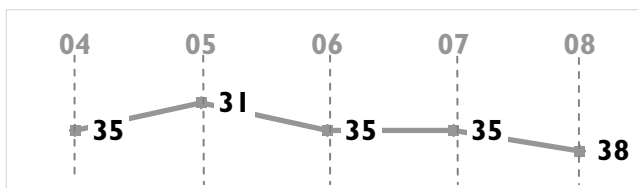


# HUNGARY

## OVERALL PERFORMANCE



## CHALLENGES IN 2008

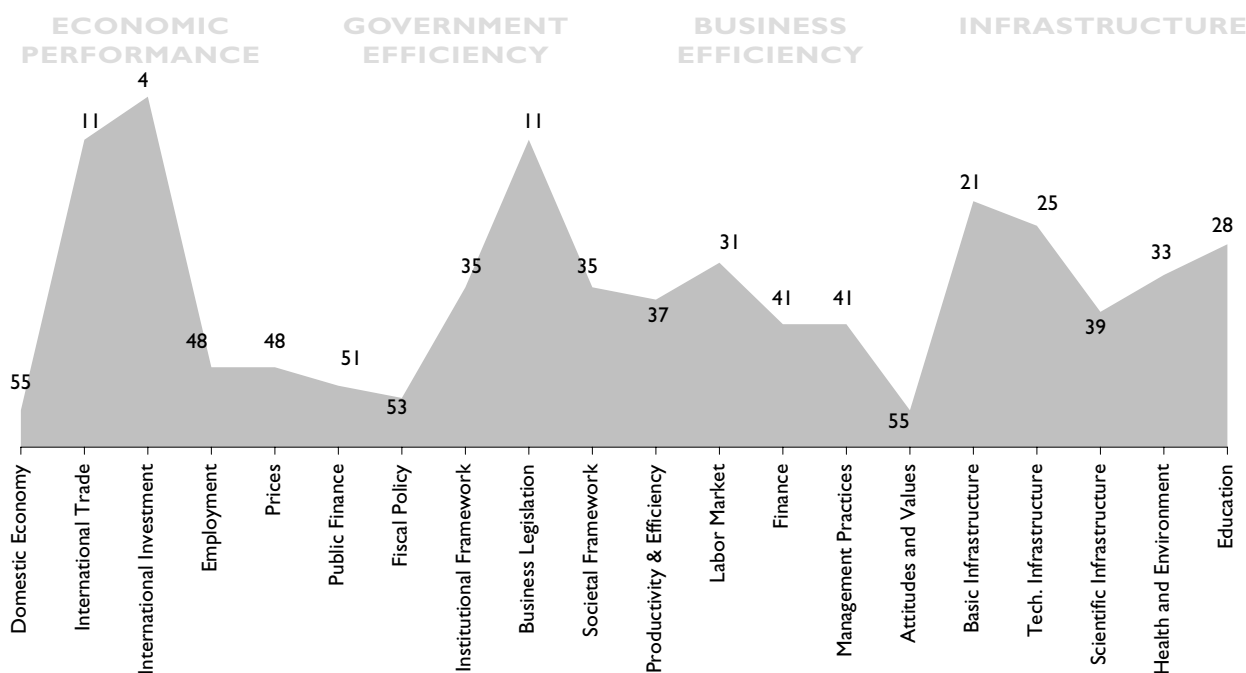
- Attain macroeconomic stability through the reduction of public expenditure.
- Improve incentives to work in the welfare system.
- Reform the tax system to promote growth and reduce tax evasion.
- Cut red tape and improve the quality of legislation.
- Use the EU structural funds to maximum effect.

**Provided by :**  
ICEG European Center

## BASIC FACTS

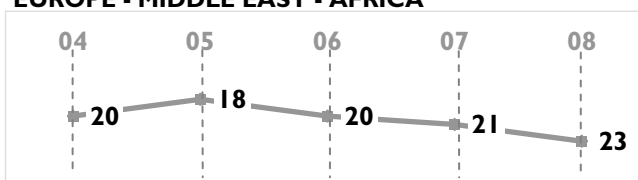
		Rank
Capital	Budapest	
Land area (km <sup>2</sup> '000)	93.0 (2007)	-
Exchange rate (per \$)	183.83 (2007)	-
Population (millions)	10.07 (2007)	36
GDP (\$ billions)	138.0 (2007)	45
GDP (PPP) per capita (\$)	18,509 (2007)	32
Real GDP growth (%)	1.3 (2007)	55
Consumer Price Inflation (%)	7.9 (2007)	49
Unemployment rate (%)	7.4 (2007)	35
Labor force (millions)	4.24 (2007)	38
Current Account Balance (%)	-5.0 (2007)	39
Direct Investment		
Stocks Inward (\$ billions)	117.0 (2006)	23
Flows Inward (% of GDP)	16.4 (2007)	4

## COMPETITIVENESS LANDSCAPE

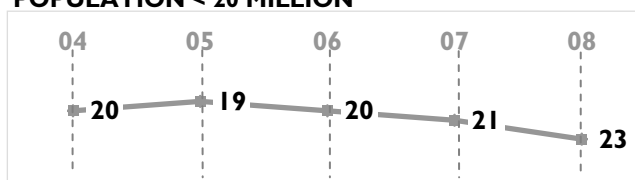


## PEER GROUP RANKINGS

### EUROPE - MIDDLE EAST - AFRICA



### POPULATION < 20 MILLION



The criteria below highlight the 15 greatest Improvements and the 15 biggest Declines in the overall performance of the economy. They are determined by the largest percentage changes in the value of each criterion from one year to the next.

