 2023. While the present macroeconomic trends do not point toward further price hikes, they are in the cards, especially if the major oil producers continue to cut their output. The **gas market** is also characterized by uncertainty. The rising trend of prices that started in August is continuing. By the end of October, European gas prices were up more than 80% compared to their low point in July. The expectations regarding a colder winter then in 2022 may push prices further upward, along with the increasing number of unpredictable production stoppages and strikes (e.g. in Australia), while the geopolitical uncertainties regarding Russia and the Middle East are increasing as well.

Non-energy commodities were almost universally affected by the price increases in the last year, including foods and agricultural raw materials. The rise in fertilizer prices had a severe impact on developing countries. This year, food price trends diverge, with a significant rise in the prices of cocoa and walnut while the prices of arabica coffee and several oils have decreased. Industrial metal prices dropped substantially compared to their 2022 levels, partially due to their vulnerability to the changes in demand conditions.

The recent **inflation data** indicates the slowing down of price increase but core inflation levels are still high everywhere, even if the beginnings of a downward became visible in the past couple of months. Food prices continue to rise despite the decreasing energy prices since the former price hikes have already become incorporated in food prices. Under such conditions, the chances of a substantial and fast ***monetary easing*** are slim. The *FED*'s communication is ambigous: inflation is on a decrease but still high, and as the economy remains robust and the labor market is still tight (with some signes of softening by early November), interest rates are likely to remain at their high levels for some time. The *ECB* is in a difficult position: it raised the policy rate one more time in September (by 25 basis points), with no further raise in October. Despite the disinflation, inflation levels are still high, but on the other hand, the growth outlook is dim as well. The recent bounce in energy prices can potentially revive inflationary expectations, forcing the ECB to take action. The British central bank raised interest rates radically, citing high inflation, and since inflation in the UK is still higher than in the EU, some further tightening cannot be excluded. The Swiss central bank raised the policy rate as well. In Japan, the monetary policy stance is still accommodative but even here, some early signs of tightening are becoming noticeable.

The economic picture **outside the European Union** is mixed. The predictions regarding the **US economy** are becoming more sanguine: the pace of growth in the first half of this year beat expectations and is looks like – so far – the economy remained more resilient to the impact of high interest rates than previously expected. At present, the annual growth rate of about 2% seems likely in 2023, with some 1.3-2% growth in the next year. Inflation is moderating as well. On the whole, the fears regarding the FED monetary tightening pushing the US economy into a recession have not materialized so far.

The first half of the year saw a surprisingly buoyant growth rate in **Japan**. The sentiment indices are mixed. Due to rising energy prices, inflation has returned into Japan after long years of deflation, even if it remained much milder than in the EU or the US. According to the latest forecasts, the Japanese GDP may expand by 1.3% this year and by 1% in 2024. Private consumption and investments serve as the drivers of growth while exports, after a dynamic growth in the first half of the year, will lose steam in the second half amid the adverse external demand conditions. The upturn in domestic demand gives a boost to imports as well.

In the **United Kingdom**, GDP was up 0.4% in the second quarter on a year-on-year basis and by 0.2% compared to the previous quarter. The economy will probably avoid recession, but the growth will remain moderate. The disinflation is not as pronounced in the UK as elsewhere: the monthly year-on-year inflation rate was still above 6% in September and the yearly inflation rate is expected to exceed 7%, which erodes the households' purchasing power and consumption growth. The strict monetary policy

stance and the aftereffects of Brexit hinder investments, too, hence business investments are likely to fall in both 2023 and 2024.

In **China**, the spectacular growth rates of the past decades are already over, but this is a conscious choice because since 2015 – the launching of the “Made in China 2025” program – the Chinese economy has entered a new development phase. The former role of exporter of low-price mass commodities has been replaced with the development of industries and networks compatible with the industry 4.0 standards and the global expansion of Chinese firms. By now, in addition to its traditional trading partners, China has substantial influence over Russia and many African and Latin American countries. The international institutions expect a growth rate of 5.1 this year, an acceleration from the 3% in 2022. In 2024, however, the growth will decelerate to 4.6%. In 2022 the Chinese GNI was already higher than the GDP, which means that the Chinese firms produce more products and services at home and worldwide than the domestic and foreign firms together within the borders of the country.

The **developing countries**, and the least developed among them particularly, were the most severely affected by the global economic turbulences. Among the countries with substantial economic potential, India will achieve the fastest growth rates (6.3% and 6%, respectively) in both 2023 and 2024. An advantage of the Indian economy is that it has a massive platform work sector which is not affected by re-shoring. The BRICS (the cooperation platform between Brazil, Russia, India, China and South Africa) is becoming increasingly active as a geopolitical agent, assuming the role of advocate for and supporter of the “Global South”, that is, the developing countries. This organization – which will have six new member states from January 2024 – has a declared aim of reducing the role of the US and the US dollar in the global economy.

In the second quarter of 2023, the GDP of the **EU20** was up 0.1% on an annual basis. But several countries underwent negative growth, including Ireland, the country which tends to achieve growth rates far above the average. Further deceleration is expected, which seem to be supported by the downward trend of sentiment indicators. Neither the domestic, nor the external demand outlook prompts firms to increase their output. Private consumption growth already lost pace in the first quarter, along with government consumption. The latest forecasts predict a decrease in consumption in 2023 while investments and export are likely to grow at a moderate pace. The EU20 GDP may expand by 0.6% this year. The growth rate may accelerate to 1.6% in 2024, but there are negative risks. The possibility of the upturn is based on the continuing disinflation and a revival of private consumption, assuming the stabilization of energy prices, no further energy supply disturbances, no negative turn in external conditions and a relaxation of monetary policy. A similar trajectory is expected for the **EU27**, with respective GDP growth rates of 0.6 and 1.7% in 2023 and 2024.

The euro area *inflation rate* dropped from the 8.5% in January to 2.9% in October. Core inflation has been also decreasing but it still stood at 4.2% in October, and food inflation keep exerting an upward pressure on the price index. The energy price trajectory is very uncertain: there is a risk that the momentary rising trend will not stop as the winter draws close. We expect the average annual inflation rate to remain above 6% in the EU27, followed by a further decrease to 2-3% in 2024. The disinflation in the Central Eastern European non-eurozone countries is less pronounced, on average, than in the euro area.

Despite the unfavorable economic trends, the *labor markets* remain surprisingly resilient. The unemployment rate in September was 6.5% in the EU20 and 5.9% in the EU27. The EU-level unemployment rate is likely to remain close to 6% in 2024 as well. In some economic areas, the labor shortages is still a problem. The vacancy rate is on the decrease in both the industrial and the service sectors while the employment rate is rising. Wage growth has gathered some pace in the recent months.

The **German** economic perspectives remain gloomy: the IFO business climate index has been gradually but steadily declining sinc May, indicating a worsening outlook. Germany is being called the sick man of Europe nowadays, a reflection of not simply the economic slowdown but also the increasingly obvious structural problems. The energy crisis and the transition to renewable energy sources increases the production costs, while the weak Chinese economy and the reluctance to export to China, along with the sluggish US demand, affects export growth. Due to the weak growth performance in the first half, the German GDP is likely to contract somewhat in 2023, with a decrease in private and government consumption and investments, and only a token export expansion. As for the latter, services exports will be the main driver of growth. The 0.4% decline of GDP in 2023 is expected to followed by a 1.9% growth in the next year but the actual outcome will depend on how the external economic climate evolves and how to what degree the efforts to bring inflation under control succeed.

II. EU13 countries

In Poland, the GDP contracted for two consecutive quarters, which means that the largest economy of the EU13 is officially in recession. Six countries within the group posted negative growth in the first half on an annual basis: Estonia (-3.4%), Hungary (-1.7%), Poland (-1%), Latvia and Lithuania (-0.6%) and Czechia (-0.5%). The 2.7% growth in Romania in the second quarter could not entirely offset the negative trend – as a result, the average growth rate in the EU13 was -0.1% in the second quarter of 2023. That does not mean, however, that the region as a whole will undergo a recession in 2023 annually, because in the majority of the member states will see positive growth in the second half of the year, due to the statistical base effect.

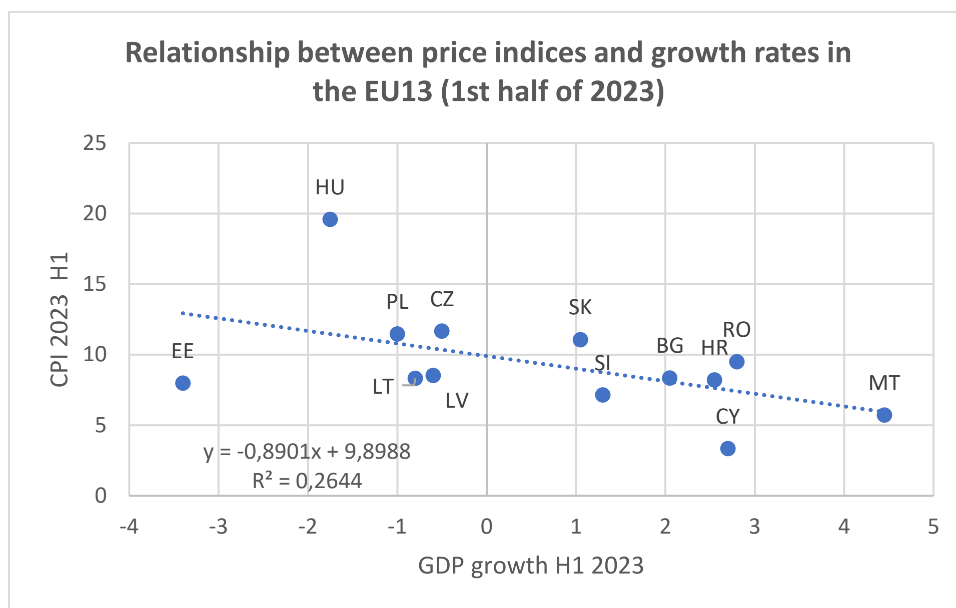
A central factor behind the recession in the first two quarters was the high energy prices and the related process of weaning off from Russian energy sources. Inflation was indeed high in every EU13 country but the change in consumer attitudes, the increasing focus on savings – also incentivized by the high interest rates – was also an important factor. The governments, on the whole, gave adequate responses to the affordability crisis, and provided the necessary resources for the most vulnerable social layers.

The 2.7% growth recorded in *Romania* in the second quarter was outstanding in the region, and almost offset the economic contraction in Poland. The Romanian economy was extremely resilient against the energy price explosion, even though a substantial government intervention was necessary to achieve this. Household consumption remained stable (a 1.5% growth in the second quarter) and net export even improved somewhat (due to decreasing imports). Yet, even the Romanian economy cannot avoid the slowdown because the emergency government support measures have strained the budget and the necessary fiscal correction measures will weigh down growth. As a result, the growth rate will abate but there is a good chance that recession will be avoided.

The GDP growth in *Poland* has lost much steam after the 5.3% growth rate in 2022. Consumption fell by 2% in the second quarter on an annual basis and the changes in inventories also had a negative effect on overall growth. The government plans to raise the minimum wage in 2024 but this in turn may curb disinflation. We expect an annual inflation of above 10% in 2023 and households may face high inflation rates even in the next year. Only dynamic investment growth saves the Polish economy from a deeper recession. The investment outlook is improved by the announcement by US chip maker Intel that it will spend USD 4.6 billion to establish a production site near Wroclaw. The preparatory works have already begun. This will be one of the largest investments in the history of Poland.

The *Czech* economy is still in dire straits. Moving away from Russian energy sources is a protracted and costly process which puts a heavy burden on households. At present, most of the energy needs are met with Russian sources which have become much more expensive lately – this diverts much of the households' disposable income from other consumer products. Household consumption was down 2.4% in the second quarter while investments stagnated, and the economies of the main export partners are also in a bad shape. The *Slovakian* economy also grows at a slow pace, due to similar causes, but here the growth remained positive due the revving up of the spending of EU subsidies, which helped fixed investments to grow by 12% in the second quarter.

Among the countries in recession, *Estonia* is worth highlighting. This Baltic state was among the first to declare that it will entirely halt energy imports from Russia. Now, it purchases the needed energy from the neighboring countries, Finland and the Scandinavian states. This, however, imposes an enormous cost increase on the state and on households. In addition, export (which mostly consists of services exports) fell substantially amid the slowdown in the partner economies, upsetting the trade balance, to which the government responds by tightening the fiscal policy. The situation is delicate because any further restrictions targeting the household sector would trigger serious political risks. Nevertheless, the support for the sanctions against Russia is high and largely intact in Estonia. The prudent fiscal and monetary policy line that has been steadily pursued since gaining independence is now paying off because, at least in terms of fiscal debt, the Estonian government has an outstandingly large freedom of maneuver compared to other countries in the EU (or in the world as a whole).



The *inflation* rate was 12.3% in the EU13 in January-August, which indicates the continuation of the disinflationary trend. Core inflation is close to 10% almost everywhere (with the exception of Hungary where it is still near 16%). With the calming of energy prices and due to the statistical base effect, further disinflation is likely. But the medium-term outlook is less encouraging. While the high inflation caused substantial loss of growth everywhere, unemployment universally remained low and labor shortage has not disappeared in the new member states. The resulting good bargaining position of the employee side and some governments may implement large minimum wage rises, out of political considerations. Interest rates are likely to keep decreasing but the central banks may remain cautious. The governments will probably maintain the purchasing power supporting measures in several countries, which also puts a brake on the normalization of inflation. All this may cause the inflation rates to get stuck at levels above the inflation targets, unable to drop further due to the fiscal measures, which will lead to a persistence of higher-than-usual interest rates. This, in turn, would have an adverse effect on medium-term growth prospects. A productivity-driven growth trajectory would be a way out of this dilemma, but that can only be achieved in the long term.

Table 2/1.

Economic Growth in the EU Member States

(Percentage change of real GDP over the previous year)

	Weight	2017	2018	2019	2020	2021	2022	2023*	2024*
Germany	25.0	2.7	1.0	1.1	-3.8	3.2	1.8	-0.4	1.4
France	17.3	2.3	1.9	1.8	-7.5	6.4	2.5	0.8	1.3
Italy	12.4	1.7	0.9	0.5	-9.0	8.3	3.7	1.2	1.0
Netherlands	6.0	2.9	2.4	2.0	-3.9	6.2	4.3	0.3	1.6
Belgium	3.4	1.6	1.8	2.3	-5.4	6.3	3.2	1.0	1.3
Luxembourg	0.5	1.3	1.2	2.9	-0.9	7.2	1.4	0.5	2.0
Ireland	2.7	9.3	8.5	5.3	6.6	15.1	9.4	-0.8	4.3
Greece	1.2	1.1	1.7	1.9	-9.0	8.4	5.9	1.7	2.7
Spain	8.4	3.0	2.3	2.0	-11.2	6.4	5.8	2.1	2.1
Portugal	1.5	3.5	2.8	2.7	-8.3	5.7	6.8	2.5	1.9
Austria	2.8	2.3	2.4	1.5	-6.6	4.2	4.8	0.7	1.2
Finland	1.8	3.2	1.1	1.2	-2.4	3.2	1.6	0.0	1.2
Estonia	0.2	5.8	3.8	4.0	-1.0	7.2	-0.5	-0.3	3.1
Slovakia	0.7	2.9	4.0	2.5	-3.3	4.8	1.8	1.2	2.5
Slovenia	0.3	4.8	4.5	3.5	-4.2	8.2	2.5	1.2	2.5
Cyprus	0.2	5.7	5.6	5.5	-3.4	9.9	4.9	2.3	2.4
Malta	0.1	10.9	7.4	7.1	-8.1	12.3	6.9	4.2	4.1
Latvia	0.2	3.3	4.0	0.6	-3.5	6.7	3.4	0.5	2.0
Lithuania	0.4	4.3	4.0	4.7	0.0	6.3	2.4	0.0	2.5
Croatia	0.4	3.4	2.8	3.4	-8.5	13.1	6.2	2.0	2.5
Euro Area	**85.2**	**2.6**	**1.8**	**1.6**	**-6.1**	**5.6**	**3.3**	**0.6**	**1.6**
Denmark	2.3	2.8	2.0	1.5	-2.4	6.8	2.7	1.5	1.6
Sweden	3.6	2.6	2.0	2.0	-2.2	6.1	2.8	0.9	1.6
Hungary	1.0	**4.3**	**5.4**	**4.9**	**-4.5**	**7.1**	**4.6**	**-0.5**	**2.5**
Czech Republic	1.6	5.2	3.2	3.0	-5.5	3.6	2.4	0.0	2.4
Poland	3.9	5.1	5.9	4.4	-2.0	6.9	5.3	0.8	3.0
Romania	1.6	8.2	6.0	3.9	-3.7	5.8	4.7	2.5	3.5
Bulgaria	0.5	2.8	2.7	4.0	-4.0	7.6	3.4	1.5	2.5
EU14	***88.7***	**1.8**	**1.6**	**-5.8**	**5.3**	**3.5**	**1.8**	**0.6**	**1.5**
New EU13	**11.3**	**5.0**	**4.9**	**4.0**	**-3.5**	**6.3**	**4.1**	**0.9**	**3.4**
EU27	**100**	**2.8**	**2.1**	**1.8**	**-5.6**	**5.7**	**3.4**	**0.6**	**1.7**
Memorandum items									
USA		2.2	2.9	2.3	-2.2	5.8	2.1	2.0	1.3
Japan		1.7	0.6	-0.4	-4.3	2.1	1.0	1.8	1.0
United Kingdom		1.7	1.3	1.6	-11.0	7.6	4.1	0.3	1.3
China		6.7	6.8	6.0	2.2	8.1	3.0	5.1	4.6
Russia		1.8	2.8	2.0	-3.0	5.6	-2.0	0.8	0.9
South-Eastern Europe									
Serbia		2.1	4.5	4.3	-0.9	6.7	3.0	1.9	3.0
Turkey		7.4	3.0	0.9	1.8	9.0	2.0	3.5	4.0

* Kopint-Tárki forecast

EU14 = Countries that joined the European Union before 2004

New EU13 = Countries that joined the European Union in 2004, 2007 and 2013

Source: Eurostat, national statistical offices, OECD

Table 2/2.

