



Magyar Nemzeti Bank

THE FIRST FOUR YEARS OF THE DECADE ARE IN THE BALANCE: CALENDAR YEARS 2020–2023

PERFORMANCE OF THE HUNGARIAN ECONOMY
IN REGIONAL COMPARISON

MNB Pareto In-depth Analyses

OUR KEY MESSAGES

- 

Hungary's recovery after the COVID crisis was faster than in the EU and comparable to the region. The multicrisis of 2022/2023 affected our country at sensitive points.
- 

Economic performance was driven by higher consumption but lower investment than the regional average. The labour market remained strong throughout.
- 

In terms of real economic indicators, Hungary has kept pace with the region by weakening our equilibrium positions.
- 

Both structural and cyclical factors have contributed to the overall deterioration in our relative development and relative productivity.
- 

Imbalances and competitiveness gaps have made the Hungarian economy more vulnerable to external shocks than other countries in the region.
- 

In the key areas of the new decade (knowledge capital, digitalisation, green energy), Hungary's performance is below the regional average.
- 

A return to a sustainable convergence path requires rebalancing and a full competitiveness turnaround.

SUMMARY TABLE

	2020-2021		2022-2023		2020-2023	
	Hungary	Regional average	Hungary	Regional average	Hungary	Regional average
Economic development						
GDP	1.3	1.2	1.8	2.7	1.6	2.0
Relative development ¹	+1.6	+2.4	+1.8	+2.5	+3.4	+4.9
Productivity	1.2	1.4	1.1	1.4	1.2	1.4
Growth structure						
Household consumption	1.8	1.1	2.5	2.3	2.2	1.7
Capital expenditure	-0.5	-0.5	-2.9	5.5	-1.7	2.5
Exports	1.9	2.9	6.2	5.1	4.1	4.0
Balance						
Inflation (HICP)	4.3	2.9	16.4	11.5	10.4	7.2
Current account balance ²	-2.7	-1.9	-4.1	-4.1	-3.4	-3.0
ESA balance ²	-7.4	-5.7	-6.5	-3.6	-7.0	-4.7
Primary balance ²	-5.1	-4.4	-2.7	-2.2	-3.9	-3.3
Public debt ^{1,2}	+11.4	+10.7	-3.2	-4.4	+8.2	+6.3
Labour market						
Unemployment rate	4.1	5.1	3.9	4.7	4.0	4.9
Employment rate	62.5	58.6	64.4	59.5	63.5	59.1
Real wages	4.9	2.6	0.1	-1.0	2.5	0.8

Note | Average annual changes, ¹cumulated percentage point change, ²as a percentage of GDP.
The countries in the region are the Czech Republic, Poland, Slovakia, Romania and Croatia. Source | Eurostat, HCSO

IT IS WORTH LOOKING AT THE PAST FEW YEARS IN PAIRS, AS THE IMPACT AND COUNTERACTIONS OF THE DETERMINING EVENTS ARE CLOSELY LINKED