## IMPROVEMENTS

		WCY 2007	WCY 2008
1.3.03	<b>Direct investment stocks abroad</b> US\$ billions	7.84	47.58
1.3.08	<b>Direct investment stocks inward</b> US\$ billions	61.89	116.96
3.3.13	<b>Stock market capitalization</b> % of GDP	21.34	37.16
2.1.02	<b>Government budget surplus/deficit</b> % of GDP	-9.22	-5.49
1.3.01	<b>Direct investment flows abroad</b> US\$ billions	16.39	22.85
1.2.10	<b>Exports of commercial services</b> US\$ billions	13.19	16.73
1.2.07	<b>Exports of goods</b> US\$ billions	75.26	94.16
1.2.02	<b>Current account balance</b> % of GDP	-6.49	-5.01
1.1.19	<b>GDP per capita</b> US\$ per capita	11,196	13,707
4.4.12	<b>Energy intensity</b> Commercial energy consumed for each dollar of GDP in kilojoules	12,075	9,839
4.2.08	<b>Computers per capita</b> Number of computers per 1000 people / Source: Computer Industry Almanac	261	306
1.3.02	<b>Direct investment flows abroad</b> % of GDP	14.52	16.55
4.2.09	<b>Internet users</b> Number of internet users per 1000 people / Source: Computer Industry Almanac	389.51	443.29
3.4.02	<b>Ethical practices</b> are implemented in companies (Survey)	4.09	4.64
2.3.05	<b>Central bank policy has a</b> positive impact on economic development (Survey)	5.18	5.84

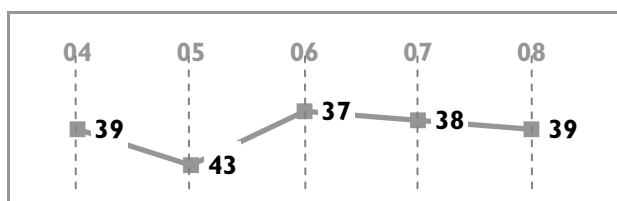
## DECLINES

		WCY 2007	WCY 2008
1.5.01	<b>Consumer price inflation</b> Average annual rate	4.0	7.9
1.1.13	<b>Real GDP Growth</b> % change, based on national currency in constant prices	3.9	1.3
1.1.14	<b>Real GDP Growth per capita</b> % change, based on national currency in constant prices	4.08	1.43
4.5.15	<b>Economic literacy among the population is generally</b> high (Survey)	4.96	2.88
2.3.07	<b>Policy direction of the government</b> is consistent (Survey)	4.61	2.72
2.3.10	<b>Government decisions</b> are effectively implemented (Survey)	4.17	2.50
3.5.05	<b>The need for economic and social reforms</b> is generally well understood (Survey)	4.17	2.80
1.1.18	<b>Resilience of the economy to economic cycles</b> is strong (Survey)	4.18	2.88
2.2.13	<b>Real corporate taxes</b> do not discourage entrepreneurial activity (Survey)	5.22	3.60
2.5.04	<b>The risk of political instability is very</b> low (Survey)	5.22	3.76
4.1.16	<b>Maintenance and development of infrastructure</b> are adequately planned and financed (Survey)	4.87	3.60
2.3.13	<b>The public service</b> is independent from political interference (Survey)	2.70	2.00
2.3.15	<b>Bribing and corruption</b> do not exist (Survey)	3.22	2.40
2.3.08	<b>The legal and regulatory framework</b> encourages the competitiveness of enterprises (Survey)	5.13	3.84
2.3.12	<b>Transparency of government policy</b> is satisfactory (Survey)	3.48	2.64

# HUNGARY



## ECONOMIC PERFORMANCE



Sub-Factor Rankings :	2008
Domestic Economy	55
International Trade	11
International Investment	4
Employment	48
Prices	48

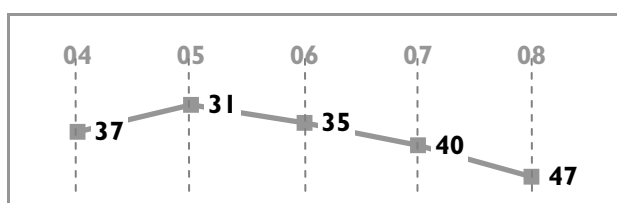
### Strengths

1.3.02	Direct investment flows abroad	Percentage of GDP	2
1.3.07	Direct investment flows inward	Percentage of GDP	4
1.3.09	Direct investment stocks inward	Percentage of GDP	4
1.2.19	Terms of trade index	Unit value of exports over unit value of imports (2000 = 100)	7
1.2.18	Trade to GDP ratio	(Exports + Imports) / (2 x GDP)	8