Inflation in the EU Member States

(Harmonized consumer price indices, percentage change over the previous year)

	Weight	2017	2018	2019	2020	2021	2022	2023*	2024*
Germany	24.6	1.7	1.9	1.4	0.4	3.2	8.7	6.4	2.1
France	17.4	1.2	2.1	1.3	0.5	2.1	5.9	6.0	2.4
Italy	14.1	1.3	1.2	0.6	-0.1	1.9	8.7	7.2	3.1
Netherlands	4.9	1.3	1.6	2.7	1.1	2.8	11.6	4.0	3.1
Belgium	3.3	2.2	2.3	1.2	0.4	3.2	10.3	3.3	2.5
Luxembourg	0.2	2.1	2.0	1.6	0.0	3.5	8.2	3.2	2.1
Ireland	1.4	0.3	0.7	0.9	-0.5	2.4	8.1	5.6	2.9
Greece	1.7	1.1	0.8	0.5	-1.3	0.6	9.3	3.9	3.0
Spain	9.1	2.0	1.7	0.8	-0.3	3.0	8.3	3.4	2.7
Portugal	1.9	1.6	1.2	0.3	-0.1	0.9	8.1	5.9	3.2
Austria	2.7	2.2	2.1	1.5	1.4	2.8	8.6	7.9	3.1
Finland	1.7	0.8	1.2	1.1	0.4	2.1	7.2	4.9	2.4
Estonia	0.2	3.7	3.4	2.3	-0.6	4.5	19.4	10.0	3.5
Slovakia	0.8	1.3	2.5	2.8	2.0	2.8	12.1	11.0	5.0
Slovenia	0.3	1.6	1.9	1.7	-0.3	2.0	9.3	7.7	3.9
Cyprus	0.2	0.7	0.8	0.5	-1.1	2.3	8.1	3.9	2.6
Malta	0.1	1.3	1.7	1.5	0.8	0.7	6.1	5.4	2.8
Latvia	0.2	2.9	2.6	2.7	0.1	3.2	17.2	9.5	2.5
Lithuania	0.4	3.7	2.5	2.2	1.1	4.6	18.9	10.0	3.0
Croatia	0.4	1.3	1.6	0.8	0.0	2.7	10.7	7.7	3.3
Euro Area	**85.7**	**1.5**	**1.8**	**1.2**	**0.3**	**2.6**	**8.4**	**5.9**	**2.6**
Denmark	2.0	1.1	0.7	0.7	0.3	1.9	8.5	4.5	2.2
Sweden	3.0	1.9	2.0	1.7	0.7	2.7	8.1	6.4	2.6
Hungary	1.0	**2.4**	**2.9**	**3.4**	**3.4**	**5.2**	**15.3**	**17.5**	**4.5**
Czech Republic	1.5	2.4	2.0	2.6	3.3	3.3	14.8	11.0	3.0
Poland	4.3	1.6	1.2	2.1	3.7	5.2	13.2	12.0	6.0
Romania	1.9	1.1	4.1	3.9	2.3	4.1	12.0	10.5	5.5
Bulgaria	0.5	1.2	2.6	2.5	1.2	2.8	13.0	10.0	4.0
EU14	**88.1**	**1.7**	**1.9**	**1.3**	**0.4**	**2.6**	**7.8**	**5.8**	**2.6**
New EU13	**11.9**	**1.7**	**2.3**	**2.7**	**2.7**	**4.4**	**13.9**	**11.3**	**4.9**
EU27	**100.0**	**1.6**	**1.8**	**1.4**	**0.7**	**2.9**	**9.2**	**6.5**	**2.9**
Memorandum items [a]									
USA		0.1	1.3	1.5	1.2	4.3	6.3	3.8	2.6
Japan		0.8	0.5	0.5	0.0	-0.2	2.5	3.1	2.1
United Kingdom		2.7	2.5	1.8	0.8	2.6	9.1	7.4	3.5
China		1.4	2.0	2.9	2.5	0.8	1.9	0.5	1.3
Russia [b]		7.0	2.9	4.5	2.6	5.9	14.0	5.2	5.2
South-Eastern Europe									
Serbia		3.1	2.0	1.9	1.7	3.6	8.5	12.4	5.9
Turkey		11.0	16.4	15.2	12.3	17.8	63.0	45.0	30.3

a Non-harmonized price indexes
b December/December
* Kopint-Tárki forecast
EU-14 = Countries that joined the European Union before 2004
EU-13 = Countries that joined the European Union in 2004, 2007 and 2013
Source: Eurostat, national statistical offices, OECD

Table 2/3.

Harmonized Unemployment rates in the EU Member States

(Unemployed as a percentage of the labor force aged 15-74, ILO-Eurostat)

	Weight	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023***	**2024***
Germany	20.3	3.8	3.4	3.1	3.6	3.6	2.7	2.9	2.9
France	14.0	9.4	9.0	8.4	8.0	7.9	7.3	7.3	7.1
Italy	12.1	11.2	10.6	10.0	9.6	9.6	8.2	7.7	7.7
Netherlands	4.3	4.9	3.8	3.4	3.3	4.2	3.4	3.5	3.3
Belgium	2.4	7.1	6.0	5.4	6.4	6.3	5.6	5.6	5.5
Luxembourg	0.1	5.5	5.6	5.6	5.8	5.5	4.7	5.0	4.8
Ireland	1.1	6.7	5.8	5.0	6.7	6.3	4.8	4.1	3.9
Greece	2.2	21.5	19.3	17.3	15.3	14.8	12.5	11.0	11.0
Spain	10.9	17.2	15.3	14.1	15.2	14.8	13.1	12.0	11.6
Portugal	2.4	9.0	7.1	6.5	6.7	6.6	5.9	6.5	6.3
Austria	2.1	5.5	4.9	4.5	6.4	6.2	4.6	5.0	5.0
Finland	1.3	8.6	7.4	6.4	7.7	7.7	6.7	7.0	6.7
Estonia	0.3	5.8	5.4	4.4	6.8	6.2	6.1	6.2	6.1
Slovakia	1.3	8.1	6.5	5.8	6.8	6.8	6.3	5.8	5.4
Slovenia	0.5	6.6	5.1	4.5	4.6	4.8	4.1	3.9	3.8
Cyprus	0.2	11.1	8.4	7.1	7.5	7.5	7.2	6.9	6.4
Malta	0.1	4.0	3.7	3.6	4.0	3.5	3.2	2.9	2.9
Latvia	0.4	8.7	7.4	6.3	7.3	7.6	7.1	6.8	6.5
Lithuania	0.7	7.1	6.2	6.3	7.1	7.1	6.0	6.6	6.5
Croatia	0.8	11.2	8.5	6.6	6.7	7.7	6.3	6.6	6.1
Euro Area	**76.8**	**9.1**	**8.2**	**7.6**	**8.0**	**7.7**	**6.7**	**6.5**	**6.3**
Denmark	1.4	5.8	5.1	5.0	5.3	5.1	4.2	4.8	4.7
Sweden	2.5	6.7	6.4	6.8	8.9	8.8	7.4	7.4	7.2
Hungary	2.2	**4.0**	**3.6**	**3.3**	**4.1**	**4.1**	**3.7**	**4.1**	**3.8**
Czech Republic	2.5	2.9	2.2	2.0	2.7	2.8	2.7	2.8	2.6
Poland	8.0	4.9	3.9	3.3	3.3	3.4	2.7	3.3	3.2
Romania	4.2	4.9	4.2	3.9	5.0	5.6	5.4	5.4	5.1
Bulgaria	1.6	6.2	5.2	4.2	5.1	5.3	5.2	4.3	4.0
EU14	**77.2**	**8.4**	**7.5**	**7.1**	**7.9**	**7.8**	**6.7**	**6.5**	**6.4**
New EU13	**22.8**	**5.5**	**4.5**	**4.1**	**4.4**	**4.6**	**4.1**	**4.3**	**4.1**
EU27	**100.0**	**8.3**	**7.4**	**6.8**	**7.2**	**7.1**	**6.1**	**6.0**	**5.9**
Memorandum items [a]									
USA		4.9	3.9	3.7	8.1	5.4	3.6	3.6	3.9
Japan		3.1	2.8	2.4	2.8	2.8	2.7	2.7	2.8
United Kingdom		4.4	4.1	3.8	4.5	4.6	3.7	3.7	4.4
China[b]		4.0	4.0	3.8	3.6	4.0	4.2	4.2	4.2
Russia[c]		5.7	5.4	4.6	6.0	5.9	3.9	4.5	3.0
South-Eastern Europe									
Serbia[d]		13.5	12.7	10.4	9.0	10.7	9.2	8.6	8.3
Turkey		10.9	10.9	13.7	13.2	12.8	12.9	10.2	10.2

a Non-harmonized unemployment rates
b Urban unemployment
c OECD statistics, unemployment rates for the age group 15-64
d National statistics, unemployment rates for the age group 15-64
* Kopint-Tárki forecast
EU14 = Countries that joined the European Union before 2004
EU13 = Countries that joined the European Union in 2004, 2007 and 2013
Source: Eurostat, national statistical offices, ILO, OECD

Macroeconomic indicators for Hungary and Kopint-Tárki forecast

(year-on-year change, percentage)

	Data					Forecast		
			2023			2023		2024
	2021	2022	Q1	Q2.	Q3	2023 Aug.	2023 Nov.	2023 Nov.
GDP aggregates, real growth								
GDP total	7.1	4.6	*-0.9*	*-2.4*	*-0.4*	-0.5	**-0.5**	**2.5**
Domestic Demand	6.3	3.7	*-4.4*	*-8.0*		-3.0	**-4.3**	**2.8**
Private Consumption	4.0	6.4	*-2.6*	*-1.9*		-2.0	**-1.5**	**2.2**
Public Consumption	2.5	0.4	*-5.1*	*1.0*		-2.0	**-1.0**	**0.0**
Gross Fixed Capital Formation	5.8	0.1	*-3.9*	*-15.2*		-4.0	**-8.6**	**3.2**
Gross Capital Formation	13.0	-0.1	*-3.2*	*-21.6*		-4.3	**-9.8**	**3.2**
Export	8.3	12.6	*6.6*	*0.3*		3.5	**1.6**	**2.8**
Import	7.3	11.6	*2.3*	*-6.0*		0.6	**-2.6**	**2.5**
Industrial production	9.5	6.1	*-3.4*	*-6.2*	*-5.1*	-1.0	**-4.1**	**4.0**
Consumer Price Index	5.1	14.5	*25.4*	*21.9*	*15.4*	18.0	**17.5**	**4.5**
Employment, earnings								
Number of Employed, growth [a]	0.7	1.3	*0.5*	*0.7*	*0.5*	0.0	**0.5**	**0.7**
Unemployment Rate [a]	4.1	3.6	*4.1*	*3.9*	*4.1*	4.1	**4.1**	**3.8**
Unit Labor Costs, in EUR [b]	1.0	1.5	*16.0*	*23.3*		17.6	**13.5**	**3.9**
Gross Nominal Wages [c]	8.9	17.4	*10.8*	*16.5*	*15.2* [e]	15.0	**15.0**	**10.0**
Net Real Wages [c]	3.6	2.5	*-11.6*	*-4.6*	*-1.5* [e]	-2.5	**-2.1**	**5.3**
Savings Rate, % of GDP [d]	6.5	3.9	*4.5*	*5.6*		6.5	**6.5**	**6.5**
Current and Capital Accounts Balance, % of GDP	-1.7	-6.2	*-2.0* [h]	*2.4* [h]		-0.5	**-0.5**	**1.0**
General government Fiscal Balance, ESA-2010, % of GDP	-7.1	-6.2	*-9.7*	*-3.1*		-4.9	**-5.2**	**-3.7**
Gross Government Debt, % of GDP	76.7	73.9	*75.4*	*75.2*		71.4	**71.9**	**70.5**
Short-term Government Yields (3M), eop	2.16	12.32	*14.48*	*10.03*	*8.17*	8.5	**7.0**	**5.0**
Long-term Government Yields (10Y), eop	4.51	8.98	*8.44*	*6.98*	*7.40*	6.5	**7.0**	**5.5**
External assumptions								
Internat. Trade in Goods and Services [d]	10.4	5.4				2.4	**0.9**	**3.5**
Brent Oil Price ($/bbl, p. avg.)	70.8	101.0	*81.1*	*78.3*	*86.7*	86.0	**84.0**	**84.0**
GDP Real Growth, Eurozone	5.3	3.5	*1.4*	*0.1*		0.9	**0.6**	**1.6**
GDP Real Growth, New EU Members	6.3	4.0	*7.1*	*4.7*		0.9	**0.9**	**3.4**
EUR-HUF, period average	359	391	*389*	*373*	*384*	390	**385**	**385**
EUR-USD, period average	1.18	1.06	*1.07*	*1.09*	*1.09*	1.05	**1.07**	**1.08**

a ILO methodology, period averages, aged 15-74, public workers are counted as employed.
b Manufacturing, based on gross value added and the monthly average compensation of employees in euro, cumulated from the beginning of the year
c All employers
d Net lending of households according to the financial accounts statistics, percentage of GDP, four-quarter cumulative data
e July-August
h Seasonally adjusted data by the MNB

III. The Hungarian economy

During the past year and a half, the Hungarian economic growth trajectory underwent a drastic change of direction, from the outstanding growth rate in early 2022 to the substantial decline in the second quarter of this year. The stimulus package in early 2022 gave a boost not just to domestic demand but also to inflation (which was already on the rise worldwide, mostly due to supply-side causes). That resulted in an extreme level of inflation that was much higher than anywhere else in the EU. The Hungarian inflation, through its demand-busting and cost-rising impact, became an important factor behind the slowdown, and later the recession, in Hungary. The large role of domestic causes of the changing fortunes of the Hungarian economy is underlined by the fact that while Hungary surpassed the region in terms of growth rates in 2022, it became a clear underachiever in the first half of this year.

The composition of GDP fall is only partially matches expectations. As expected, *domestic demand* – which contracted by 6.3% in the first half – was the main driver of negative growth. Such a steep fall not only precipitated a recession in the construction sector but also pushed *industrial production* into a surprisingly deep downward trajectory. On the other hand, despite the expectations, the decrease in *private consumption* did not become the principal, all-powerful driver of economic contraction. While real wages dropped by 11% in the first quarter, private consumption expenditures fell only by 4.5%. In the second quarter, the 3.5% fall in consumption expenditures was more in line with the 4.6% drop in real wages but seemingly sharply contradicted with the registered plunge in the volume of *retail trade turnover*. As yet, there is no entirely convincing explanation to these contradictions, although various hypotheses are conceivable. (One of these is that in the second quarter the growth rate of consumption expenditures was elevated by the purchases by Hungarian households in the neighboring countries, a response to the disproportionally high domestic inflation.)

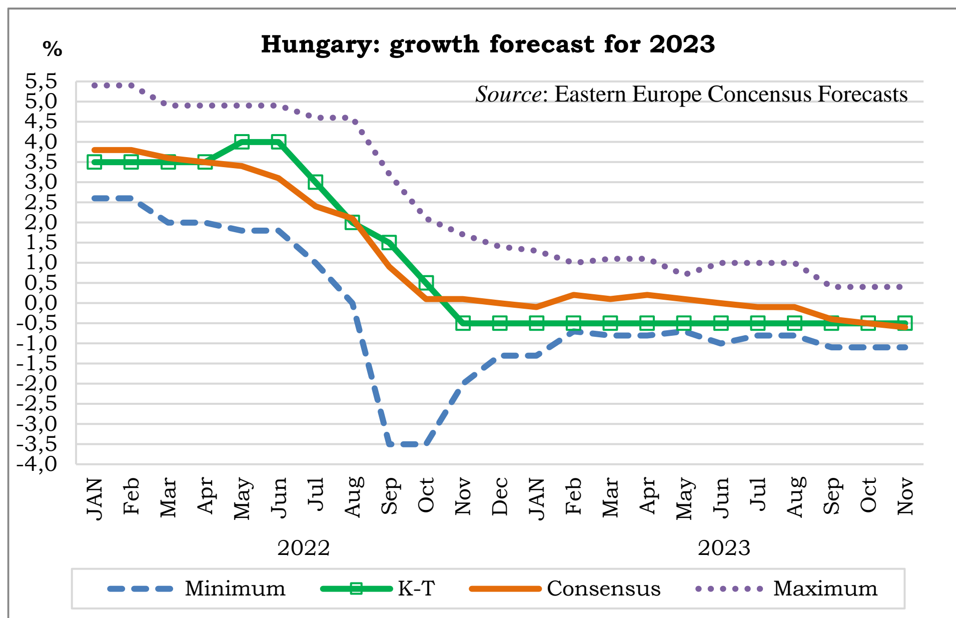
Instead consumption, *fixed capital formation* and the change in inventories were the most prominent drivers of the fall in domestic use. Investments dropped at a pace beyond expectations, due to various factors: the massive decrease in state investments; the decline of investment activity in much of the business sectors, hard-pressed by demand problems and cost pressures; and finally, the available data implicitly suggests that households also heavily reduced their housing investment spending.