Twin years 2020/21 and 2022/23



2020-2021

Coronavirus outbreak

and recovery

Central bank liquidity-
boosting programmes

and their phasing-out



2022-2023

Energy crisis, terms of trade shock

and its winding down

Agricultural drought damage

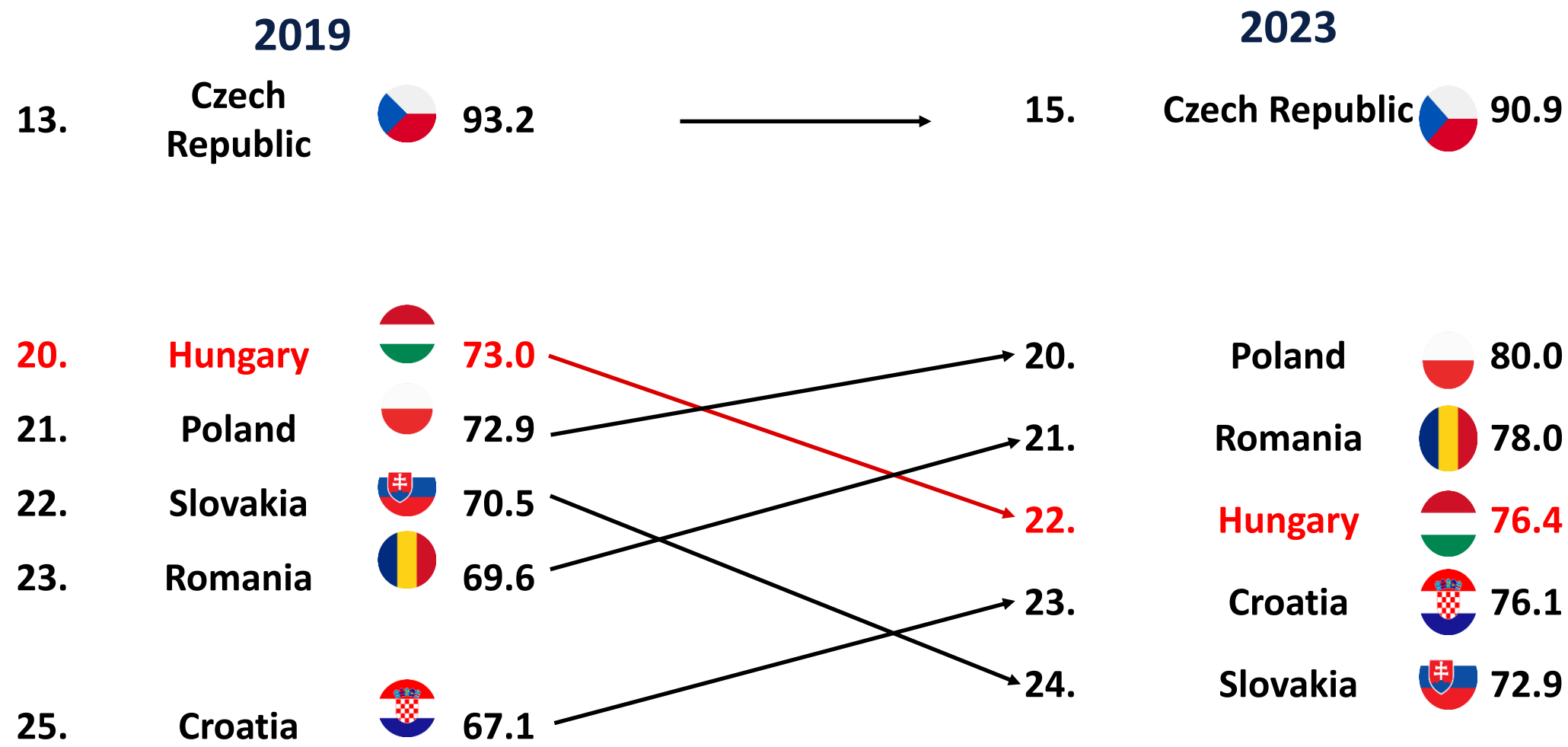
and correction

Fiscal stimulus

and adjustment

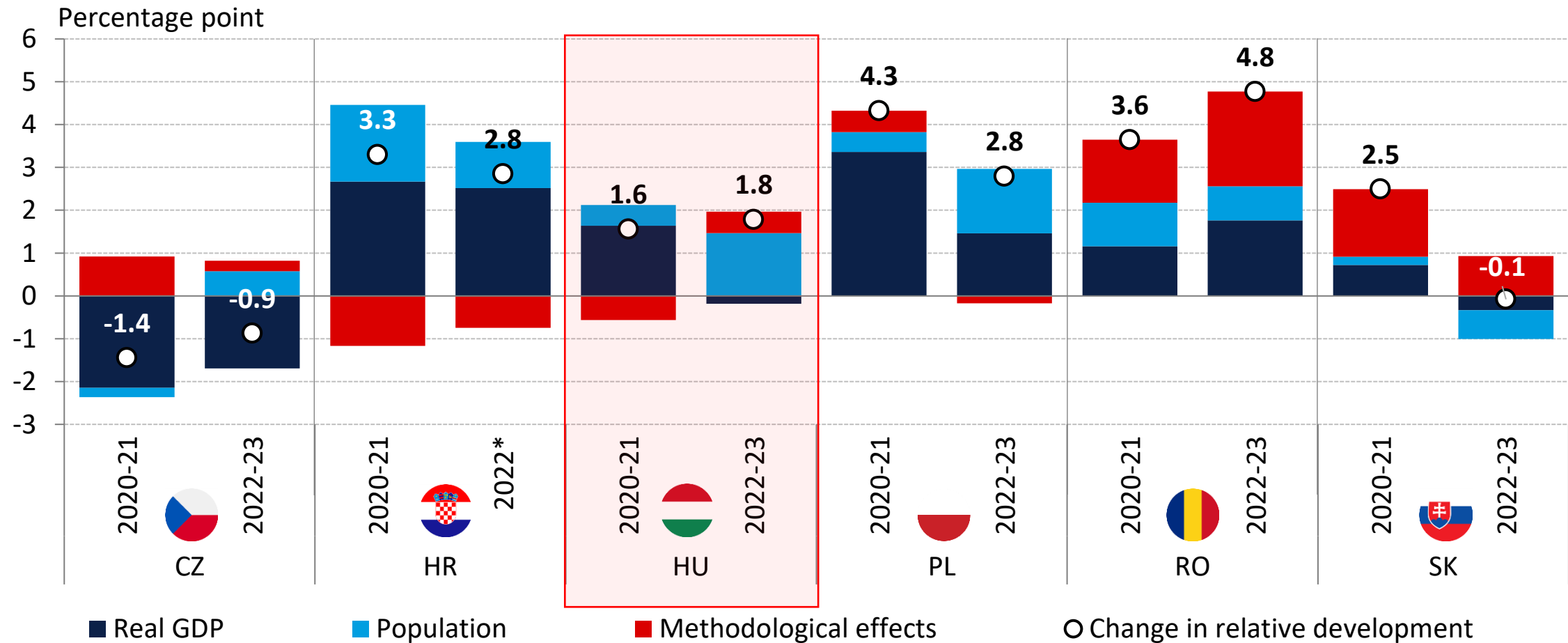
Competitiveness gaps have come to the surface

BETWEEN 2019 AND 2023, HUNGARY'S RELATIVE DEVELOPMENT MOVED FROM 20TH TO 22ND PLACE



CHANGE IN THE RELATIVE DEVELOPMENT OF THE REGION'S COUNTRIES COMPARED TO THE EU27 BETWEEN 2019 AND 2023

POPULATION DECLINE IN THE REGION STATISTICALLY RAISES GDP PER CAPITA. IN HUNGARY, THIS EFFECT WAS STRONG IN 2022-23

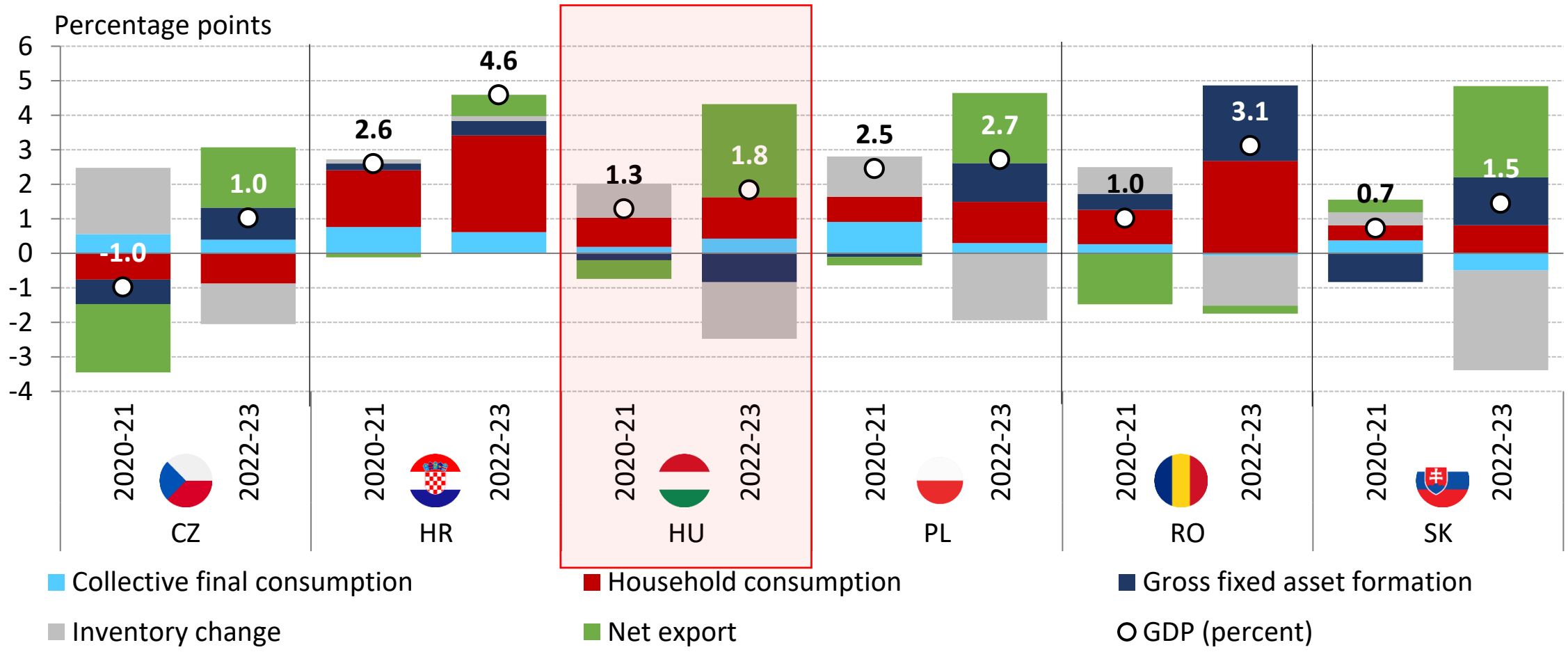


BREAKDOWN OF THE CHANGE IN RELATIVE DEVELOPMENT COMPARED TO THE EU-27 AVERAGE

Note | Based on current prices, calculated at purchasing power parity.

Source | Eurostat, MNB

OUR NET EXPORTS INCREASED SIGNIFICANTLY IN THE LAST TWO YEARS, INVESTMENT FELL IN BOTH PERIODS

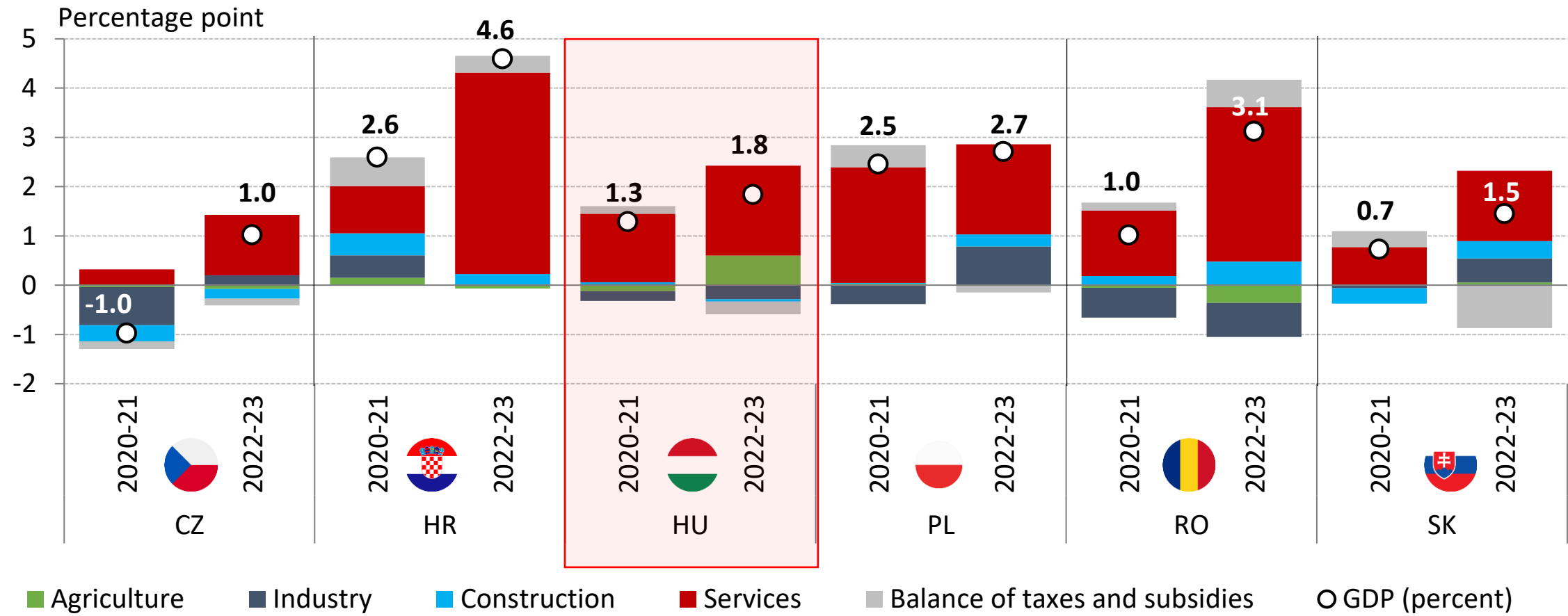


CONTRIBUTION OF THE MAIN FINAL USE ITEMS TO AVERAGE GDP GROWTH

Note | Percentage point growth contribution, averaged over two years.