### Weaknesses

1.1.13	Real GDP Growth	Percentage change, based on national currency in constant prices	55
1.1.18	Resilience of the economy to economic cycles	is strong (Survey)	54
1.5.01	Consumer price inflation	Average annual rate	49
1.1.14	Real GDP Growth per capita	Percentage change, based on national currency in constant prices	49
1.4.02	Employment	Percentage of population	47

## GOVERNMENT EFFICIENCY



Sub-Factor Rankings :	2008
Public Finance	51
Fiscal Policy	53
Institutional Framework	35
Business Legislation	11
Societal Framework	35

### Strengths

2.4.21	Immigration laws do not prevent your company from employing foreign labor	(Survey)	2
2.4.10	State ownership of enterprises is not a threat to business activities	(Survey)	2
2.2.08	Corporate tax rate on profit	Maximum tax rate, calculated on profit before tax	4
2.4.12	Product and service legislation does not deter business activity	(Survey)	5
2.4.05	Foreign investors are free to acquire control in domestic companies	(Survey)	5

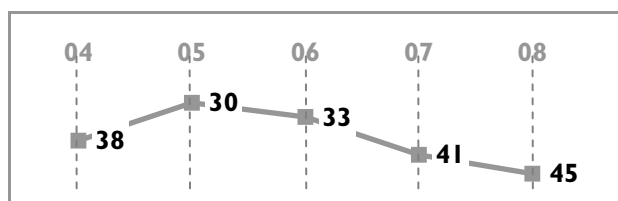
### Weaknesses

2.2.07	Effective personal income tax rate	Percentage of an income equal to GDP per capita	55
2.1.02	Government budget surplus/deficit	Percentage of GDP	54
2.5.04	The risk of political instability is very low	(Survey)	50
2.2.11	Employer's social security contribution rate	Compulsory contribution as a percentage of an income equal to GDP per capita	49
2.1.07	Central government foreign debt	Percentage of GDP	48

# HUNGARY



## BUSINESS EFFICIENCY



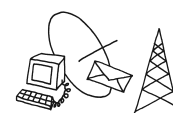
Sub-Factor Rankings :	2008
Productivity & Efficiency	37
Labor Market	31
Finance	41
Management Practices	41
Attitudes and Values	55

### Strengths

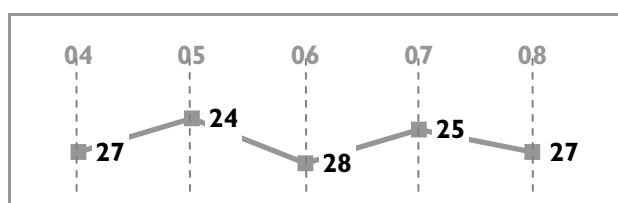
3.2.04	<b>Remuneration of management</b> Total base salary plus bonuses and long-term incentives, US\$	9
3.1.09	<b>Large corporations</b> are efficient by international standards (Survey)	12
3.2.03	<b>Remuneration in services professions</b> Gross annual income including supplements such as bonuses, in US\$	19
3.2.14	<b>Female labor force</b> Percentage of total labor force	19
3.3.09	<b>Banking regulation</b> does not hinder business development (Survey)	19

### Weaknesses

3.5.05	<b>The need for economic and social reforms</b> is generally well understood (Survey)	55
3.5.04	<b>Flexibility and adaptability of people</b> are high when faced with new challenges (Survey)	54
3.5.01	<b>Attitudes toward globalization</b> are generally positive in your society (Survey)	53
3.5.06	<b>The value system in your society</b> supports competitiveness (Survey)	53
3.4.09	<b>Social responsibility of business leaders</b> is high (Survey)	52



## INFRASTRUCTURE



Sub-Factor Rankings :	2008
Basic Infrastructure	21
Technological Infrastructure	25
Scientific Infrastructure	39
Health and Environment	33
Education	28

### Strengths

4.5.03	<b>Pupil-teacher ratio (primary education)</b> Ratio of students to teaching staff	2
4.2.06	<b>Communications technology (voice and data)</b> meets business requirements (Survey)	8
4.1.03	<b>Access to water</b> is adequately ensured and managed (Survey)	9
4.4.08	<b>Medical assistance</b> Number of inhabitants per physician and per nurse	11
4.2.13	<b>Information technology skills</b> are readily available (Survey)	11

### Weaknesses

4.4.19	<b>Sustainable development</b> is a priority in companies (Survey)	52
4.5.17	<b>Language skills</b> are meeting the needs of enterprises (Survey)	48
4.5.15	<b>Economic literacy among the population</b> is generally high (Survey)	48
4.4.04	<b>Health infrastructure</b> meets the needs of society (Survey)	45
4.1.16	<b>Maintenance and development of infrastructure</b> are adequately planned and financed (Survey)	41