Net export contributed positively to growth, as expected, but to a degree that somewhat surpassed expectations. But even so, it could only partially net out the effect of falling domestic demand.

Regarding the future prospects, some factors may change positively but the picture is mixed. It can be more or less taken for granted that disinflation will continue in the rest of 2023 and, at a lesser pace, in 2024, which will ease the downward pressure on private consumption. (We do not expect this effect to cause positive consumption growth before 2024, however.) The prospects of investments, however, is murkier. First, demand from the government will remain definitely subdued in the forecast period. Second, the disinflation may curb the ability of firms to pass the cost increases on the consumer, potentially worsening the profit outlook. This means that the companies will experience improving demand conditions but not necessarily improving profitability.

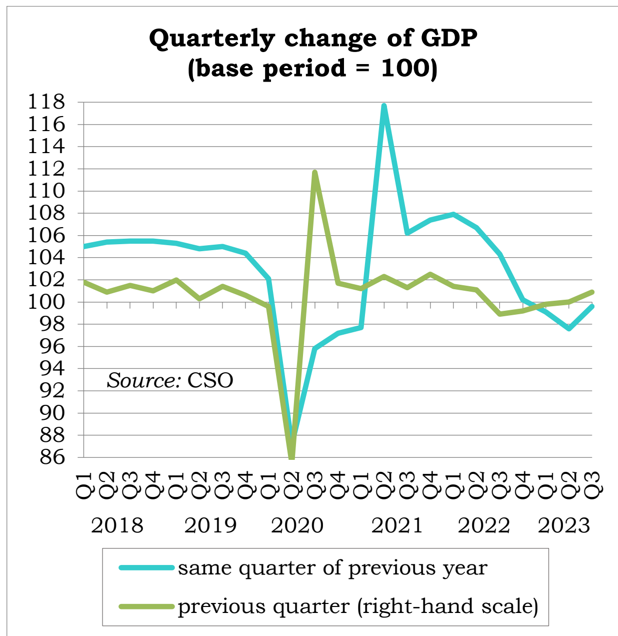
Furthermore, the *external conditions* seem to get less and less encouraging. This is true of the European (and German) industrial performance, the global energy prices (an increase seems more likely than further decrease). The slowdown in Chinese economic growth hits global demand and the rising geopolitical tensions create additional risks on both the demand and supply sides. Therefore, there is a non-negligible chance that no significant demand stimulus arrives in the near future to give a boost to industrial activity, which may cause a larger weakening of the positive growth contribution of net export than expected.

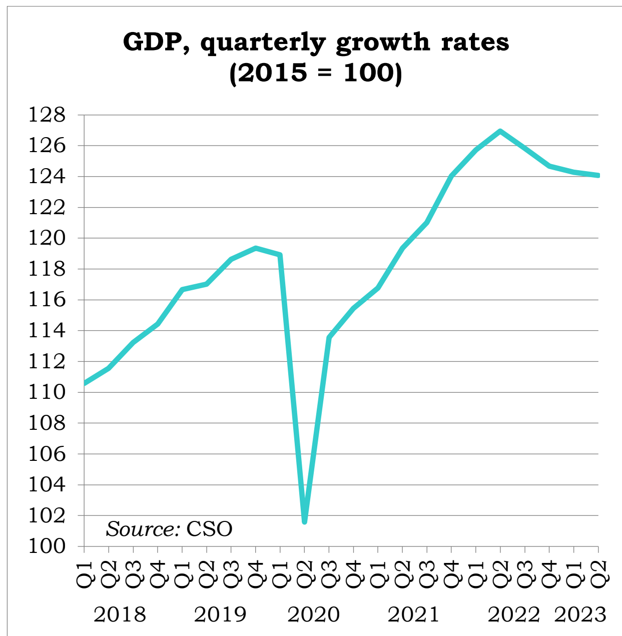
Ultimately, the pace of GDP decline will moderate in the second half of the year, but the pace of moderation is still unclear. We **maintain our former prediction** of an annual **GDP decrease of 0.5%** for this year. In 2024, we expect a modest GDP growth of 2-3%.



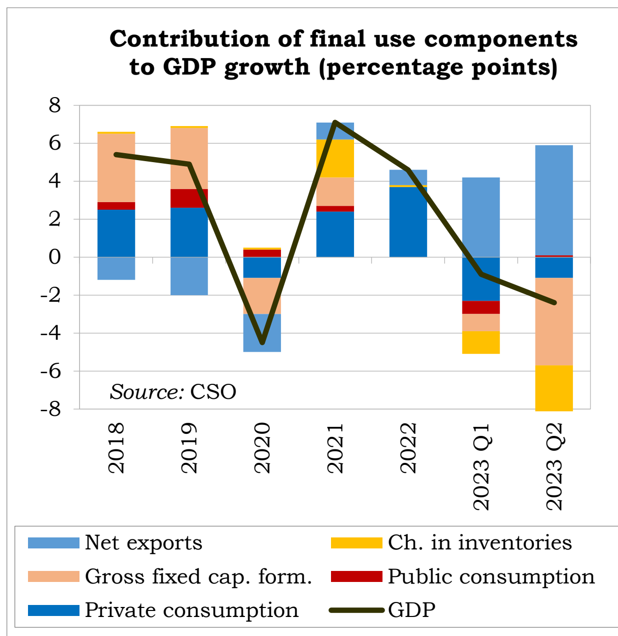
The GDP and its components

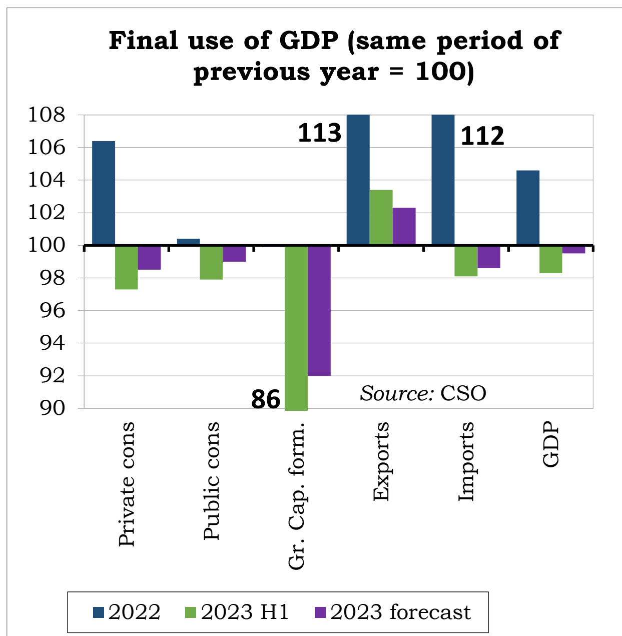
In the second half of 2022, the economy began slowing down due to the war-related cost shock, the worsening of financing costs amid the monetary tightening, the record-breaking (and real income-busting) inflation rates and the drastic cut in state investments, after the massive demand stimulus at the start of the year. *This year*, the slowdown deepened into a year-on-year decrease, with growth rates of -0.9% and 2.4%, respectively, in the first and second quarter. On average, the GDP contracted by 1.7% in the first half of 2023. Compared to the *previous quarter*, the GDP has started to decline





in the third quarter of the last year – the decrease turned into stagnation in the second quarter of 2023 and – according to the first estimate – into positive growth (0.9%) in the third quarter. At the same, the year-on-year decline continued in the third quarter as well, albeit at a mild rate of 0.4%.

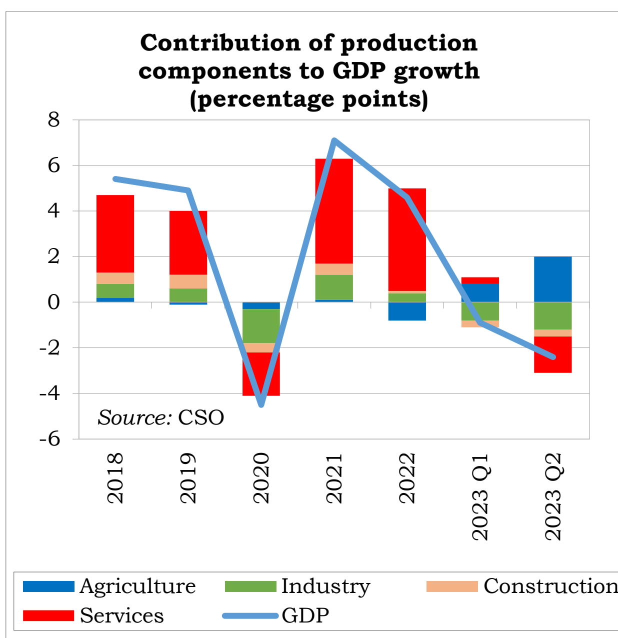


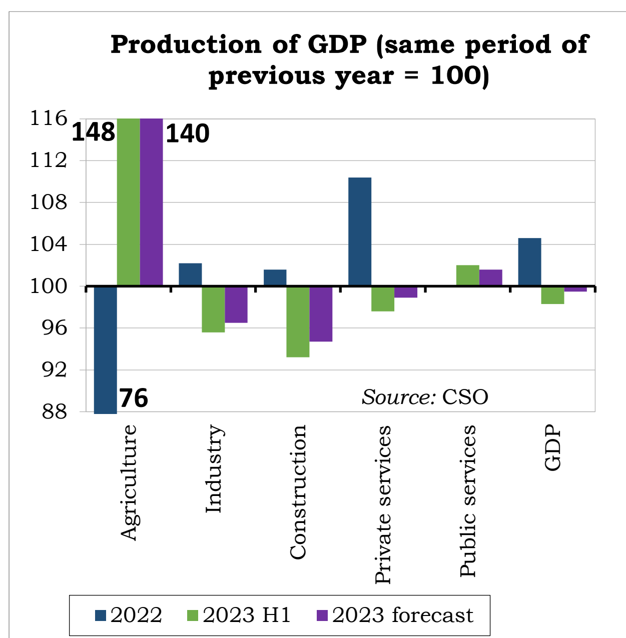


In addition to the fall in domestic demand, external demand conditions have deteriorated as well. But the former was the dominant cause of the economic contraction, even if the latter was felt too (e.g. in the weak industrial export sales). On the **expenditure side**, ***final domestic use*** dropped by 6.3% in the first half. Interestingly, the largest component of domestic use – *households' consumption expenditures* – decreased only by 4.5% in the first quarter and 3.5% in the second. This is underwhelming, considering that *real wages* plummeted by almost 8% in the first half of the year. The steep increase in *net household financial savings* seems to refute the hypothesis of consumption smoothing. On the other hand, household *investments* probably fell at a much steeper pace than private consumption expenditures.

The government-provided social transfers grew in both quarters, hence the total ***actual private consumption*** decreased just by 2.7% in the first half on an annual basis. The dominant driver of the fall in final domestic use was not consumption but the two components of *gross capital formation*: ***gross fixed capital formation*** and the changes in inventories. Both in terms of the pace of decline and the contribution to negative growth, these two components were the primary recessionary drivers in the first half of 2023. Fixed capital formation was down 10.7% in the first half while the overall gross capital formation (which includes changes in inventories as well) plunged by 14%. Generally speaking, investments decreased mostly in the domestic-oriented areas (e.g. construction, real estate, transport, tourism accommodation, public services) while mostly export-oriented manufacturing investments continued to expand. But the picture is mixed even in the case of the latter: investments contracted in a number of manufacturing branches as well.

In the meanwhile, ***the net export of goods and services*** has steadily and substantially supported economic growth so far in the year. A new feature is that this year, the positive contribution comes almost exclusively from the external trade of *goods*. Although the real growth in the export of goods already slowed down considerably by the second quarter, the volume of imports, after some very weak growth in the first quarter, contracted in the second amid the steep fall in domestic demand. The growth contribution of the net export of services was negligible in the first half of the year.





On the ***production side***, agricultural value added expanded significantly, as expected. Construction, suffering from the lack of domestic (and especially state) demand, fell by 6.8% in the first half. The relatively steep fall in *industry* (which accelerated to 5.7% in the second quarter) was a surprise. The analysts expected moderate growth, based on the assumption of relative stability of external demand. Instead, export growth weakened, and in addition, domestic sales plummeted.

The value added of *services* decreased only by 1.2% in the first half of the year. This is partially due to the fast expansion of *private healthcare* services, according to the CSO. At the same time, wholesale and retail trade value added dropped by more than 8% in the first half. but the contraction in transport and storage was substantial as well.

For the rest of the year, the outlook is partially shaped by the pace of *disinflation*. Real wages probably turned from decrease to increase in September. This will slow down or halt the decrease in *private consumption*, although we do not expect substantial positive consumption growth before the start of 2024. On an annual average, household consumption may contract by 1.5% this year. Due to the gradual monetary easing, interest rate are slowly easing down, which may support both consumption and *investment* activity. But since the available nominal data suggests that *gross operating surplus* – a crude indicator of profitability – decreased in the second quarter. Worsening profitability may reduce the willingness to invest, which may offset the positive impact of decreasing interest rates. State investments will remain subdued, The preliminary GDP data suggests that *there was no profound improvement in consumption and investment growth rates in the third quarter*.

As a result, we expect the improvement in the growth rates of domestic demand remain modest in the second half. The export outlook on the other hand is becoming more uncertain, with no clear sign of a global upturn. Hence the positive contribution of net export may weaken in the coming quarters even if a revival of import is unlikely before the fourth quarter.

On the production side, the slight upturn in domestic demand may somewhat strengthen services and – in the fourth quarter – industrial activity. But industrial output is likely to continue to contract even in the last quarter while services may start expanding by the end of the year.

On the whole, maintaining our earlier forecast, we expect the **GDP to decrease by 0.5%** in 2023. Economic growth is likely to return in 2024 but it will remain anemic with a growth rate between 2 and 3%

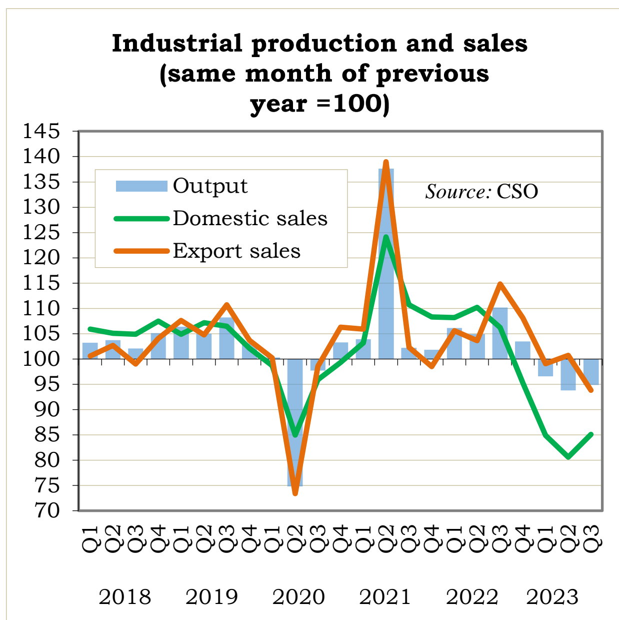
3.1. Production of GDP

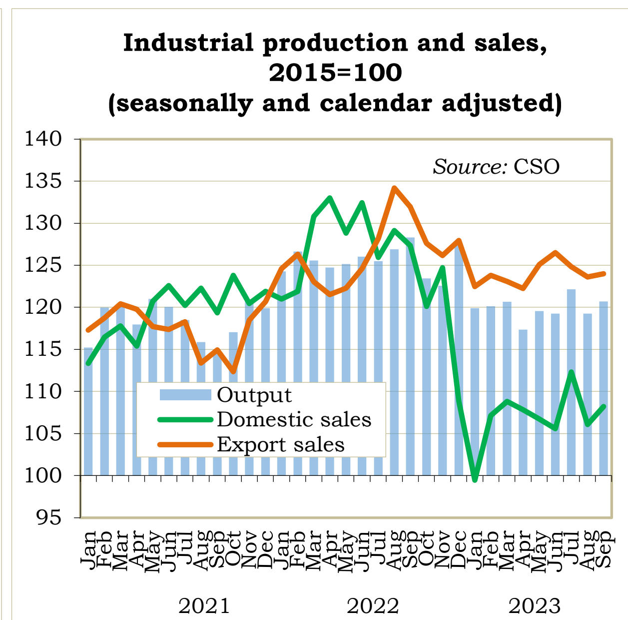
3.1.1. Industry

While some of the energy-intensive areas of industry began to suffer as early as the middle of last year, overall industrial growth seemed to remain relatively resilient until the very end of 2022. The resulting hopes regarding the growth prospects this year, however, were dashed quickly. In the first nine months, industrial output fell by 4.9%, with the deepest drop (6.2%) in the second quarter.