Source | Eurostat

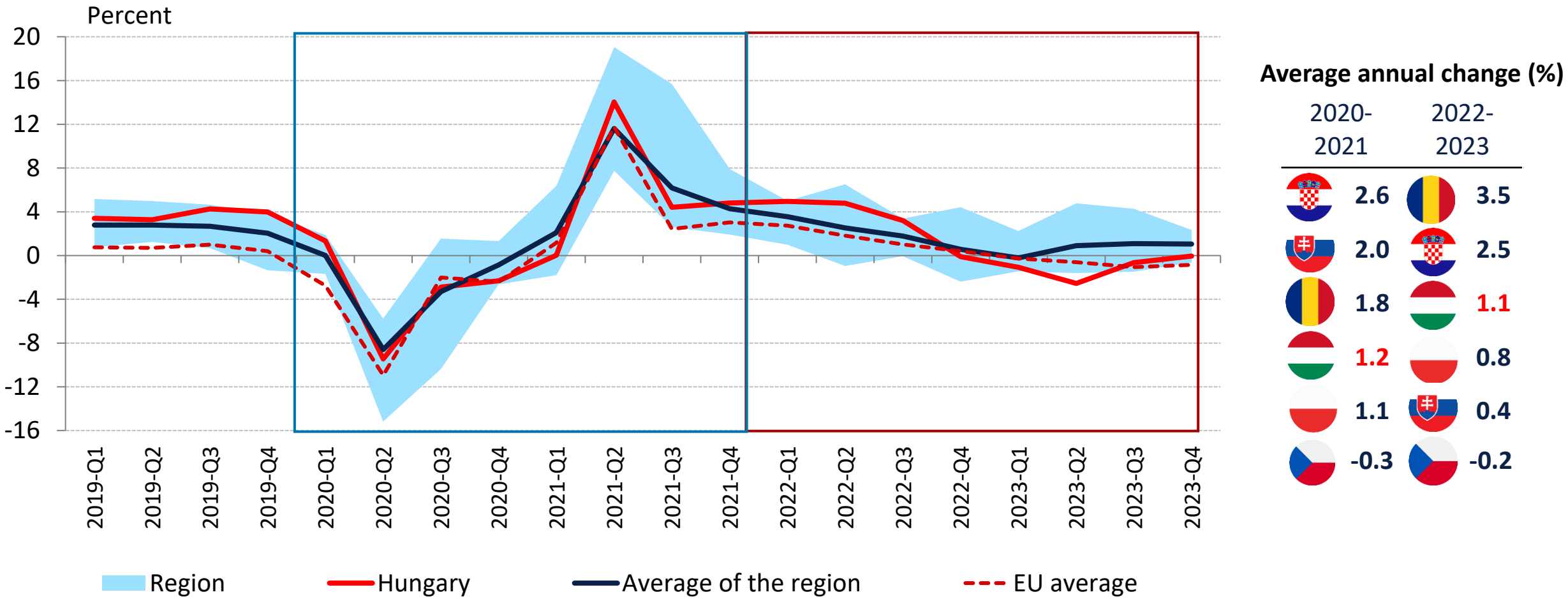
DESPITE THE DROUGHT IN 2022, THE CONTRIBUTION OF AGRICULTURE TO GROWTH EXCEEDS THAT OF THE COUNTRIES IN THE REGION



CONTRIBUTION OF SECTORS OF THE NATIONAL ECONOMY TO AVERAGE GDP GROWTH

Note | Percentage point growth contribution, averaged over two years.
Source | Eurostat

FOLLOWING THE RAPID REBOUND AFTER COVID, PRODUCTIVITY IN THE REGION GENERALLY DECLINED



PRODUCTIVITY TRENDS IN THE REGION

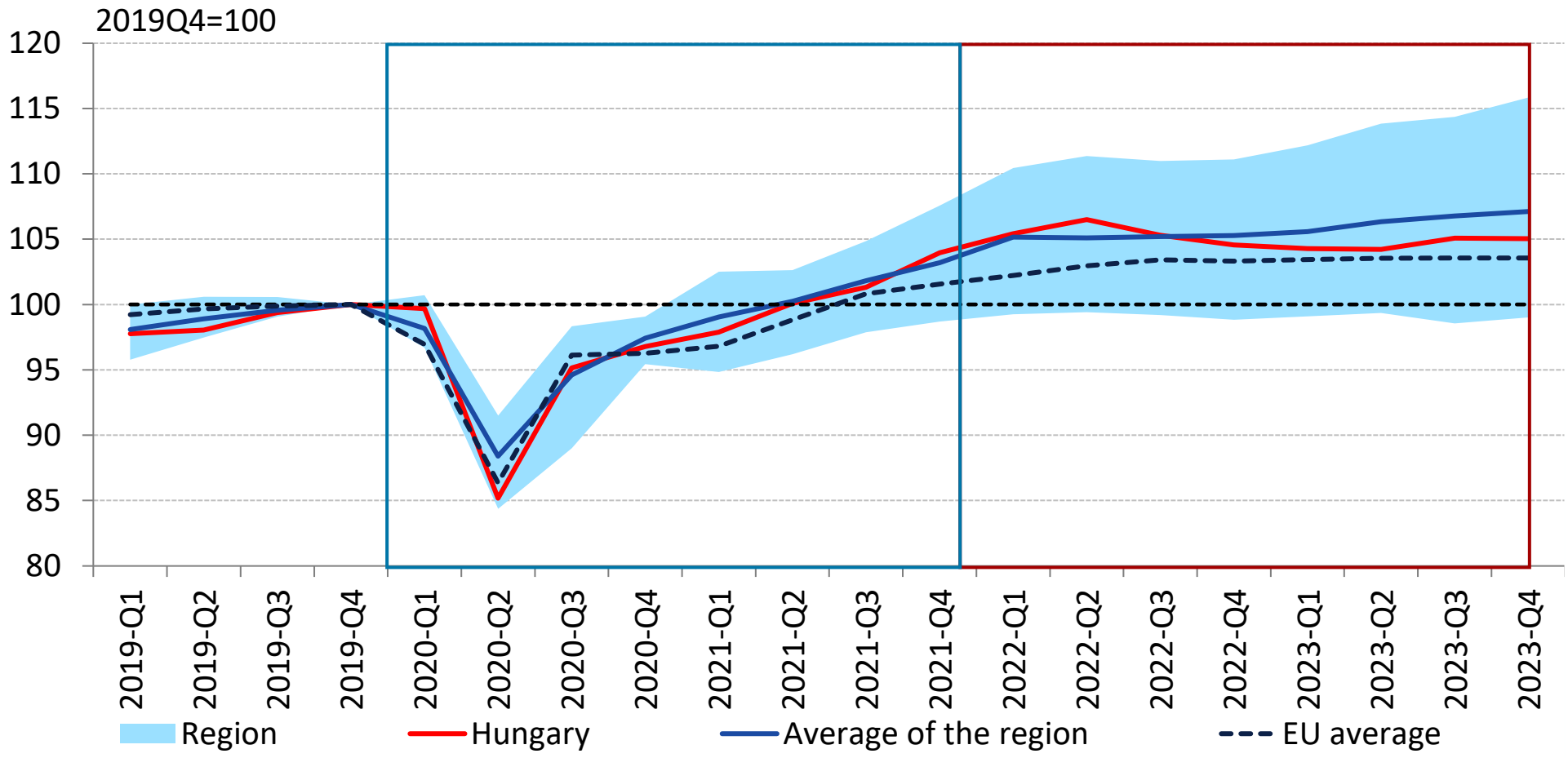
Note | Region (Czech Republic, Poland, Romania, Slovakia) excluding Hungary. Seasonally and calendar adjusted data. Source | Eurostat, MNB

REAL ECONOMIC TRENDS



*100 years for Hungary's
prosperity*

HUNGARY'S RECOVERY WAS SUCCESSFUL BY EU STANDARDS, BUT OUR RELATIVE ECONOMIC PERFORMANCE TO THE REGION HAS DECLINED SINCE MID-2022