The output fall is primarily due to the unexpectedly harsh contraction of domestic demand which hit the domestic-oriented part of industry hard. But at the same time, export sales were also weak in the first half of the year and the volume of export even decreased minimally in the third quarter compared to the second. The disappointing industrial export sales are due to the global slowdown that exceeded expectations, the worldwide monetary tightening that has not yet come to an end, the continuation of the Russo-Ukrainian war that seriously hurts especially German industry and the surprisingly anemic post-Covid recovery in China. While energy costs decreased steeply from the peak levels in 2022, they are still higher then before the war and much higher than the 2015-2020 average.

The industrial recession has spread to more than two thirds of the manufacturing branches, not to mention mining and the energy sector. The steep fall in the food sector (in part a result of the implosion of agricultural output in 2022) continues but the sector is seemingly past the low point. The war-stricken chemical industry cannot find its footing. The crisis in the construction sector causes painful losses in the construction material industry. The output of the electronic industry is fluctuating at a level below





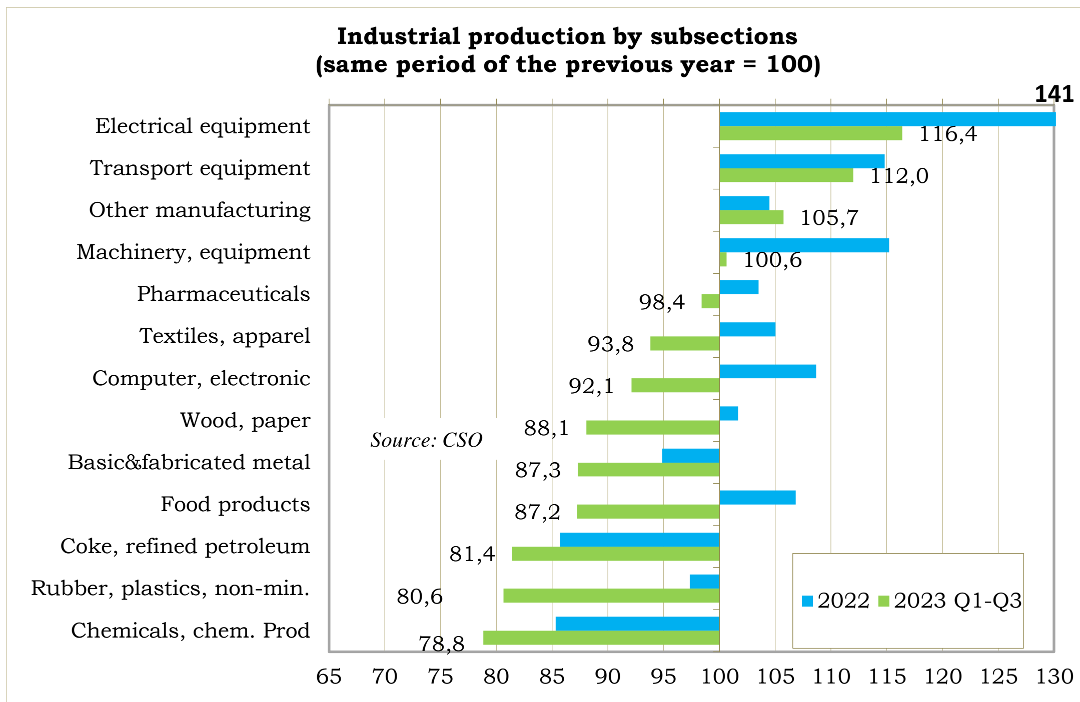
the 2022 average.

Even the growth in electrical industry, the sector which has played the role of the steadiest growth driver in recent years, decelerated. This is mostly due to domestic sales, however – the export sales of the electrical industry is still on the rise, albeit barely. On the whole, according to the seasonally adjusted fixed base growth indices, the prospects

of auto industry and the so-called 'other manufacturing', a heterogenous area, may be the most encouraging besides the electrical industry.

In the last quarter of the year, some revival of domestic growth can be expected. The prospects of export sales are more uncertain. The volume of export sales has been basically stagnating in the first eight months of the year, with some alternating upward and downward fluctuations, and the present global economic situation is far from promising. The fact that the cost pressure will ease for a part of the industrial sector may give a boost to industrial activity.

But **in 2023 as a whole, we expect industrial output to decline by 4% or more**. In 2024, the low statistical base will help year-on-year growth but the recovery is likely to remain moderate, the growth rate may not exceed 4%.



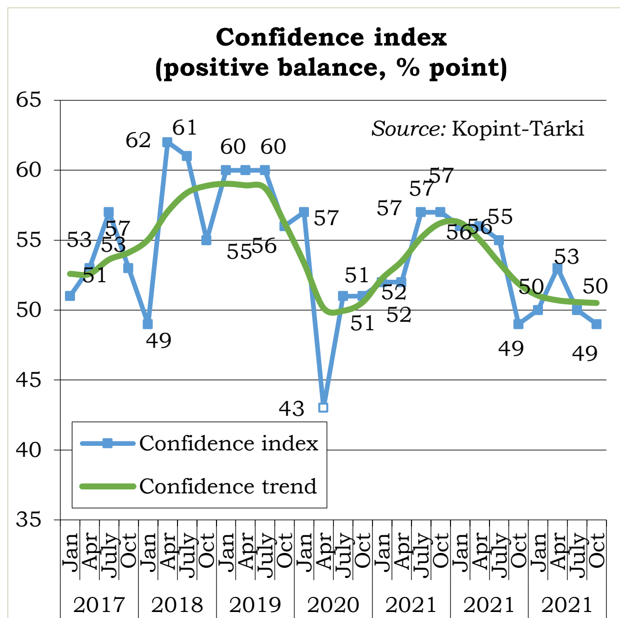
Manufacturing confidence survey

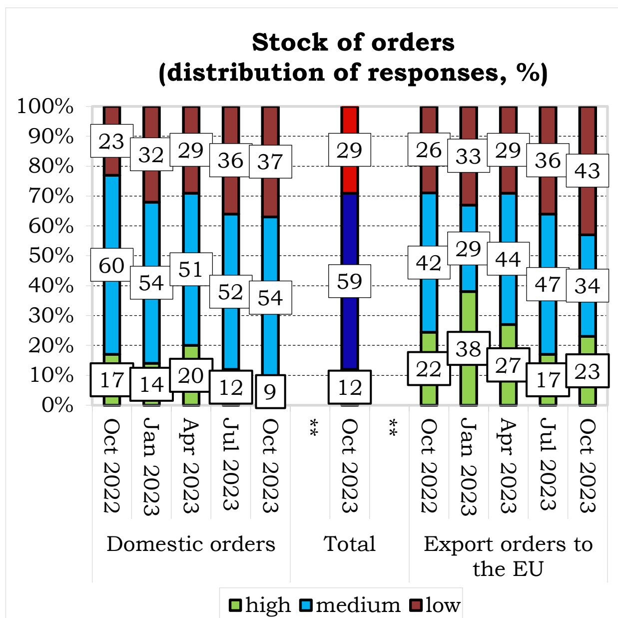
Both the business barometer and the confident index basically stagnated between July and September among manufacturing firms. At first sight, the levels around 50 points could be considered an improvement compared to the past quarters, but we should keep in mind that the monthly data has shown a decrease industrial activity in recent months. Hence stagnation, in this case, means that the continuation of this contraction is likely in the near future.

The survey results indicate a gradual drying up of orders. Domestic markets have already been weak for a year at least while export demand started to deteriorate in the summer as the partner economies themselves began suffering from demand problems. The domestic inflation and the inflation-generated wage pressure erode the competitiveness of domestic firms, which is compounded by drastically rising energy prices and high interest rates. The worldwide monetary tightening, the drop in global trade turnover and especially the plummeting demand for motor vehicles (an area where Hungary has comparative advantage) do not help either.

Due to the sluggish demand (which is by now the principal hindrance for the enterprises), the respondents definitely do not plan to expand their workforce in the next six months. Yet, the labor shortage is still widespread in manufacturing, even if it is milder now than it was before. The capacity utilization rate is still about 70% while inventory levels have slightly increased.

On the whole, the respondent firms do not deem their own situation very threatening, which suggests that they have adapted to the uncertain business environment. The outlook is still less than encouraging – the firms are seemingly becoming exhausted by the economic fluctuations in recent years. The post-2020 recovery quickly lost momentum and the respondents deem the present outlook dim, even if there has been an improvement compared to the low point in the last winter. According to the confidence survey, the manufacturing firms do not expect significant positive changes during the rest of this year and the decrease in the stock of orders suggests that the first quarter of the next year will not be better either. The task at hand is to regain competitiveness but it is hard to achieve amid the still adverse





financing conditions. Also, the labor shortage may become acute again very fast.

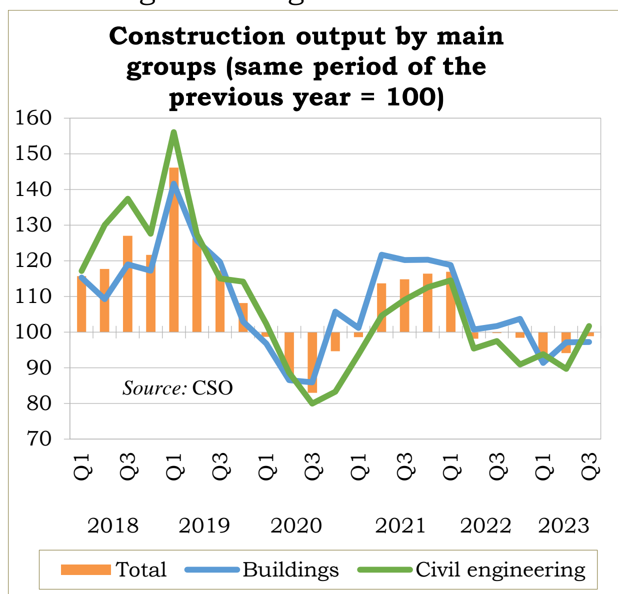
3.1.2. Construction

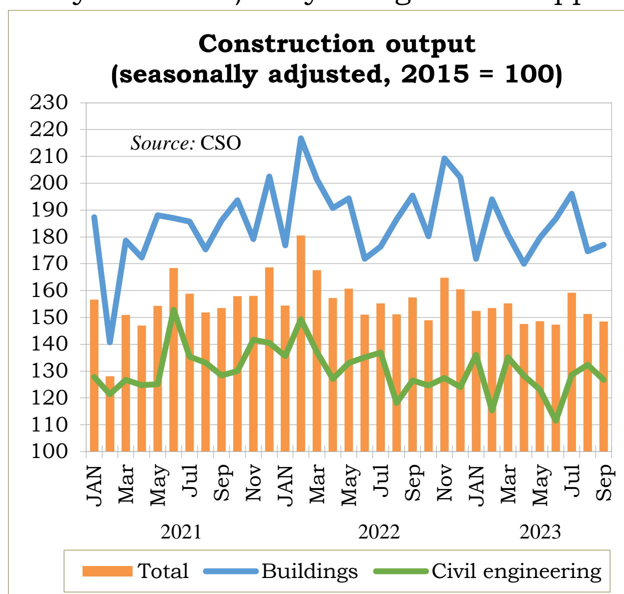
The construction output has been on a decrease this year, at an average rate of -4,7% in the first three months, although the pace of decline gradually decelated. by the end of September, there was no substantial difference between the pace of cumulative decrease in the two main groups of construction: the much steeper fall in civil engineering in the second quarter was offset by a slight year-on-year growth in the third quarter. Still, the the seasonally adjusted fixed-base data suggests a continuing downward trend in civil engineering and a somewhat more ambiguous trend in the case of the construction of buildings.

By now, insufficient demand is clearly the main hindering factor for construction enterprises. The *stock of orders* was down 31% in September from the level seen in the same months of the previous year. The drying up of orders is especially drastic in civil engineering, with a 43% year-on-year drop in September. Civil engineering suffers heavily from the freeze in ***public investments***, a response to the worsening fiscal strain. But the fiscal tightening also hit an important segment of the construction of buildings – the housing construction sector – as well, through the shrinking support of housing construction and renovation.

According to the *iBuild* database, the second quarter saw a continuing decline in the volume of newly started construction projects in building construction while – due to two more significant road building projects in Eastern Hungary – the volume of newly started civil engineering projects actually increased in the second quarter. This may have contributed to the slight uptick in civil engineering output in the third quarter.

But even so, the construction firms remain pessimistic, which is not surprising in the light of the data on the stock of orders. The downturn in the sector is becoming protracted, which already caused an elevated number of liquidations and – at least according to the payroll statistics – a decrease in the number of employees. These development pose the risk of an erosion of the existing construction capacities. We expect the construction output to fall by **5-6%** in **2023**. But an upturn is highly unlikely even in **2024** – a continuation of output fall, even if at a slower pace is a more plausible perspective. (Based on the plunge in the stock of orders, even the possibility of a worsening of the negative trend cannot be entirely excluded.) Only a large-scale support





program (e.g. a new housing renovation subsidy scheme) could substantially improve the outlook but such a program is unlikely, due to the severe fiscal problems.

3.1.3. Housing construction

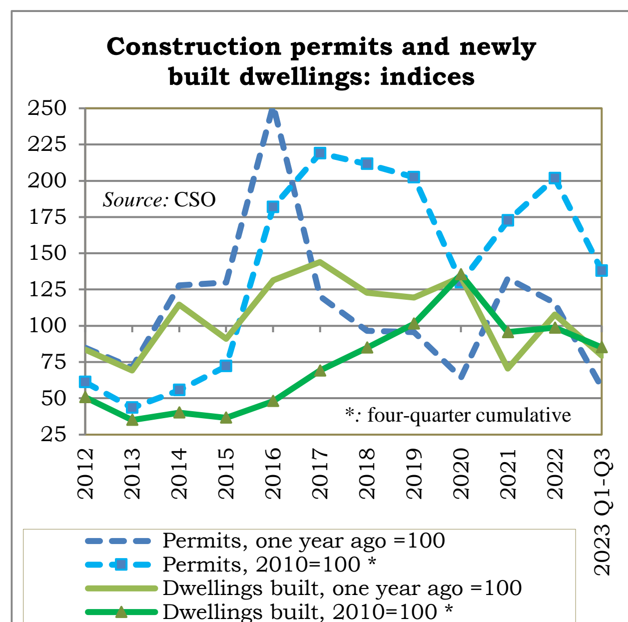
After the modest growth in 2022, the number of new dwellings built steadily and substantially fell in the first three quarters of this year – on a three-quarter average, by 20.6%. Both business enterprises and households reduced their construction activity, even if the number of dwellings built by the latter only started to decrease in the second quarter. The number of construction permits/notifications is on a freefall: in the first three quarters, the cumulative rate of decrease was 43%.

According to the data provided by the iBuild database, the outlook remains gloomy. The nominal value of the *multi-dwelling* housing construction projects starts decreased in both the first and the second quarters, even if the pace of decrease decelerated in the second quarter.

At present, the housing sector suffers from both the lack of demand and the unfavorable financing conditions. Demand was hit by the phasing-out of an important housing support scheme in 2022. The existing support schemes will be curtailed from 2024. On the other hand, a new preferential credit scheme ("CSOK plusz") will be introduced in 2024, but its reach may prove limited to a relatively wealthy minority. Therefore, it is unlikely to provide the boost necessary to generate an upturn in housing construction activity.

At the same time, the labor and material costs continue to pose a problem for the housing construction sector since the prices of newly built dwellings have been rising at a slower pace than the building costs for four quarters.

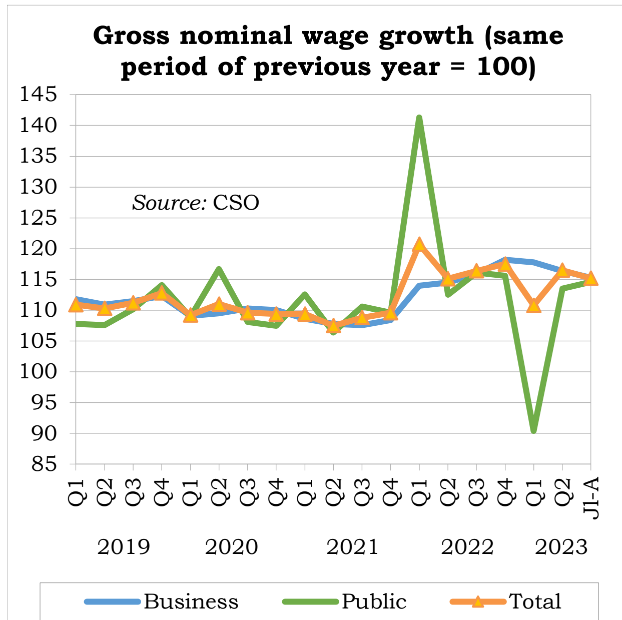
As a result, the contraction of housing construction is likely to continue in 2024.