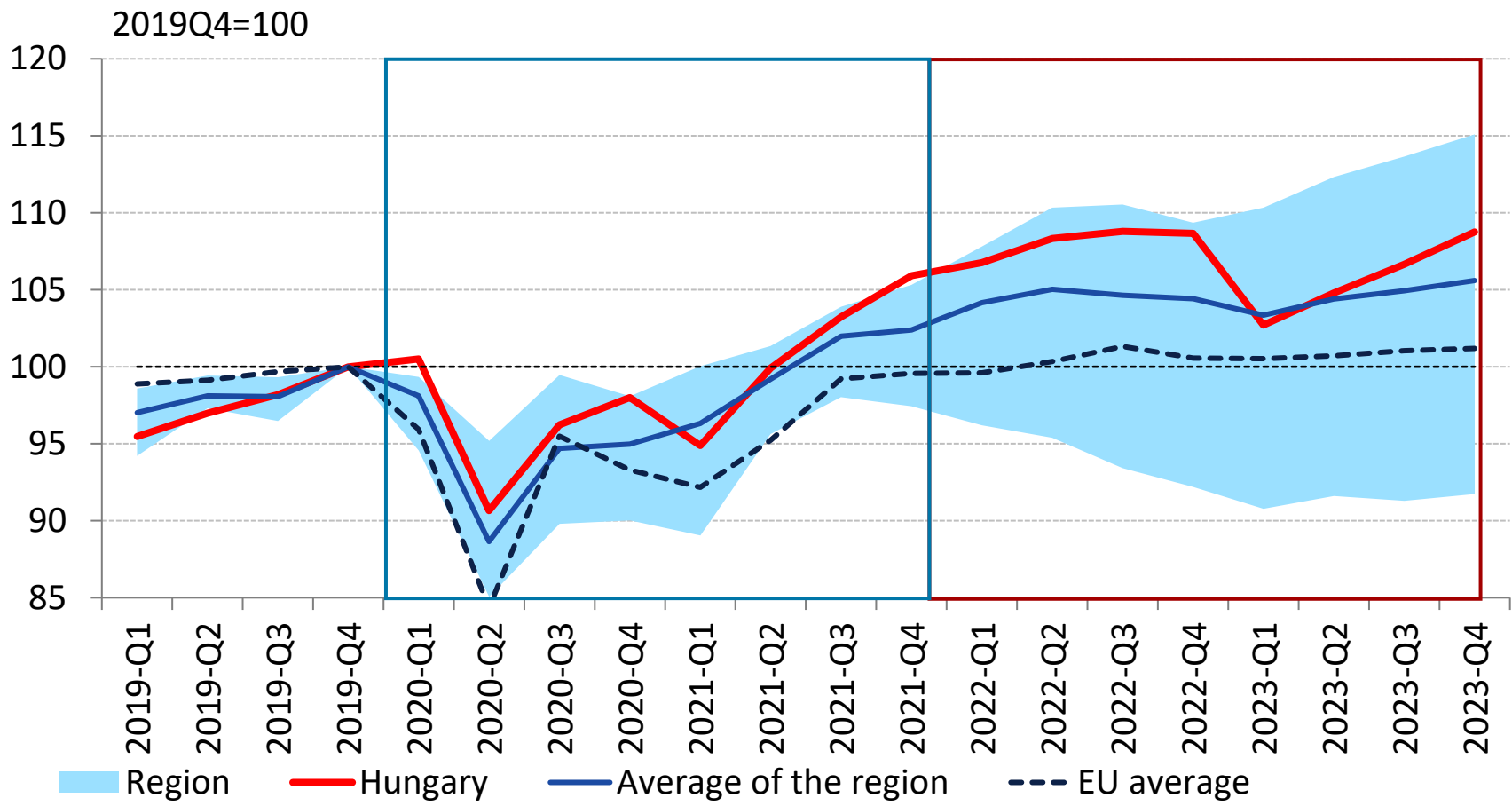


Average annual change (%)	
2020-2021	2022-2023
2.6	4.6
2.5	3.1
1.3	2.9
1.0	1.8
0.7	1.7
-1.0	1.0

GROSS DOMESTIC PRODUCT

Note | Region (Czech Republic, Croatia, Poland, Romania, Slovakia) excluding Hungary. Seasonally and calendar adjusted data. Source | Eurostat, MNB

THE INFLATION SHOCK WAS A SIGNIFICANT DRAG ON DOMESTIC CONSUMPTION, WHICH GREW WITH STRONG INCOME OUTFLOWS AROUND 2021-2022



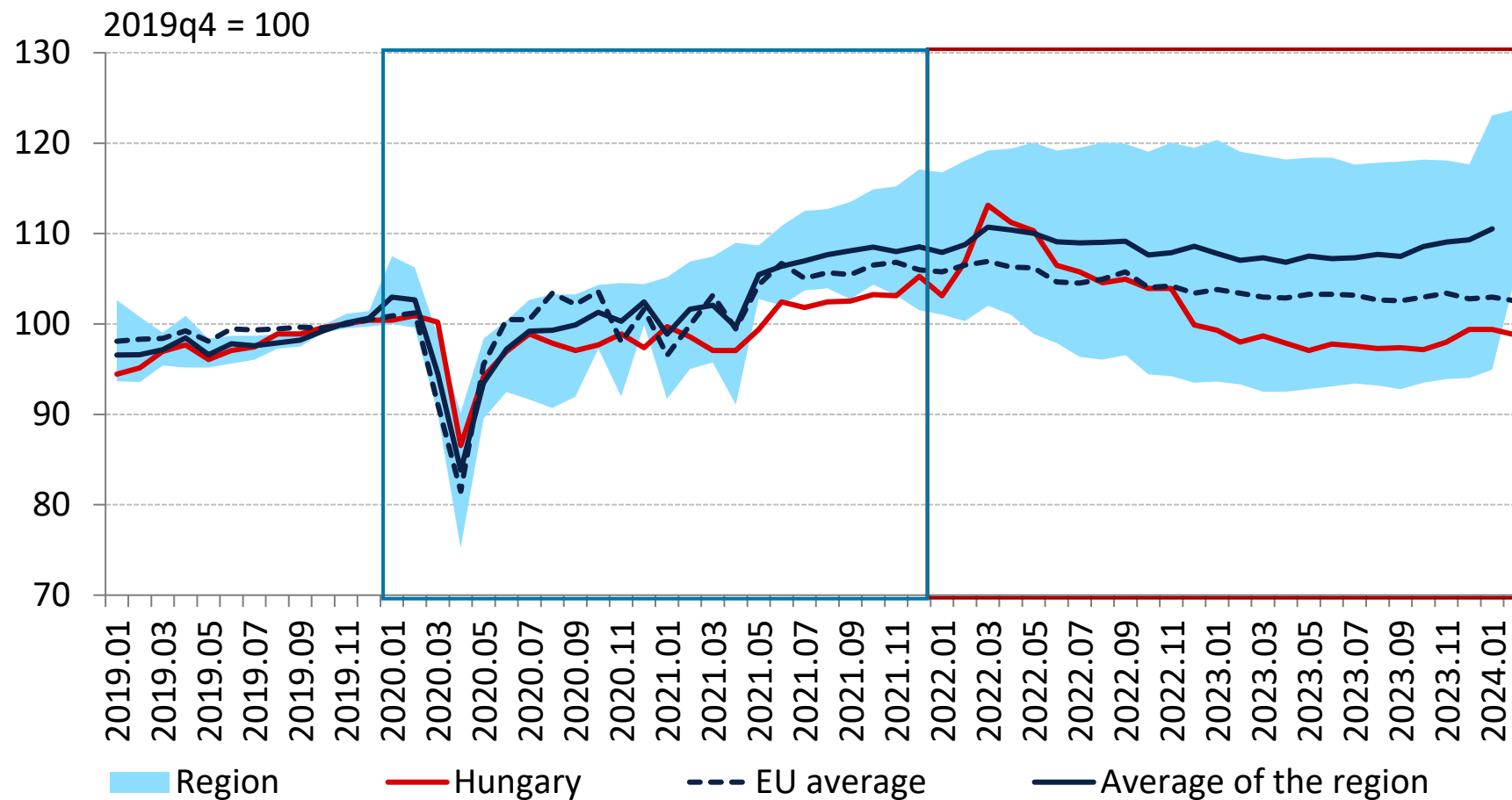
Average annual change (%)

	2020-2021	2022-2023
	2.9	4.9
	2.0	4.4
	1.8	2.5
	1.5	2.1
	0.8	1.7
	-1.6	-1.8

TRENDS IN HOUSEHOLD CONSUMPTION EXPENDITURE

Note | Region (Czech Republic, Croatia, Poland, Romania, Slovakia) excluding Hungary. Seasonally and calendar adjusted data. Source | Eurostat, MNB

HUNGARIAN RETAIL TRADE FELL BY MORE THAN CONSUMPTION...



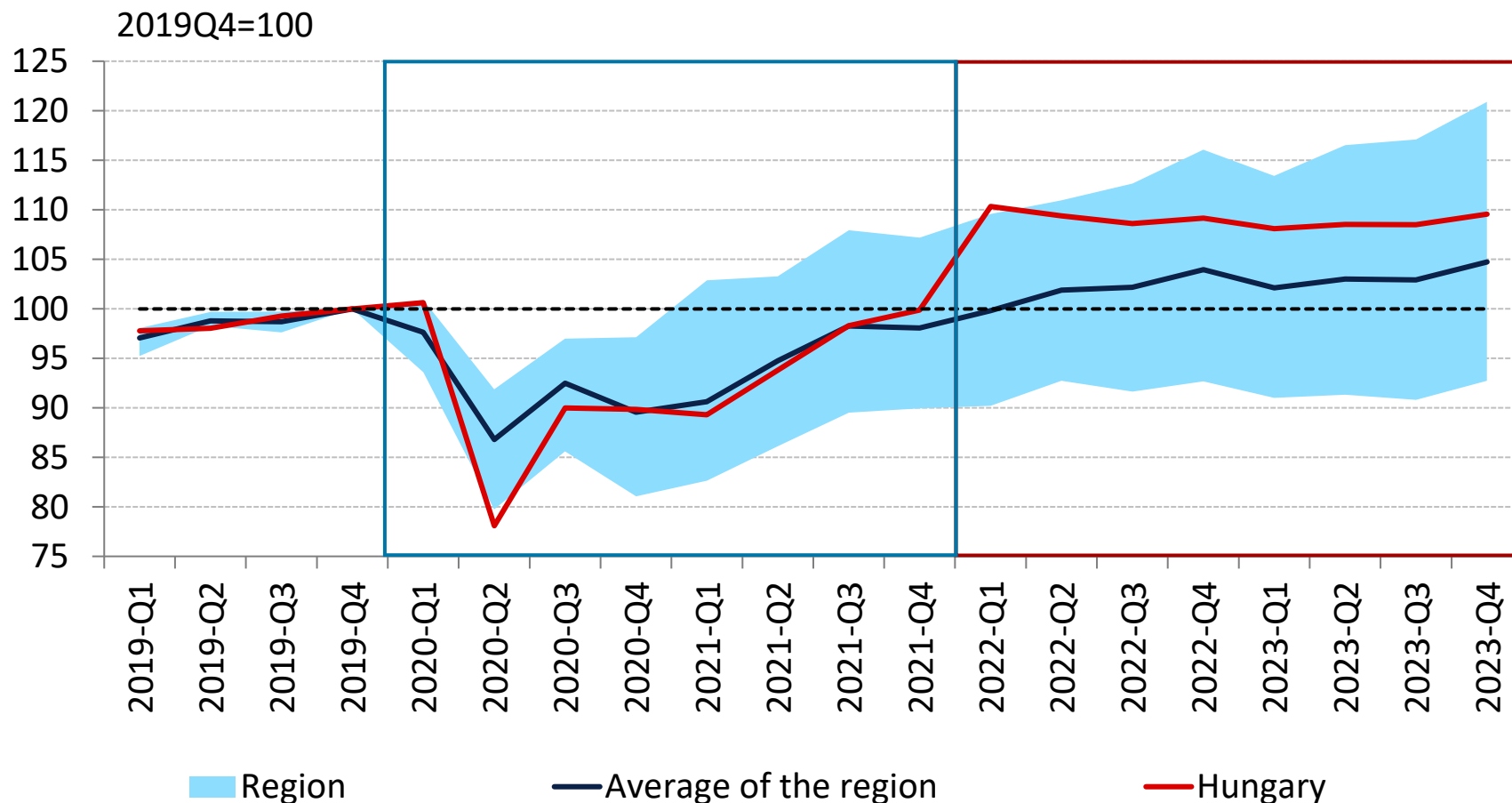
Average annual change (%)

	2020-2021	2022-2023
	6.5	4.3
	5.9	3.3
	3.5	2.5
	1.9	-0.1
	1.8	-1.2
	1.2	-3.6









TRENDS IN RETAIL SALES VOLUMES

Note | Region (Czech Republic, Croatia, Poland, Romania, Slovakia) excluding Hungary. Based on seasonally and calendar adjusted data. Source | Eurostat

.... HOWEVER DEMAND FOR SERVICES EXCEEDED THE REGIONAL AVERAGE



Average annual change (%)

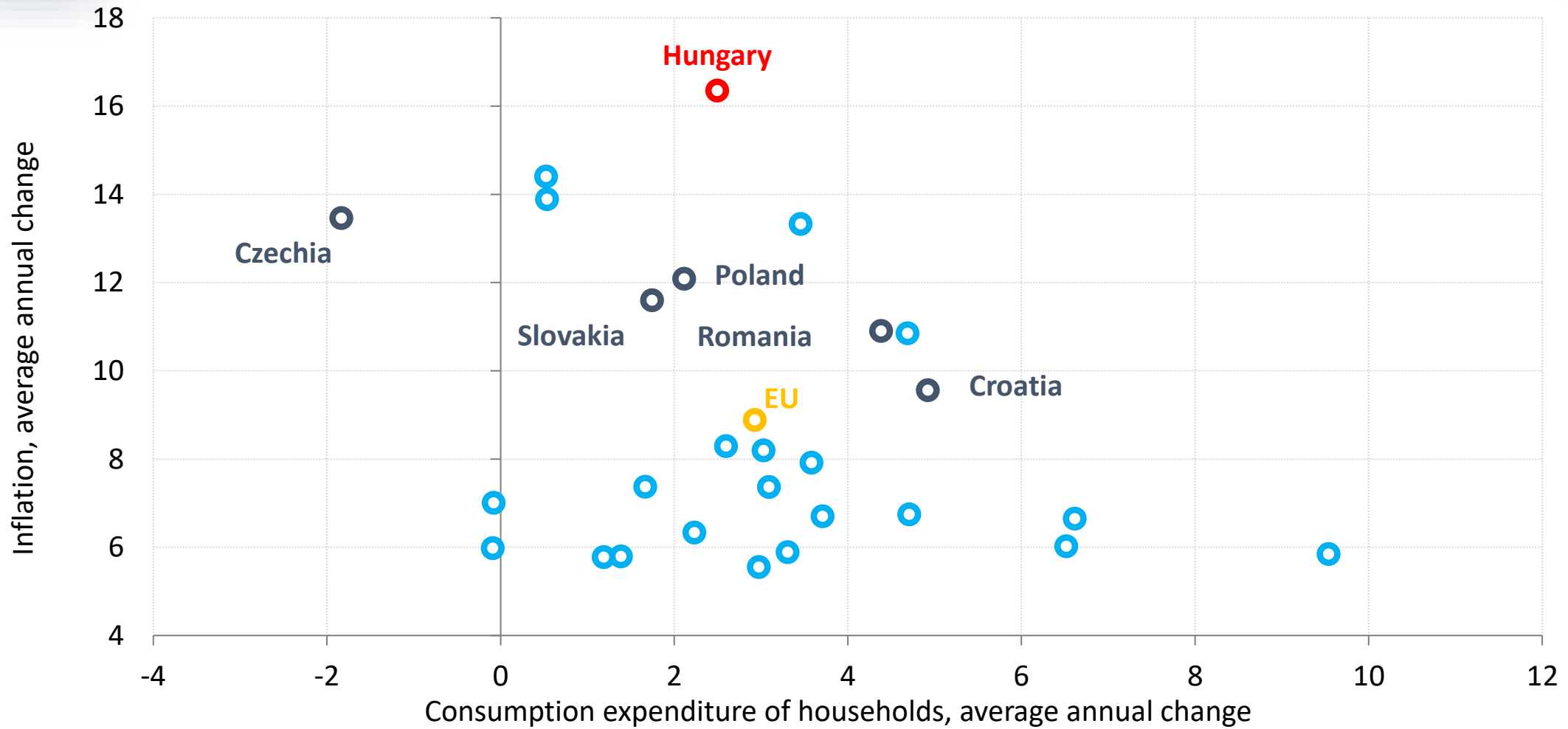
2020- 2021	2022- 2023
 4.0	 7.2
 -1.0	 5.4
 -2.5	 4.0
 -5.5	 2.6

TRENDS IN CONSUMPTION OF SERVICES

Note | Region (Czech Republic, Romania, Slovakia) excluding Hungary. Seasonally and calendar adjusted data.