3.2. The final use of GDP

3.2.1. Household income, consumption and savings

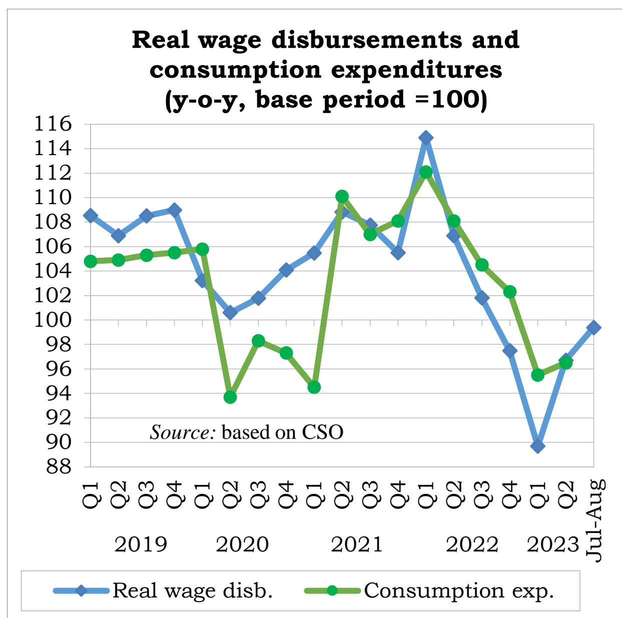
While the cumulative growth rate of **nominal wages** is slower than it was in 2022, primarily due to a large-scale one-off payment to the armed forces in February 2022, the skyrocketing inflation dwarfs the effect of this nominal slowdown. The inflation rate, while gradually decreasing since January, still surpassed 20% in the second quarter. As a result, real wages fell by a cumulative **6.4%** in January-August, even though in August alone the rate of decrease was only 1%. The cumulative decrease was especially steep in the public sector. *Real median wages* fell at a milder pace (by 4.8%) in the first eight months, as the payment to the armed forces in 2022 had only a small effect on the median wage level.



Since the number of employees continued to rise at a slow pace even amid the recession, ***real wage disbursements*** contracted at a smaller pace than average real wages, **by 5.9%**, in January-August.

The fall in real wages led to a decrease in ***private consumption expenditures***, but at a surprisingly mild pace, by 4.5% in the first quarter and 3.5% in the second. Amid a 7.4% fall of real wage disbursements in the first half of the year, real consumption expenditures decreased by only 4%. Furthermore, the gap between the pace of decrease in consumption expenditures and the pace of decrease in *real retail trade turnover* widened spectacularly in the second quarter. The jump in *spending abroad*, including shopping tourism trips abroad due to the high domestic inflation, may serve as a partial explanation to this puzzle.

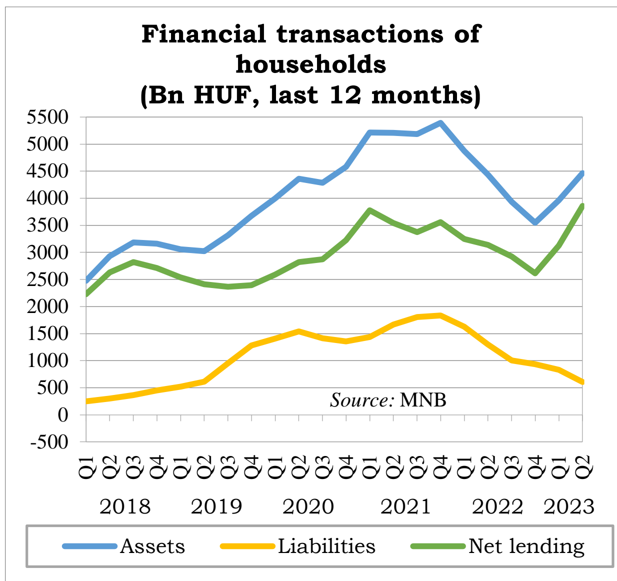
Since the volume of social transfers from the government to households grew significantly in both the first and second quarter, overall private consumption only fell by 2.7%, on average, in the first half of 2023.

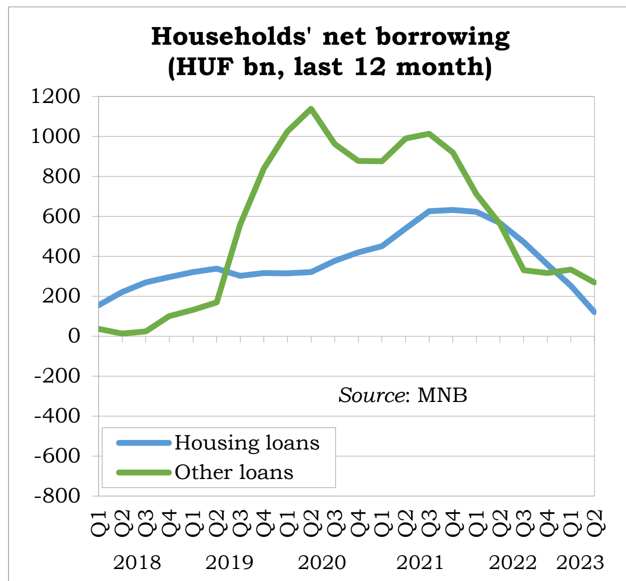


In the second half of the year, the pace of consumption decrease will slow down as the decline of real wages, after almost coming to a halt by August, will start to increase on a year-on-year basis from September. But we expect that growing real wages will not immediately lead to an increase in consumption – the growth rate may remain close to zero even in the fourth

quarter. As a result, annual consumption expenditures are likely to decrease by **1.5% in 2023** compared to the previous year.

Households' nominal ***net financing capacity*** rose at a steep pace in the first two quarters on an annual basis, amid growing gross savings and falling net borrowing. In the second quarter, the nominal four-quarter cumulative level of net financing capacity surpassed all previous records. This increase in net savings, amid decreasing household incomes, necessarily increased the pace of decline in household demand. The balance of loan transactions decreased primarily in the case of housing loans – the decrease was milder, and temporarily even halted in the first quarter, in the case of other loans. The four-quarter cumulative ***savings rate*** (as a percentage of GDP) soared from 3.9% at the end of 2022 to 4.6% in the first quarter and 5.5% in the second. The non-cumulative savings-to-GDP ratio, on the other hand, was as high as 10% in the second quarter.





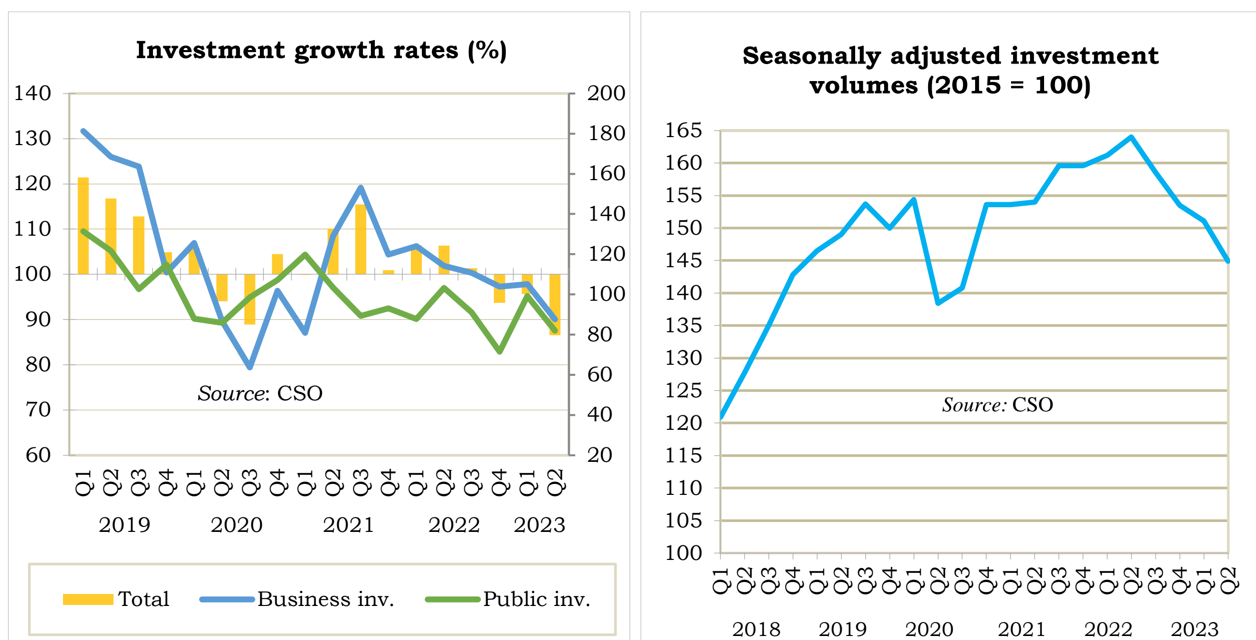
3.2.2. Investment

The volume of investments started to decrease in the last quarter of 2022 and the decrease continued in the first two quarters of this year. What is more, the rate of decline decelerated to 13.5% in the second quarter, resulting in a cumulative 9.6% fall in the first half of 2023. Investments declined in all three sectors – businesses, the public sector and the residual sector consisting of households, nonprofits and micro and small enterprises – in both quarters. On a quarter-on-quarter basis, the investment volume has been decreasing at a steep pace for three consecutive quarters now and dropped to a low level not seen since the Covid crisis in the second quarter.

Investments are hindered by various factors. The drastic cuts in public investment expenditures continues amid the fiscal strain and the reactivation of the excessive deficit procedure in the EU from 2024. The cuts have an adverse impact on a number of economic industries that are dependent on orders from the state. Another factor is the drop in EU-financed projects, due to the ongoing uncertainty about whether and when the frozen EU funds will be ultimately released. While decreasing since the peak in January, interest rates are still high, which results in the decrease in the firms' demand for new investment loans. The sharp drop in domestic demand has reduced the willingness of domestic-oriented firms to invest. The high interest rates, the reduction of support for housing purchases and renovations, along with the decrease in household incomes, probably led to a significant fall in household investments, even if there is no direct data available on the household sector.

In the first half of the year, almost three-fourth of economic industries saw a contraction of investments – in several industries, the pace of decrease exceeded 20%. A growth of investments was recorded in 5 industries – one of them is *manufacturing*, the economic industry that has the largest weight in overall investments. In addition, the first half saw positive growth in the energy sector and the water-wastewater sector, while the largest state-dependent sector, transport, posted a drop in investments.

It should be noted that the growth in manufacturing is far from universal: more than half of the manufacturing branches saw a fall in investments, while dynamic growth was



recorded in the auto industry and – albeit at a decelerating pace, due to the completion of several large development projects – in electrical industry.

The investment outlook remains gloomy. A segment of the business sector may become more optimistic with the revival of domestic demand, but such a revival is not likely before the fourth quarter. There is no substantial improvement on the horizon regarding state investments (including EU-cofinanced and domestically financed projects) and a substantial housing support scheme that could give a boost to housing investments is out of reach now, due to the fiscal constraints. Still, the year-on-year growth rates may start to improve as the volume of investments reaches its cyclical low point in the second half of 2023.

On the whole, we expect annual investments to decrease by about **8%** this year, followed by stagnation of some modest growth in 2024.

3.2.3. External trade

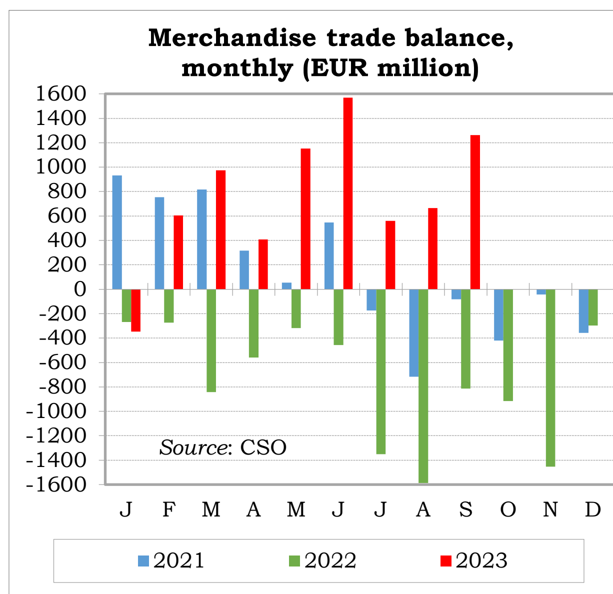
While the external trade position began to improve in the second half of the last year, the improvement dramatically accelerated in 2023. As opposed to the first half of the last year when the stimulus measures generated an import growth that exceeded export growth, now a positive gap opened wide between the export and import growth rates. This gap in favor of the export growth rates, however, has more to do with weak imports than buoyant export growth.

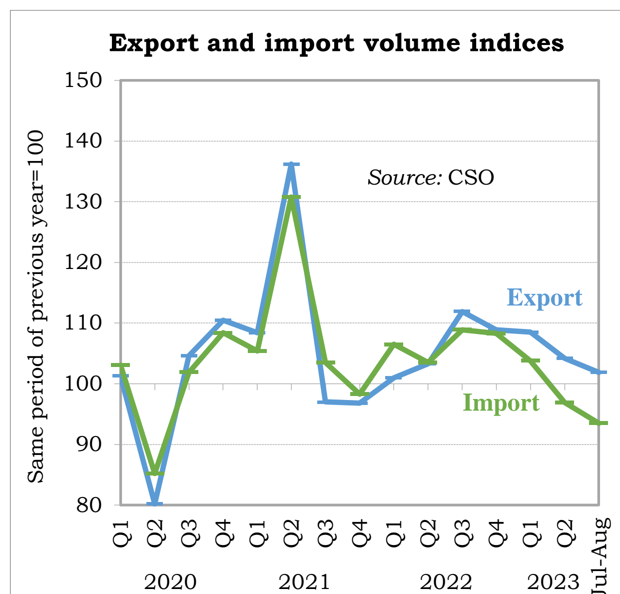
The primary driver of export growth is the export of machinery and transport vehicles while exports tended to decrease in the other commodity groups (save fuels). But even the growth in machinery and transport equipment export has been decreasing in the subsequent quarters, due to which overall export growth almost came to a standstill by July-August (and possibly started to decrease in September). On the other hand, from the second quarter, fuels were the only commodity group where import could grow – the imports of the other commodity groups contracted at an accelerating pace, a result of plummeting domestic demand.

The effect of falling import and still growing export was combined with a *trade of terms improvement* that started in January and got more and more substantial from quarter to quarter. As a result, the cumulative trade *surplus* in January-September reached EUR 6.8 billion, as opposed to the EUR 6.5 billion *deficit* in the same period of the last year.

This means a dramatic turnaround in the deteriorating trend that lasted from 2017 to 2022. The question is, how long the present improvement can last. Toward the end of the year, the fall in domestic demand, along with the drop in import, will decelerate. At the same time, a reacceleration of export growth seems less likely now than a quarter ago, due to the worsening of the European economic outlook. At the same time, the pace of the terms-of-trade improvement may slow down as the year-on-year decrease in energy prices abate.

In the light of these factors, the growth in the trade surplus is likely to slow down in the last quarter. The annual surplus may hit EUR 6.5-7.5 billion in 2023.



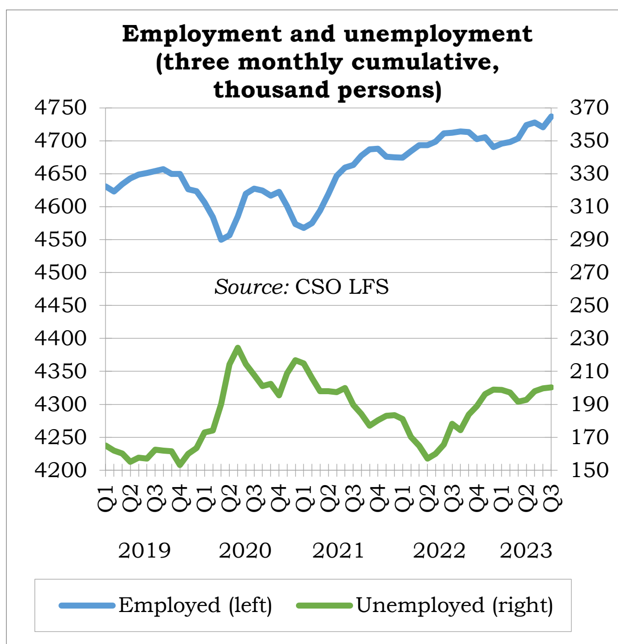


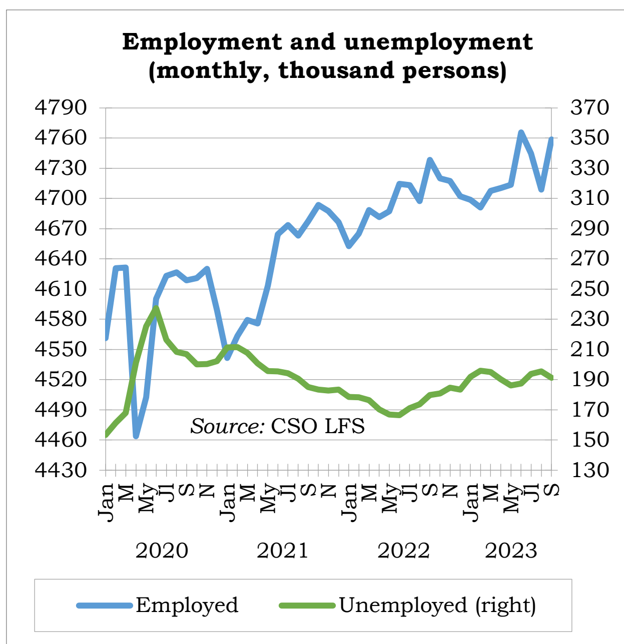
3.3. Employment, unemployment

According to the *labor survey data*, the employment situation **continued to improve** so far, despite the recession. The number of employed kept growing, even if the growth rate was only 0.4% in the third quarter. While the number of public workers continues to decrease, the number of those working abroad keeps growing. As a result, the number of those employed on the domestic primary (open) labor market is still on the rise as well, although the growth rate was only 0.3% in the third quarter.