Source | Eurostat, MNB

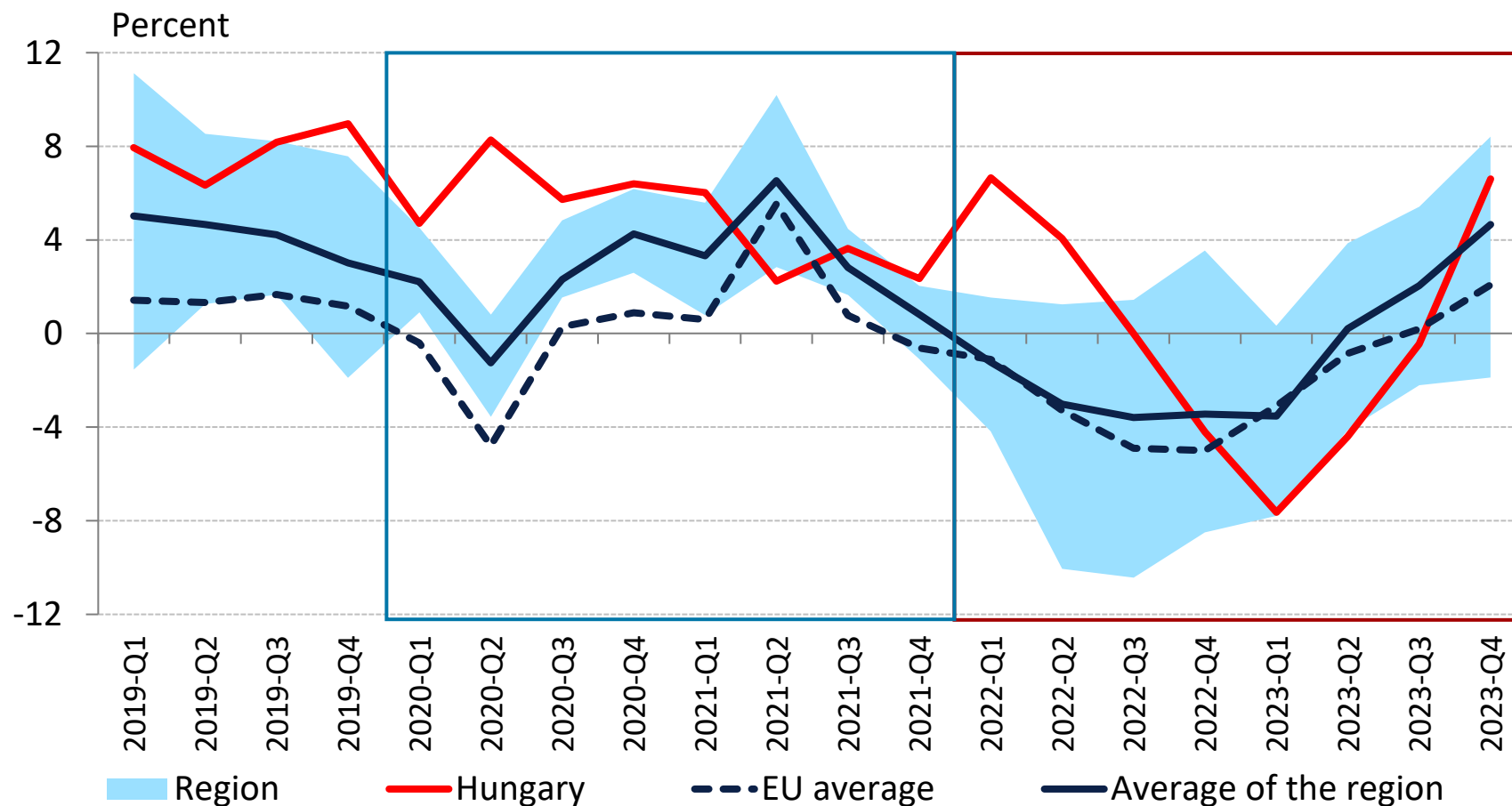
DESPITE HIGHER INFLATION, DOMESTIC CONSUMPTION GROWTH WAS NOT SIGNIFICANTLY BELOW THE EU AVERAGE



CONSUMPTION AND INFLATION IN 2022-2023

Note | Inflation shows the average annual change in monthly HICP in 2022 and 2023.
Source | Eurostat, MNB

REAL WAGE DYNAMICS WERE ABOVE THE REGIONAL AVERAGE APART FROM 2023



Average annual change (%)

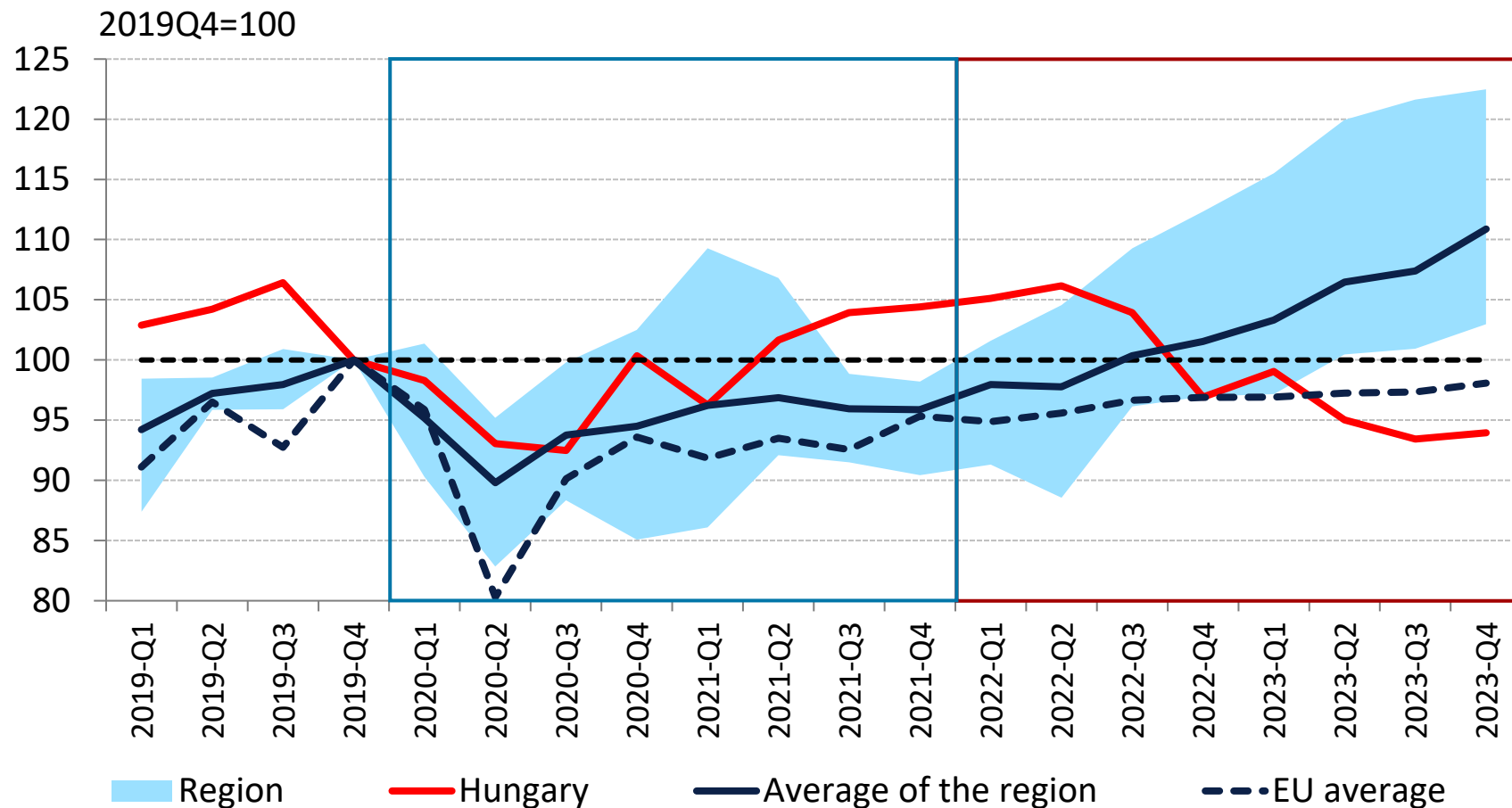
	2020-2021	2022-2023
	4.9	2.0
	3.4	1.8
	2.8	0.1
	2.6	-0.3
	2.4	-2.4
	1.9	-6.1

REAL WAGE DYNAMICS IN THE REGION

Note | Region (Czech Republic, Poland, Romania, Slovakia) excluding Hungary.

Source | Eurostat, MNB

AFTER A RAPID RECOVERY IN 2021, DOMESTIC INVESTMENT LAGGED BEHIND THE REGION IN 2023



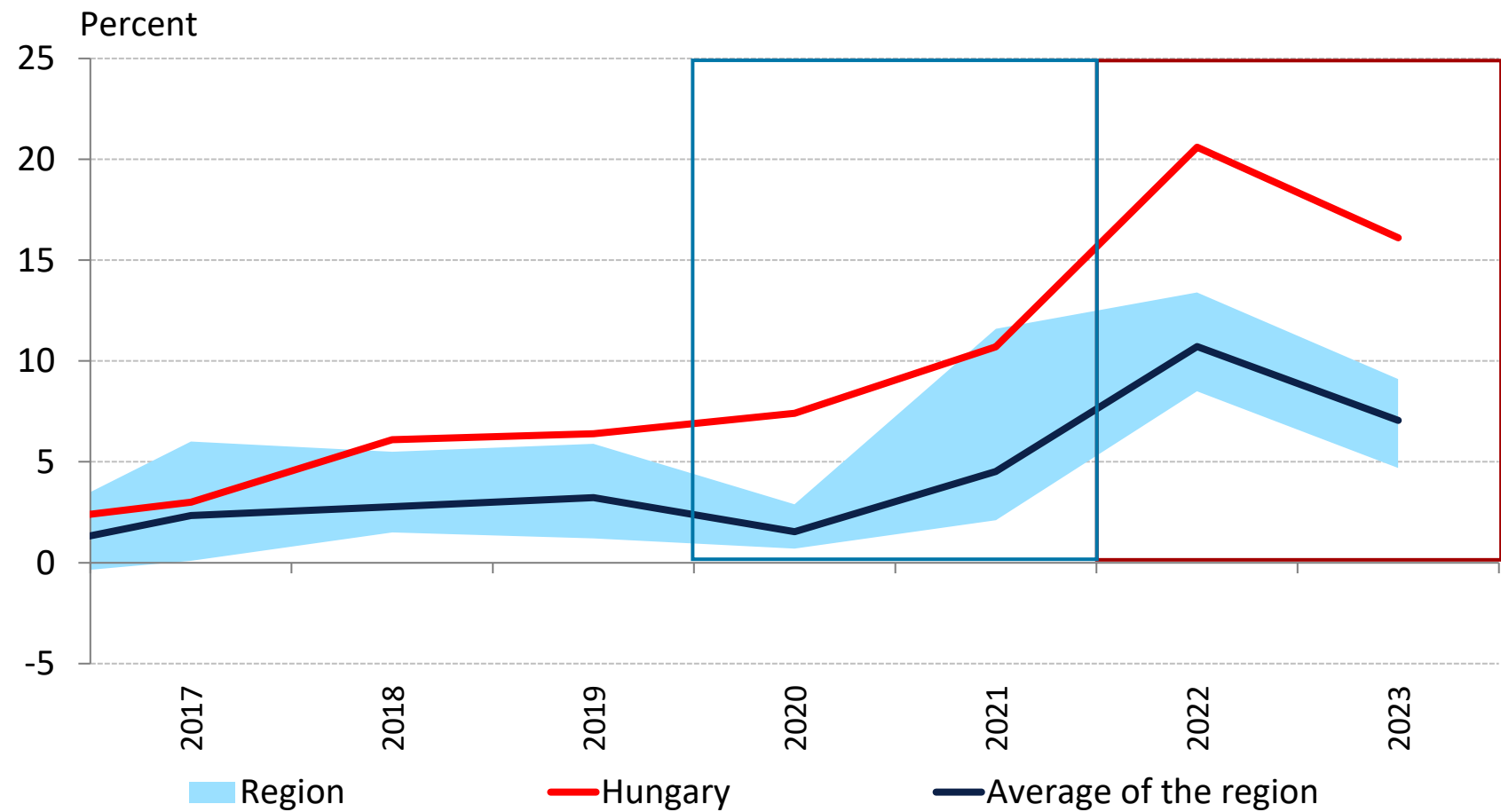
Average annual change (%)

	2020-2021	2022-2023
	3.6	8.2
	1.1	7.1
	-0.2	6.7
	-0.5	3.7
	-2.6	2.1
	-3.6	-2.9

TRENDS IN GROSS FIXED CAPITAL FORMATION

Note | Region (Czech Republic, Croatia, Poland, Romania, Slovakia) excluding Hungary. Seasonally and calendar adjusted data. Source | Eurostat, MNB

THE FALL IN INVESTMENT WAS PARTLY CAUSED BY SOARING PRICES..



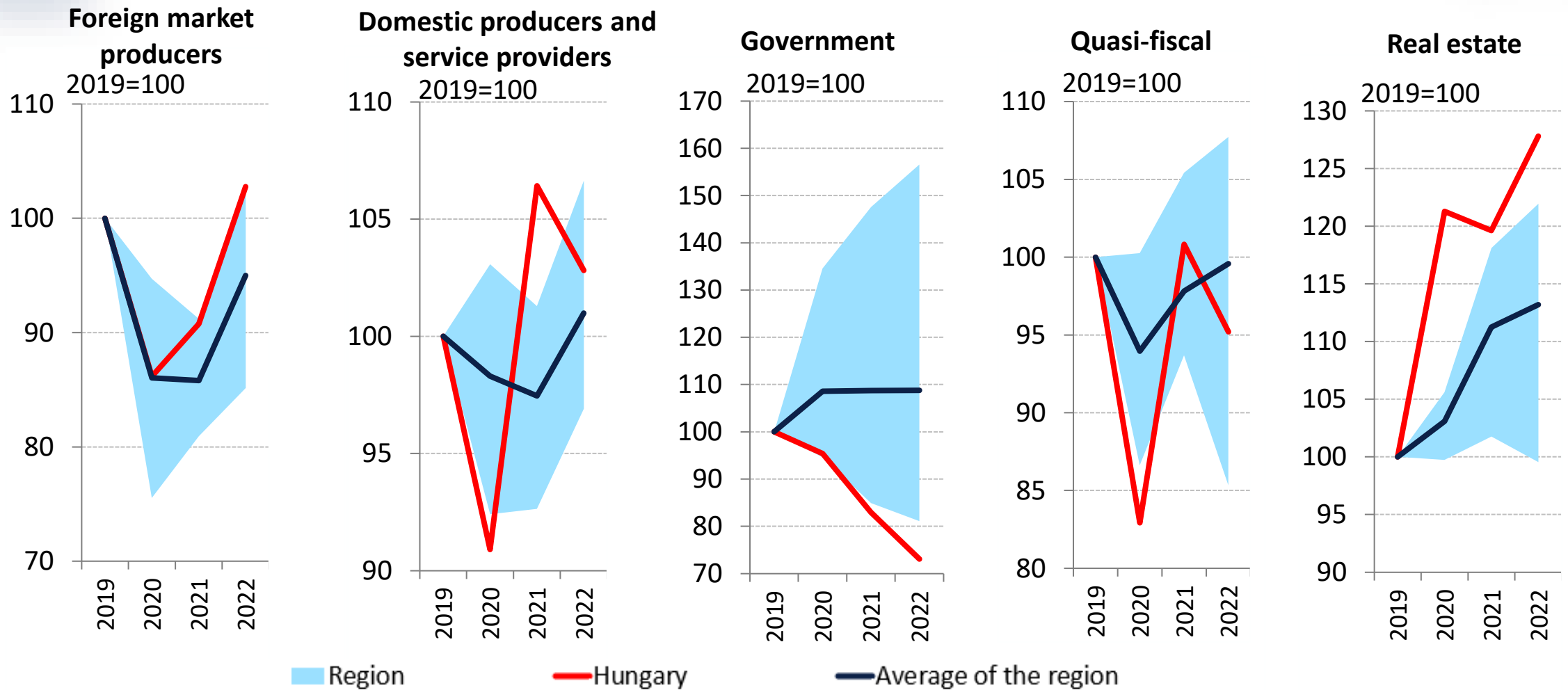
	2020-2021	2022-2023
	9.1	18.4
	6.6	11.1
	3.4	9.3
	2.1	8.7
	1.7	7.9
	1.5	7.5

TRENDS IN THE INVESTMENT DEFLATOR

Note | Region (Czech Republic, Croatia, Poland, Romania, Slovakia) excluding Hungary.