The recession and the fall in domestic demand was reflected in the rise in the *number of unemployed*. The growth rate was quite substantial, 12.5%, in the second quarter but moderated to 6.4% in the third quarter. The *unemployment rate* has remained largely stable, however, because the *rate of activity* has also risen on an annual basis – it surpassed 67% in the second and third quarters. As a result, the overall number of those *not working* has decreased, despite the rising number of unemployed. (The pool of potential labor reserve – that is, the potentially employable segment of the non-working – has slightly increased, however.)

While the year-on-year decrease in GDP slowed down considerably in the third quarter and will probably turn into a slight positive growth in the fourth, the labor market may give a delayed response to this economic turnaround. Therefore, we do not expect an acceleration in the number of employed before 2024. This acceleration, however, will be muted at best, due to the already high level of employment, the low unemployment rate and the continued (albeit less acute) presence of labor shortage. The unemployment may be 4-4.1% in 2023 and slightly decrease in the next year.

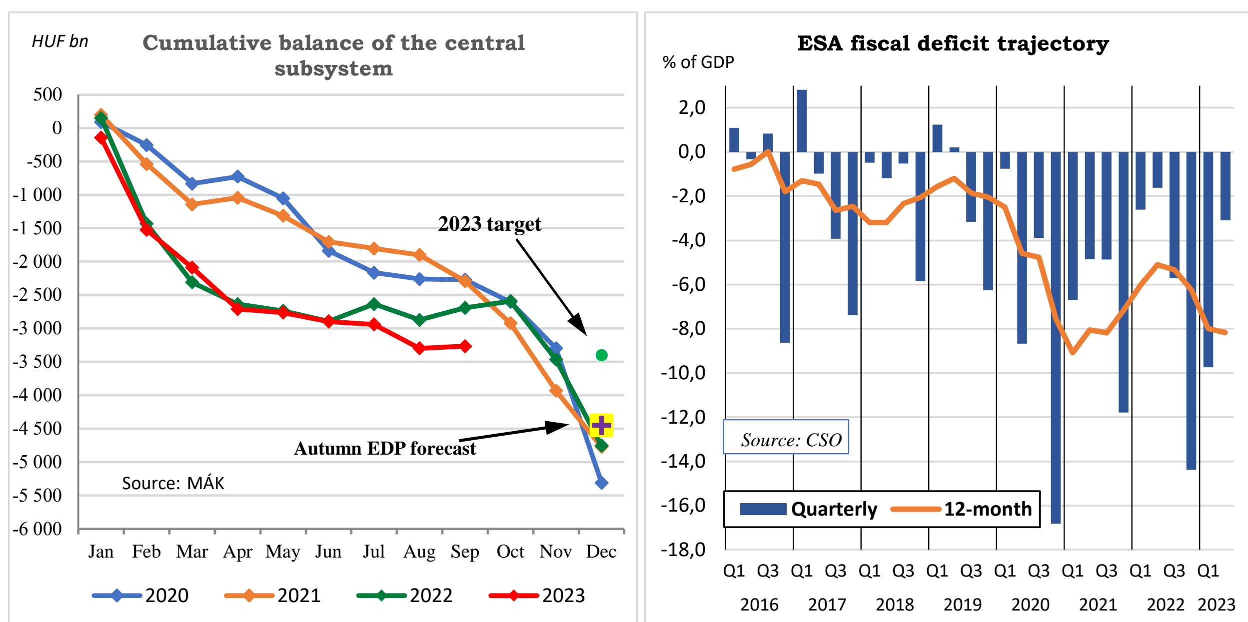




3.4. Fiscal, monetary and financial developments

3.4.1. Fiscal developments

The **cash-flow deficit of the central subsystem** reached HUF 3,265 billion, 96% of the annual deficit target by the end of September. The cumulative nine-month deficit was 21% higher than in the same period of the previous year, as opposed to the amended 2023 budget that aimed at *reducing* the cash-flow deficit this year. The **accrual-based** fiscal balance was also unfavorable: the cumulative deficit in the first half of the year reached 6.3% of GDP. The cumulative deficit of the four-quarter period ending in mid-2023 hit 8.2% of GDP, far higher than the official deficit target set at 3.9%.

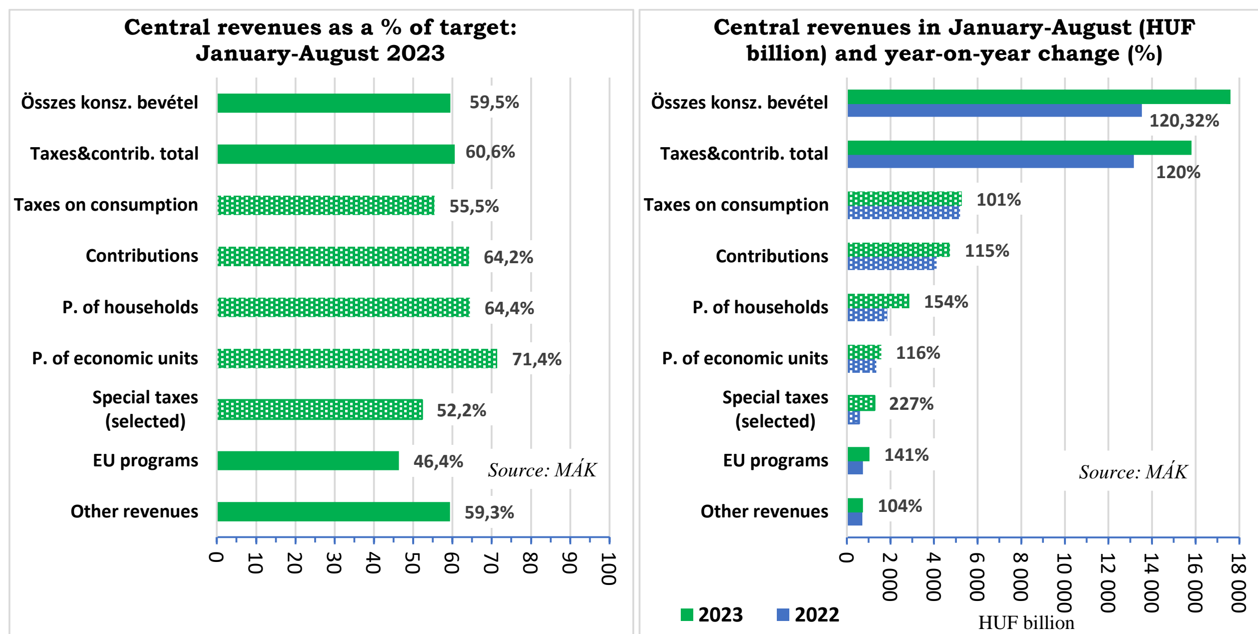


Although during the summer the government floated the idea of a determined fiscal intervention to bring the deficit back under control, finally it decided to **raise the deficit target**. In its *autumn EDP report*, the government raised its cash-flow deficit forecast from HUF 3,400 billion to HUF 4,450 billion, and the ESA deficit target rose from 3.9% to 5.2% of GDP. Formally, the elevated deficit is still lower than the 2022 outcome. But last year the expenditures related to a one-off event, the replenishment of gas reserves; without this expenditure item, the 2022 deficit would have been only 4.9% of GDP. Thus, the new deficit target actually envisages a deterioration of fiscal balance.

The following is an overview of the principal revenue and expenditure items, based on the cash-flow data on the *first 8 months*.

The **consolidated revenues** of the central subsystem at the end of August made up 59.5% of the yearly target, which is quite below the pro rate ratio (67%). The shortfall was visible on a year-on-year basis as well: the nominal consolidated revenues were only 20% higher than in the same period of 2022, while the annual target envisages a nominal growth of almost 26%. Revenues from taxes and contributions, the principal revenue sources, amounted to nearly 61% of the yearly target. This ratio is lower than in January-August 2022, despite the fact that revenues in the last year were lowered by the one-off large-scale *PIT tax rebate*, while the *extraprofit* taxes, in effect from January 2022, only marginally helped the revenue inflow before the second half of the year. The tax

revenuues, if the sectoral special taxes are not included, made up less than 62% of the annual target. If we adjust the revenues for the special tax inflows and the effects of the 2022 PIT tax rebate, the **tax revenue shortfall** was HUF 950 billion in the first 8 months.

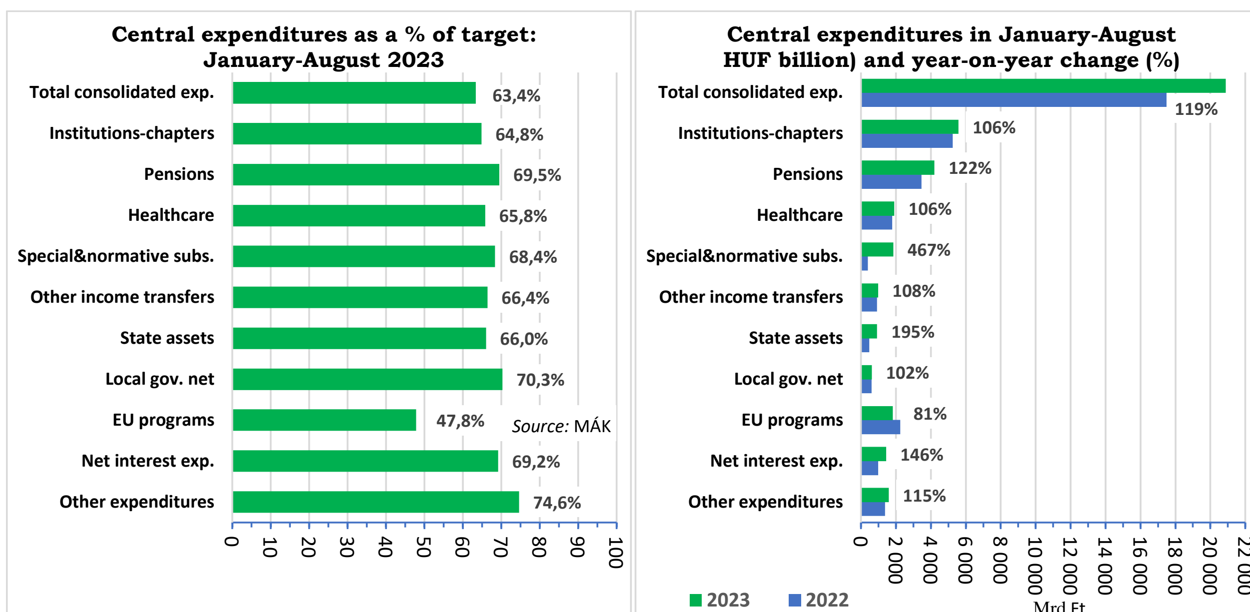


Note: The fiscal numbers show the partially consolidated revenues, adjusted for the principal transactions *within* the central subsystem.

What is the most striking is the underperformance in the inflow from **taxes on consumption**, especially *value added tax*. The VAT revenues grew only by 0.1% in January-August while the budget envisaged a year-on-year rise of 16%. This shortfall reflects, apart from the slowdown in nominal retail turnover grwth, an unusually high rate of VAT rebates. There is a shortfall in revenues from *PIT* and *social security contributions* as well, even though it is less drastic than in the case of VAT inflow.

Although the inflow from **EU subsidies** was more than 40% higher in the first 8 months than one year earlier, it is still only amounts to 46% of the yearly target. Usually, the bulk of EU subsidies arrives toward the end of the year, but this year, the annual sum is likely to fall short of the target, due to the protracted suspension of payments from the Recovery Fund and under the Multiannual Financial Framework 2021-2027. It should be noted that the delays in the inflow of EU funds do not directly affect the accrual-based fiscal balance.

The consolidated **expenditures** of the central subsystem in the first 8 months amounted to only 63% of the yearly target, but this shortfall is less substantial than on the revenue side. On an annual basis, the nominal expenditures were up 19%, as opposed to the 16% envisaged in the budget. The faster-than-expected growth is mostly due to **temporary**, one-off and seasonal effects. For example, the energy price support to households, classified as part of the specific and normative subsidies, are "frontloaded" as they are aligned with the heating season. The purchase of an ownership share in the telecommunication firm Vodafon (a part of the "expenditures related to state property" bracket) is a one-off expenditure item.



The higher-than-pro rate outflow in *net interest expenditures* is also partially due to a change in the expenditure trajectory. Still, considering the dramatic gap between the outcome in the January-August period (46% growth versus the 12% envisage in the budget) and the fact that the autumn EDP report raised the yearly interest expenditure target, we expect an interest **expenditure overshoot** of HUF 200 billion (nearly 0.3% of GDP) in 2023. The supplementary *raise of pensions* which compensates for the higher-than-expected inflation will also lead to a spending overshoot of HUF 190 billion. In the other items of primary expenditures, an additional overshoot of 0.1% of GDP is likely, mostly related to *housing subsidies*.

The largest expenditure item, the **net expenditures of central budgetary institutions and chapter-administered appropriations**, by contrast, remained remarkably moderate, with a nominal growth of merely 6% in the firmst 8 months. While the related spending made up 65% of the yearly budget – very close to the pro rata ratio – the ratio drops to 55% if we include into the yearly target the part of the *fiscal reserves* that is usually spent for the professional chapter-administered appropriations. Based on the numbers gleaned from the Hungarian Gazette, The part of the expenditures from the *Utility Protection Fund* that targets economic units *outside the household sector*, much of which is included into the expenditure bracket under consideration, reached only 51% of the annual target *by the end of September*. This expenditure shortfall points to an annual **expenditure saving** of HUF 250-300 billion by the end of the year. If expenditures are kept under control during the rest of the year, further substantial savings are possible. The scope of possible savings, however is limited by the fact that much of the expenditures under this bracket are usually concentrated at the end of the year, partially due to the invoice payment schedule.

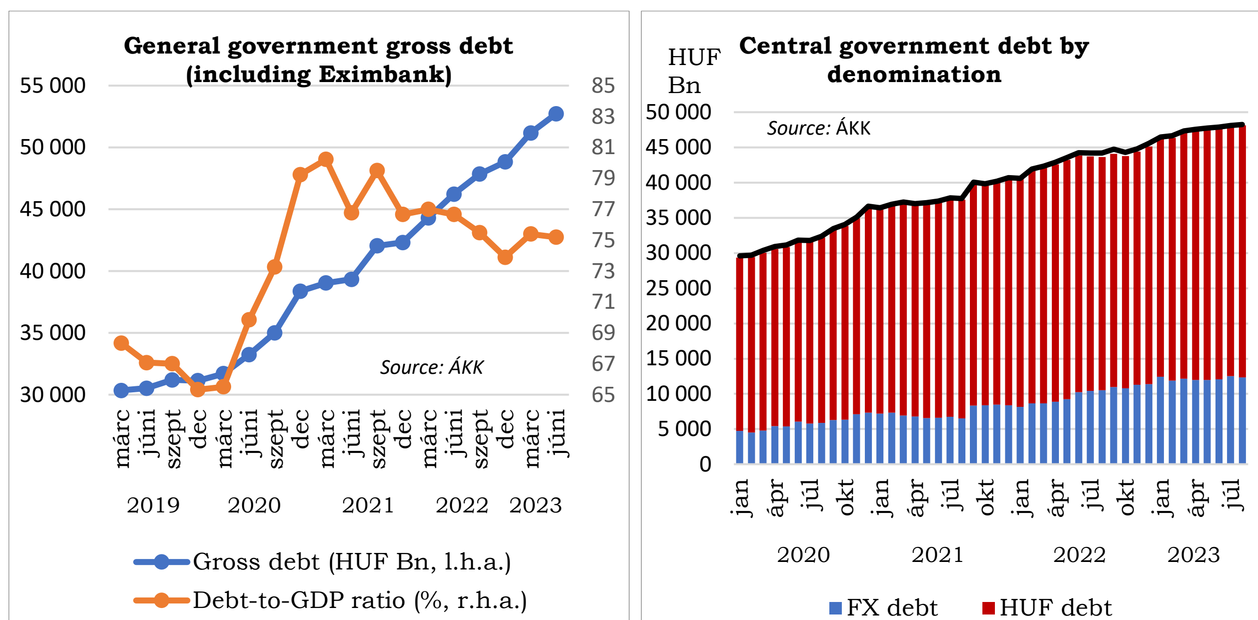
By the end of August, the government spent more than HUF 1,800 billion on **EU programs**, which is 48% of the annual target and constitutes a 20% drop compared to the same period of 2022. Apparently, the government responds to the uncertainties regarding the EU subsidies by slowing down the projects. Even if the delays in the EU programs affect the accrual-based balance only marginally, they can reduce the financing need of the government.

The **Kopint-Tárki** predicts an annual accrual-based fiscal deficit of about **2.5% of GDP** in **2023**, which implies that the raised fiscal deficit target can be actually achieved. The original target, on the other hand, will be exceeded by 1.3 percentage points, mostly due to the tax revenue shortfall and – to a much lesser degree – to some expenditure overshoot. We took into account that the combined *balance of local governments* may be better than expected, and also kept in mind the negative fiscal impact of the *nominal revision of GDP data*. There are mostly **negative risks** to our forecast. The revenue shortfall may prove larger than assumed if the consumption and income growth rates do not improve during the rest of the year. The moderate outflow of professional chapters-related expenditures, on the other hand, create some positive risks and may provide some wiggle room to reduce the deficit.

In **2024**, the **deficit may drop to 3.7% of GDP** without additional fiscal measures. This prediction exceeds the official target by 0.8 percentage point, which is due to the tax revenue shortfall in 2023, our less optimistic *macroeconomic* forecast and the higher-than-planned *interest expenditures*. A part of the additional deficit coming from the factors above will be offset by the *new measures* that have been decided since the 2024 budget act was passed (i.e. tax on carbon dioxide quota, raise of road tolls) and the statistical base effect that will improve the balance of *local governments*. Since the ECB has approved the planned amendment of the law on the central bank, we do not longer include the cost of recapitalizing central bank losses into our deficit calculation. The tax revenues and the interest costs are the areas which pose a negative risk to our 2024 prediction. Some positive risk is attached, on the other hand, to the expenditures of the Utility Protection Fund and the National Defense Fund.

Government debt

In the first half of 2023, **gross government sector debt** rose nominally by HUF 3,900 billion (by 8%), about 38% of which was due to increases outside the central budget. It is worth noting that in the official debt forecast attached to the 2024 budget, items *outside the central subsystem* may increase the overall stock of debt by 3 percentage of GDP.



The state **debt-to-GDP ratio** rose from 73.9% in last December to 75.2% by the middle of this year, but it was still lower (by 1.5 percentage points) than in the middle of the last year. The dynamic growth in nominal GDP continues to support the decrease in the debt-to-GDP ratio. We **predict** the debt ratio to fall to 71.9% by the end of this year and to about 70% by the end of 2024. On the other hand, the *autumn EDP report* still envisages a debt ratio below 70% by the end of this year, despite the downward revision of the nominal GDP trajectory and the raise of the financing need of the central budget by HUF 700 billion. Based on the available information, we cannot corroborate this official projection.

Within the central government debt, the **share of FX debt** reached 25% by the end of 2022, a rise of more than 4 percentage points compared to the end of 2021. From 2023, the Government Debt Management Agency (ÁKK) raised the ceiling of the FX debt ratio to 30%, to ensure the necessary financing flexibility. Between January and August, the ratio fluctuated between 25% and 27% but jumped to 27.1% in September, due to a large-scale FX bond issuance and the weakening of the forint.

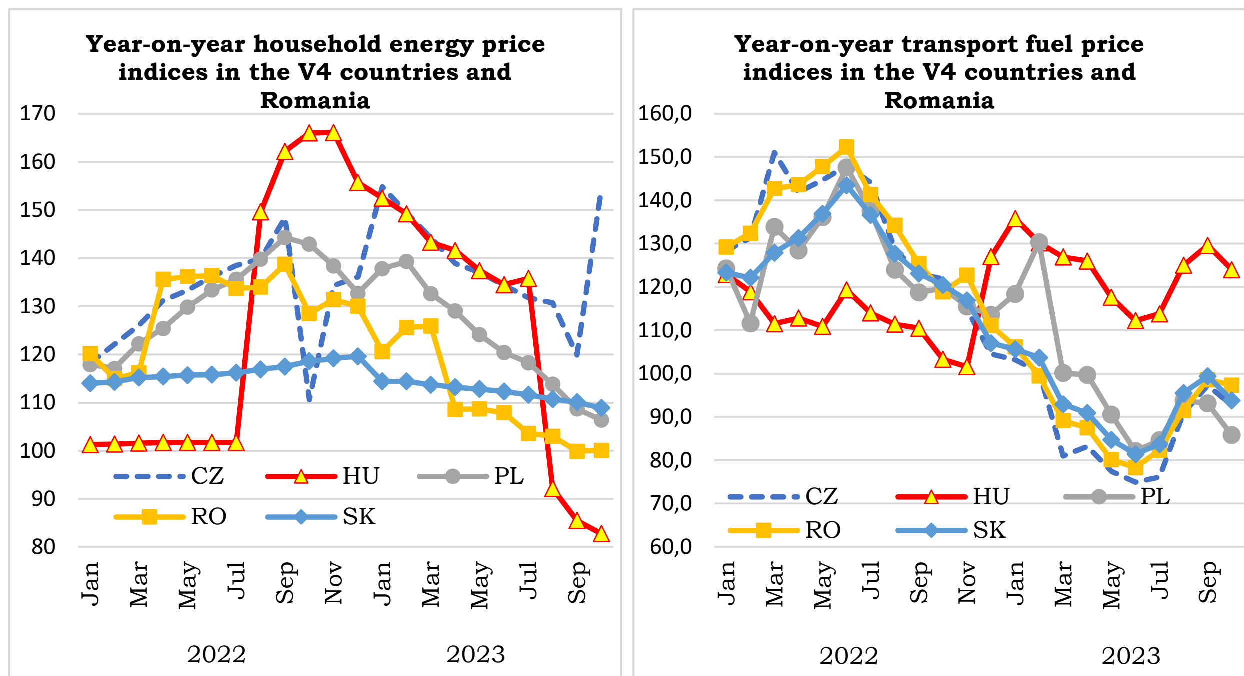
3.4.2. Inflation

In the first 10 months of 2023, Hungarian consumer prices were 19.8% higher than one year ago. This is not only the highest inflation rate in the EU27 but stands out globally as well (provided that only the economies on solid footing are taken into account). During the course of the year, the year-on-year inflation rate was steadily decreasing, from the 26.4% in January to 9.9% in October, and this downward trend is likely to continue in the coming months.

The monthly year-on-year indiced are heavily affected by the statistical base effect, due to the extreme fluctuations in 2022. Since in the first half of the last year inflation remained relatively moderate (even if accelerating), at an average rate of 9.4%, the monthly indices in the first half 2023 were extremely high, with an average rate of 23.6%. The second half of 2022, by contrast, was characterized by skyrocketing inflation, driven, among others, by the sudden and large-scale raises of regulated household energy and fuel prices: household energy prices in August and motor fuel prices on the 6th of December.

Due to the carry-over effect, the Hungarian energy price index became the highest in the EU. From September (or, according to the HICP calculation by the Eurostat, already from August), the low household energy price before the hike was no longer in the statistical base, which substantially reduced the energy price index from then on. The fuel price index, on the other hand, will remain high the whole year (or, more precisely, until 6. December 2023), due to the statistical base effect.

Price indices of household energy and motor fuels in the V4 countries and Romania



Source: Eurostat, Economy and Finance, Prices, [prc_hicp_manr]

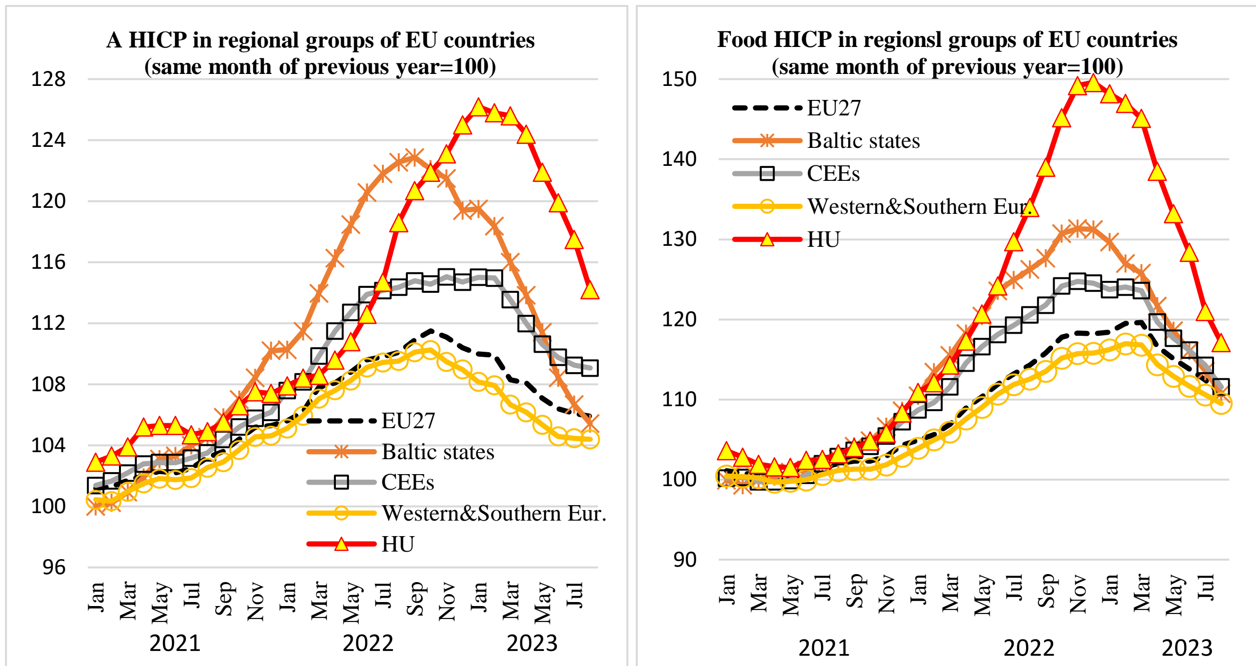
The country groups displayed:

- Baltic states (3): Estonia, Latvia, Lithuania
- Central Eastern European countries (6): Czechia, Poland, Slovakia, Romania, Bulgaria, Croatia

- Western and Southern European countries (17): Austria, Belgium, Cyprus, Denmark, Finland, France, Greece, Netherland, Ireland, Luxembourg, Germany, Malta, Italy, Portugal, Spain, Svédország, Slovenia

In the first 10 months of 2023, the cumulative price index was outstanding in the case of foods (29.9%) and alcoholic and tobacco products (16.4%). The trend was moderating for both commodity groups but the inflation rate levels remained high throughout the first three quarters.

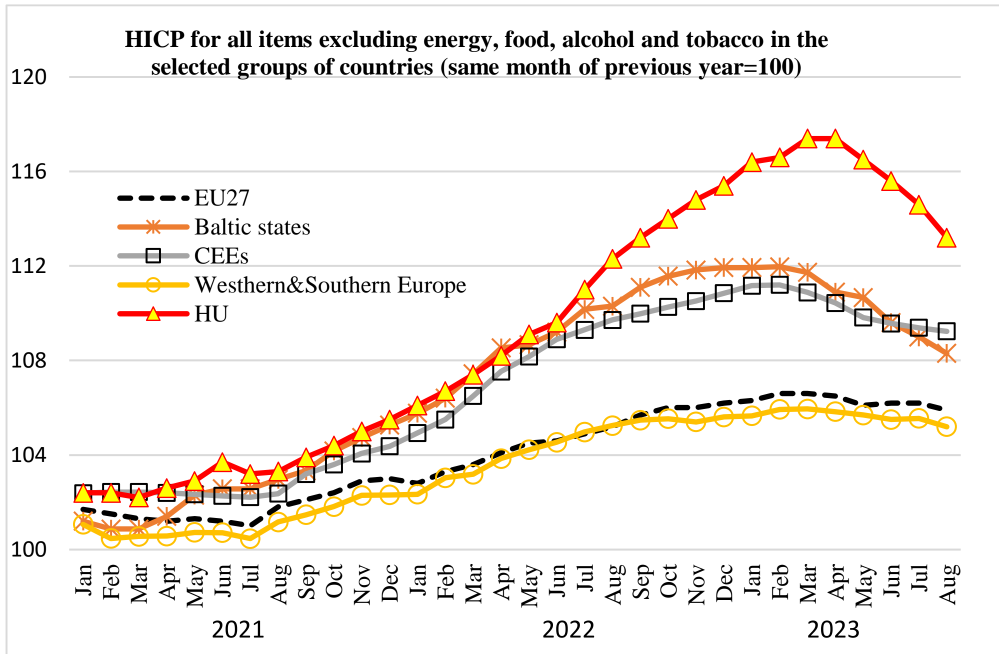
HICP and the food price index in groups of EU member states



Source: Eurostat, Economy and Finance, Prices, [prc_hicp_manr]

Actually, the Hungarian price index was the highest – or among the highest – in the EU in almost all groups of goods and services in the first half of 2023. Out of the 12 HICP categories created by the Eurostat, the Hungarian price index was the highest in 9 in the first 8 months of the year (1. food products, 2. alcoholic and tobacco products, 5. furnishing and household maintanance, 6. healthcare, 7. transport, 8. communication, 9. recreation, 11. tourism accommodation and food service, 12. other). There was only 3 commodity group where Hungary was not the first in the inflation ranking.

This suggests that the Hungarian economy suffered not just from the drastic price hike in certain groups of goods and services but from a generally strong inflationary tendency which affected virtually all commodity categories. This fact cannot be discussed separately from the outflow of HUF 2,000 billion purchasing power before the 2022 elections which made it impossible to prevent the further inflationary hike in an already inflationary situation. The first signs of moderation occurred as late as at the end of 2022 and early in 2023, due to the statistical base effect and the decrease in consumer demand. In the first half of 2023, the retail trade turnover dropped by more than 10% (in the second quarter alone, by 11.4%), which is noteworthy even if the GDP data shows only a 4% fall in consumption expenditures in the first half (and 3,5% in the second quarter alone).

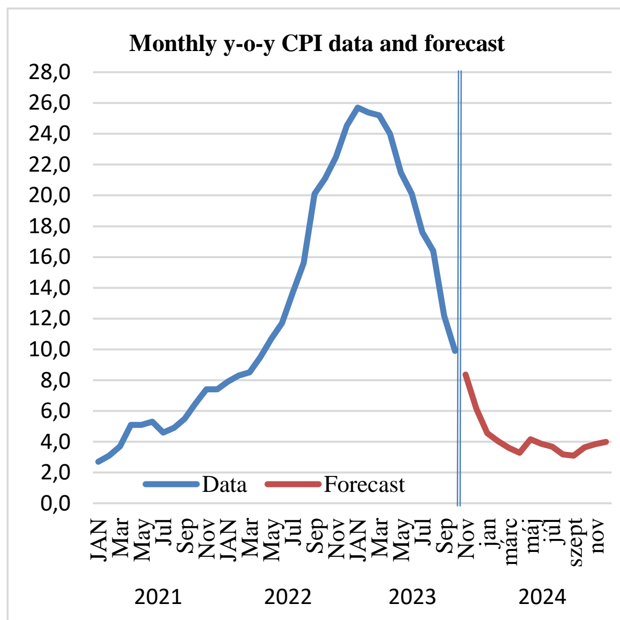


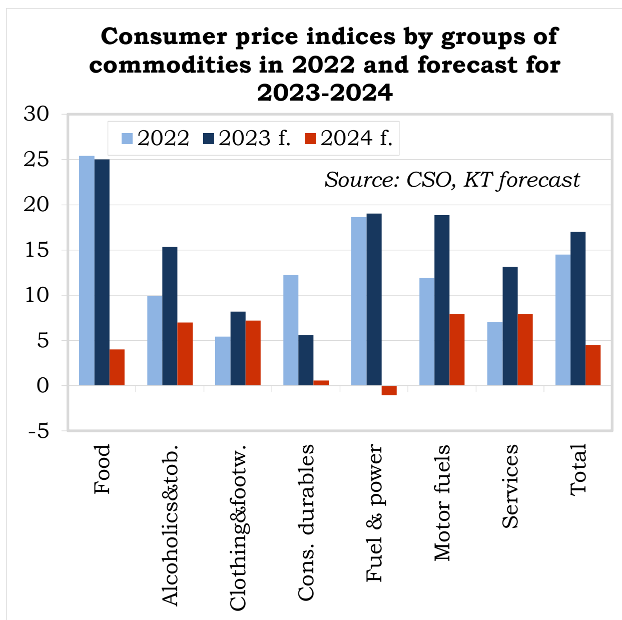
Source: Eurostat, Economy and Finance, Prices, [prc_hicp_manr]

The Kopint-Tárki predicts and annual inflation rate of 17.5% for 2023, which is a downward revision of 0.5 percentage points compared to our August forecast. The downward correction is due to the lower-than—expected inflation rates in September and October, primarily a result of the month-on-month decrease in the food price level. The year-on-year price index already dipped below 10% in October.

The downward trajectory of inflation in 2023 is approximately axially symmetric to the upward trajectory seen in 2022, with the peak level in January 2023 (at almost 26%) serving as the axis.

In 2024, the annual inflation may decrease to 4.5%. A steeper disinflation could be conceivable, but the raise of the special taxes slapped on retail firms and the introduction of package fee, along with the excise tax hike on fuels will give another inflationary boost at the start of the next year.

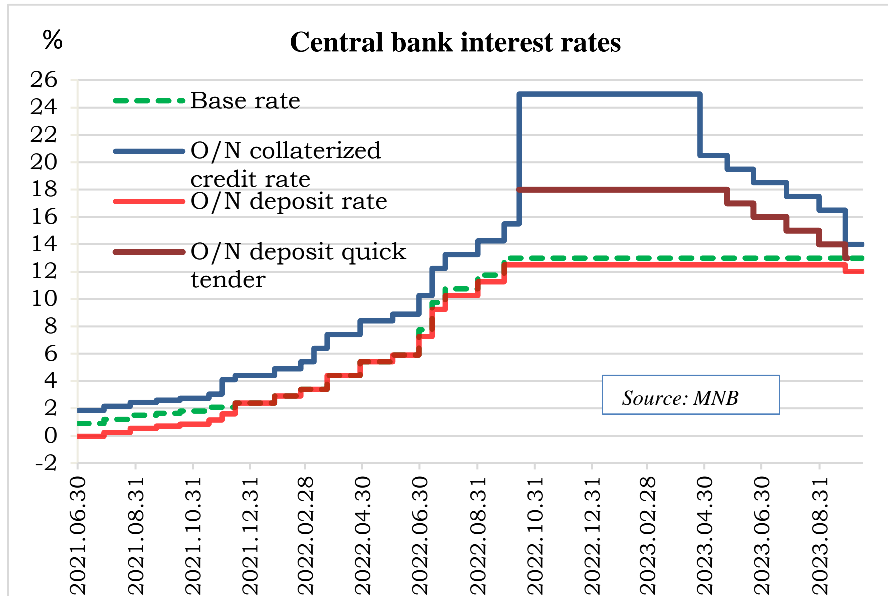




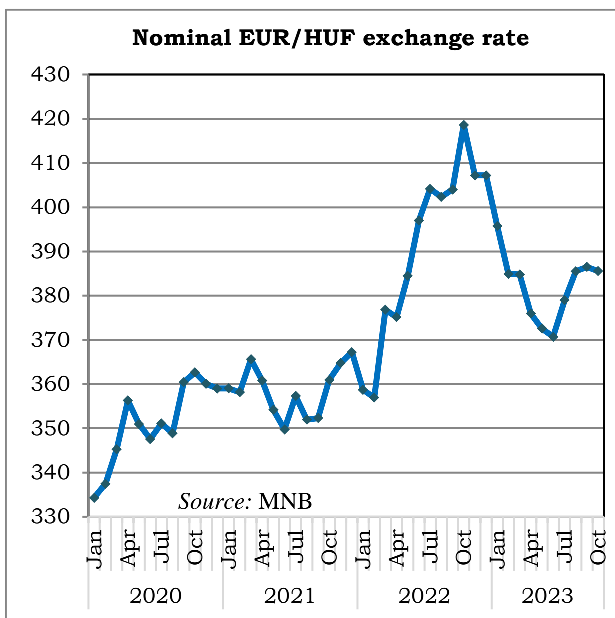
3.4.3. Financial and capital markets

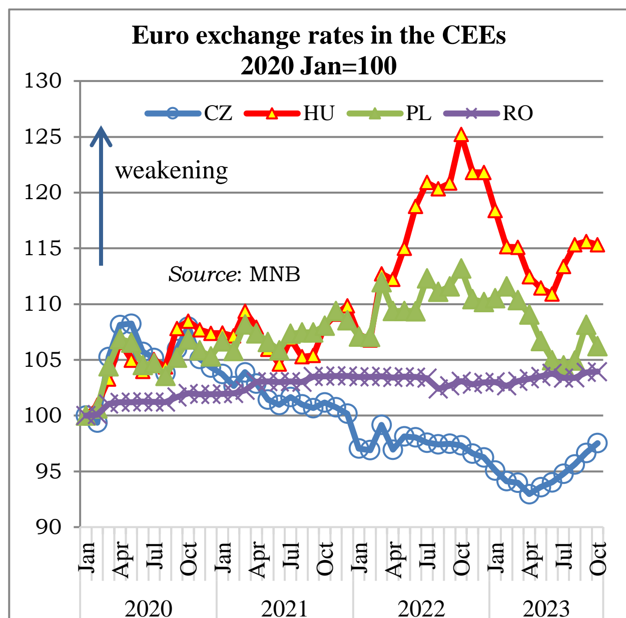
Central bank interest rates and the exchange rate

As inflation gradually moderated, the **central bank** set to decrease its **reference rate** in May 2023. The overnight deposit tender (which then served as the reference rate) was reduced in 5 steps by 500 basis points by the end of September to *13% and became identical with the base rate*. As a result, from then on, the base rate again became the actual reference rate, and the monetary policy toolkit has been simplified. In October, the base rate itself was reduced to 12.25% and due to the ongoing disinflation, further decreases are in the horizon.



Due to the high interest rate levels, the monthly average exchange rate of the **forint** strengthened against the **euro** by 10% between December 2022 and June 2023, basically eliminating the effect of the weakening spell during the last year. From July, the trend changed direction and by September the forint weakened by more than 4



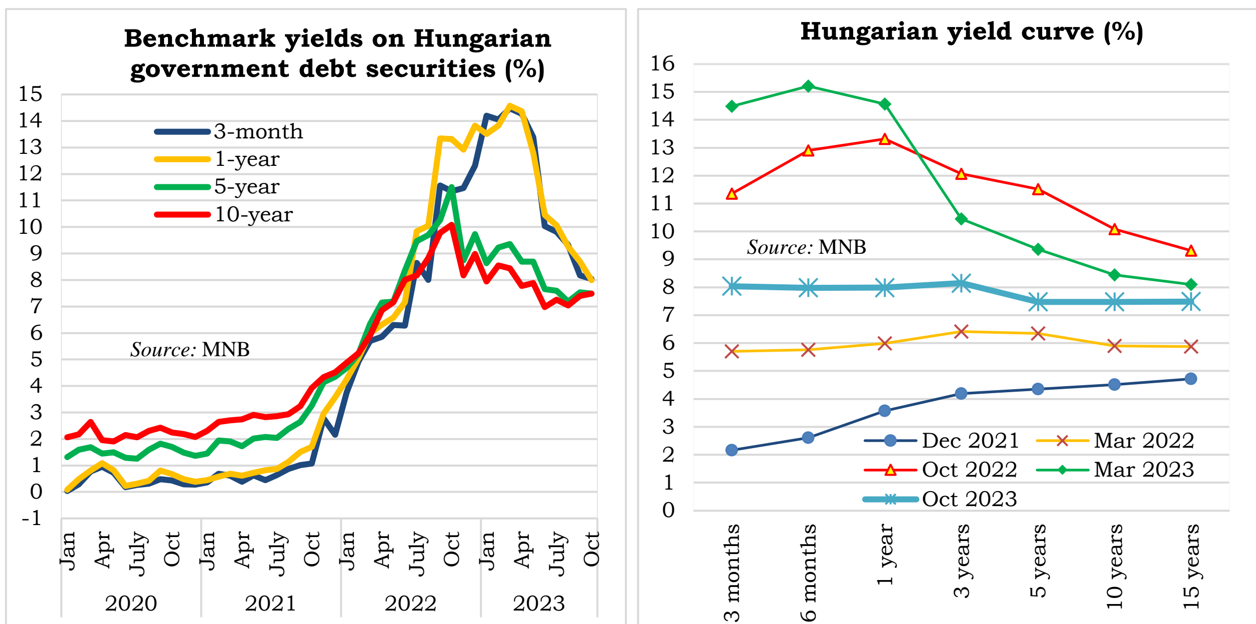


percentage points – by then, the bilateral exchange rate rose to highs seen in February. But a part of this weakening was reversed again during October and November. While the trajectory of the forint spectacularly diverged – negatively – from the **other currencies in the region**, the forint appreciated relative to them in the first half of this year. The third quarter saw a partial reversal of this strengthening, albeit the unexpectedly steep rate cut by the Polish central bank in September rattled the exchange rate of the zloty (and, to a degree, the Czech koruna as well).

The recent fluctuations of the forint exchange rate reflected a series of domestic and external factors. In the meanwhile, the Hungarian interest rate level remained attractive, even though the interest rate premium has decreased. The narrowing of the interest rate advantage was partially due to the continuing *interest rate hikes* by the most prominent central banks. Since the record high interest rates in Hungary had attracted a considerable amount of **hot money** during the first half of the year, now the decrease in the interest rate premium makes the forint exchange rate especially volatile and increases the investors' risk aversion, thereby pushing the forint toward depreciation.

Government yields and lending rates

Following the steep rise in 2022, **government benchmark yields** have started to decrease basically at every maturity by the second quarter of this year. On the short end of the yield curve, the rise was more pronounced and lasted longer then in the case of long yields, but after peaking, the subsequent drop was faster as well. This pattern is in line with the *typical shifts within the yield curve* during the descending period of the inflationary wave.

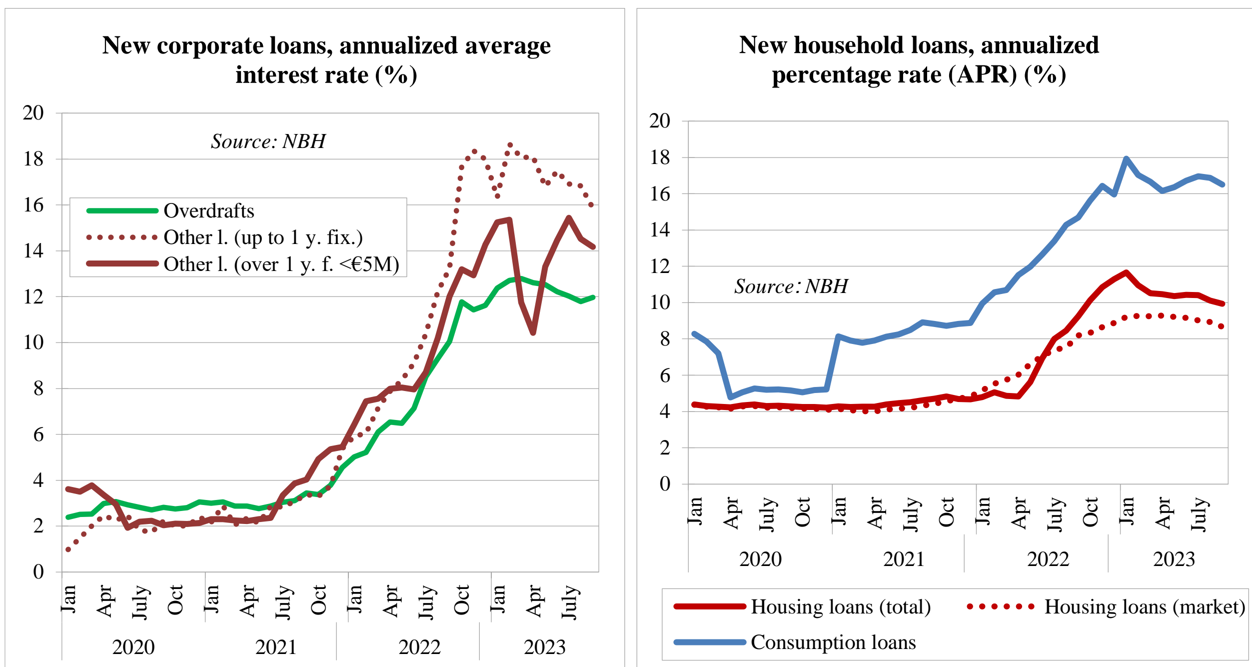


The 3-month and 1-year benchmark yields peaked in March 2023 above 14%, after a rise of 1,200 and 1,100 basis points, respectively, from the end of 2021. During the subsequent 6 months, they dropped by roughly 6.5 percentage points. The 5-year and 10-year yields, on the other hand, peaked much earlier, in *October 2022* ath 11.5% and 10.1%, respectively. During the subsequent 12 months, they fell by 4 and 2.6 percentage points, respectively. The 3-month yield almost hit 8% by October, a level

last seen in the late summer of 2022, while the 10-year yield hit 7.5% by the end of October, last seen in May-June 2022.

The yield decrease **temporarily accelerated in June**, due to the government *measures* aiming at strengthening the demand for government securities. The downward trend is likely to continue in the case of short yields, while the drop in the long yields has apparently come to a halt for now, mostly due to the *global rise in long yields*.

The decrease in the reference rate and benchmark yields was only partially reflected in **forint denominated lending yields**. Interest rates typically peaked in the first quarter, after a severe rise, but the decrease afterward has remained underwhelming so far. The *overdraft rate* for **businesses** – which is important for current asset financing – was 12% at the end of October, only marginally lower than at its peak in March (and *higher* than in December 2022), although it remained below the voluntary interest rate cap on business loans (12%), required by the government. The *other business loans* has shown great volatility. The rate of loans with floating rates or rate fixation up to 1 year



decreased by 2.1 percentage points from last December by October but hardly dipped below 16%. In the case of loans up to EUR 1 million with over 1 year fixation, the rate was 14.2% in October, basically the same as in last December. While the volume of **new business loans** rose by 5% in the first half of 2023, the volume of new *HUF denominated* loans dropped by 27%.

The APR of **household** loans for consumption stood at 16.5% in end-October, only 1.4 percentage points lower than at its January peak and somewhat higher than in December 2022. The *housing loan* APR dipped to 9.9% by October from the 11.3 recorded at the end of December. This average decrease mostly came from *subsidized* loans where much of the costs are borne by the state. The APR of *market-priced* housing loans was 8.7% in October, slightly higher than the *voluntary interest rate cap* (set by the government at 8.5% for household loans). The elevated cost of borrowing dealt a severe blow to household lending: in the first half of the year, **new household loans** decreased by almost 50% on an annual basis while in the case of new housing loans, the overall volume fell to one-third of the level seen in the base period.

Economic Indicators 2015-2022, forecast 2023-2024 (percentage change)

	2015	2016	2017	2018	2019	2020	2021	2022	2023*	2024*
GDP AGGREGATES, ANNUAL REAL GROWTH										
GDP total	3.7	2.2	4.3	5.4	4.9	-4.5	7.1	4.6	-0.5	2.5
Domestic Demand	2.0	1.8	5.7	7.1	7.1	-2.6	6.3	3.7	-4.3	2.3
Private Consumption	3.6	4.1	4.5	4.1	4.5	-1.8	4.0	6.4	-1.5	2.2
Public Consumption	1.3	0.5	3.8	4.3	9.5	3.9	2.5	0.4	-1.0	0.0
Gross Capital Formation	-1.6	-3.5	10.1	15.9	12.0	-6.9	13.0	-0.1	-9.5	4.0
of which: Fixed Capital Formation	4.9	-10.6	19.7	16.3	12.8	-7.1	5.8	0.1	-8.6	4.0
Export	7.4	3.8	6.5	5.0	5.4	-6.1	8.3	12.6	1.6	2.8
Import	5.7	3.5	8.4	7.0	8.2	-3.9	7.3	11.6	-2.6	2.5
PRODUCTION INDICES										
Agricultural Production (gross)	-2.5	9.4	-4.1	2.6	-0.1	-2.4	-0.7	-18.2	40.0	0.0
Industrial Production	7.4	0.9	4.6	3.5	5.6	-6.0	9.5	6.1	-4.1	4.0
Retail Trade Volume	5.8	4.8	5.6	6.7	6.3	-0.1	3.7	5.0	-7.0	4.0
EMPLOYMENT, EARNINGS										
Number of Employed	2.7	3.4	1.5	1.3	0.8	-0.9	0.7	1.3	0.5	0.7
Unemployment Rate	6.6	5.0	4.0	3.6	3.3	4.1	4.1	3.6	4.1	3.8
Gross Nominal Wages [a]	4.3	6.1	12.9	11.3	11.3	9.8	8.9	17.4	15.0	10.0
Net Real Wages [a]	4.4	7.4	10.3	8.3	7.6	6.3	3.6	2.5	-2.1	5.3
PRICES, EXCHANGE RATES										
Consumer Price Index	-0.1	0.4	2.4	2.8	3.4	3.3	5.1	14.5	17.5	4.5
EUR/HUF Exchange Rate (annual average)	310	311	309	319	325	351	359	391	385	385
EUR/USD Exchange Rate (annual average)	1.11	1.11	1.13	1.18	1.12	1.14	1.18	1.05	1.07	1.08
Short-term Interest Rates (3M), eop	0.80	0.06	-0.01	0.00	-0.01	0.28	2.16	12.32	7.0	5.0
Long-term Interest Rates (10Y), eop	3.33	3.16	2.02	3.01	2.01	2.08	4.51	8.98	7.0	5.5
BALANCE OF PAYMENTS										
Current and Capital Accounts, % of GDP	6.9	4.5	2.8	2.4	1.1	1.0	-1.7	-6.2	-0.5	1.0
GOVERNMENT BUDGET										
General Government Balance, ESA-95, % of GDP	-1.8	-1.7	-2.4	-2.0	-2.0	-7.5	-7.1	-6.2	-5.2	-3.7
Gross Government Debt, % of GDP [b]	75.8	74.9	72.1	69.1	65.3	79.3	76.7	73.9	71.9	70.5

a As of 2019, the data encompass all employers; as for the preceding years, only the enterprises employing at least 5 persons, budgetary institutions and the non-profit organizations that are significant in terms of employment are included.

b Including the balance sheet of Eximbank

* Kopint-Tárki forecast

Source: CSO, MNB

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