Source | Eurostat

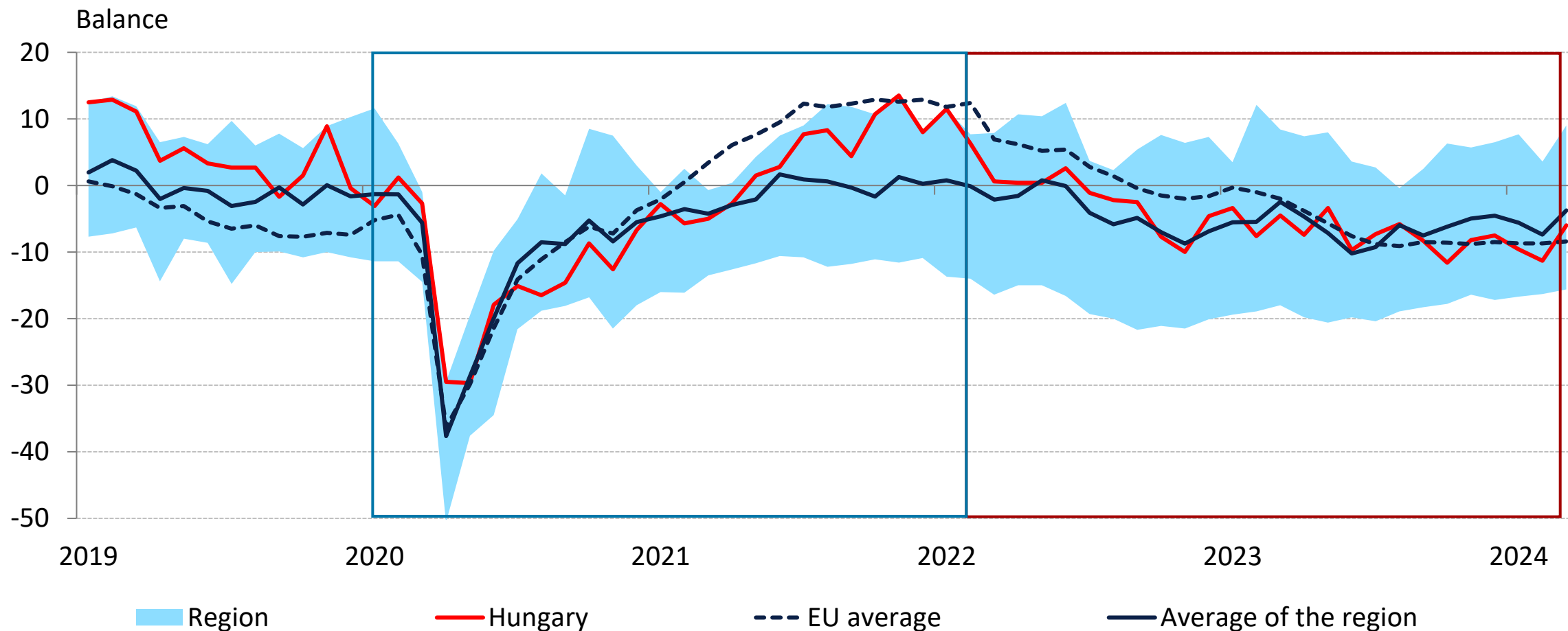
...WHILE THE DYNAMISM OF OUR PUBLIC INVESTMENTS ALSO WEAKENED



TRENDS IN INVESTMENT BY SECTOR IN THE REGION

19 | Note | Regional countries excluding Croatia. External market producers: agriculture, mining, manufacturing; Domestic market producers and service providers: construction, trade, hospitality, communication, financial activities; State in the narrow sense: public administration, education, health; Quasi-fiscal: energy, water supply, transport and several small service sectors. Source | Eurostat

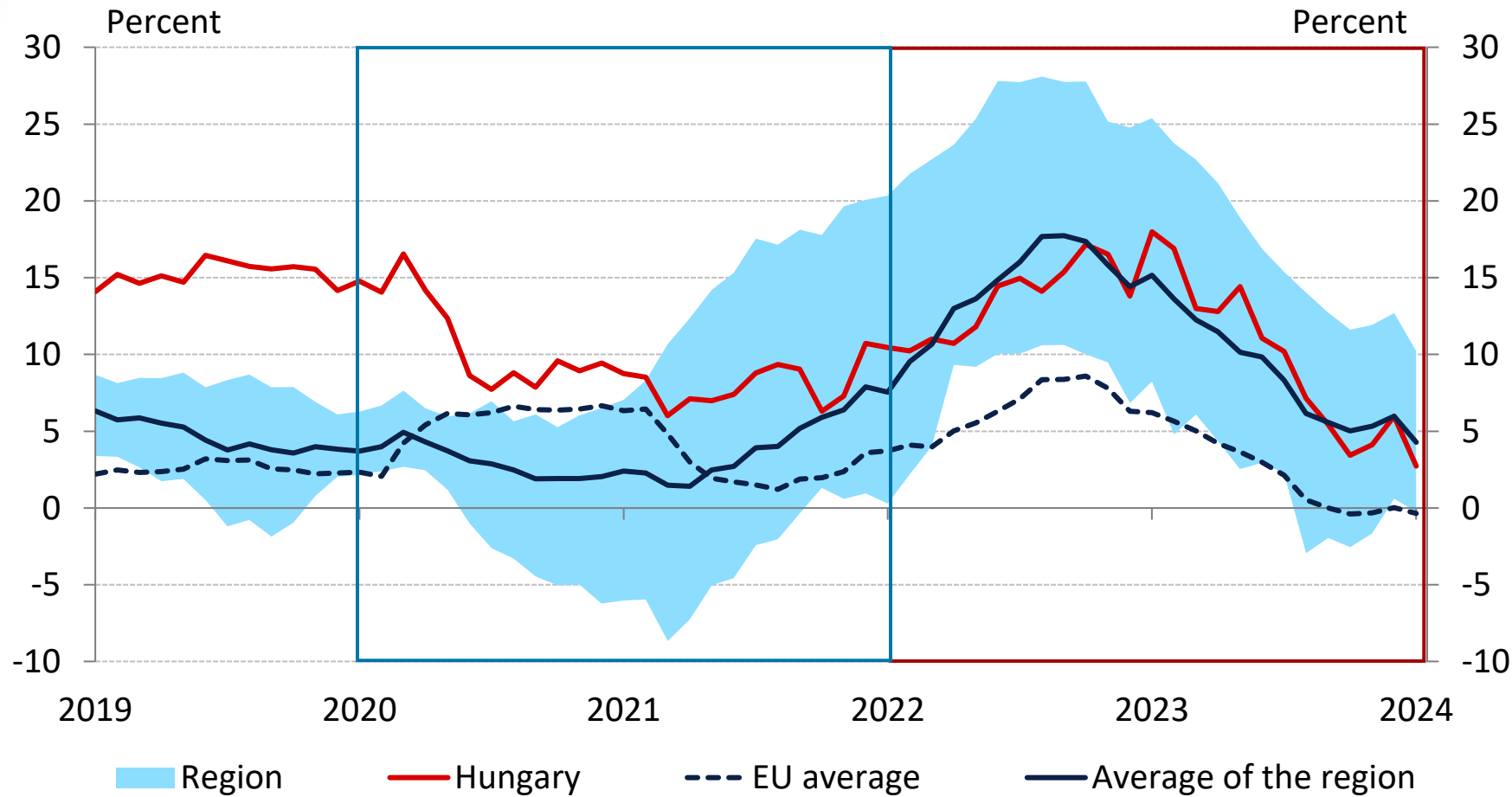
BUSINESS SENTIMENT IN THE REGION IS GENERALLY HOLDING BACK INVESTMENT



EVOLUTION OF THE ESI INDUSTRIAL SUB-INDEX IN THE COUNTRIES OF THE REGION

Note | Region (Czech Republic, Croatia, Poland, Romania, Slovakia) excluding Hungary. The last data point is January 2024. The EU27 time series does not include the United Kingdom. Seasonally adjusted data. Source | European Commission

THE DYNAMICS OF CORPORATE LENDING OUTPERFORMED THE REGION AND THEN FELL IN LINE WITH INTERNATIONAL TRENDS



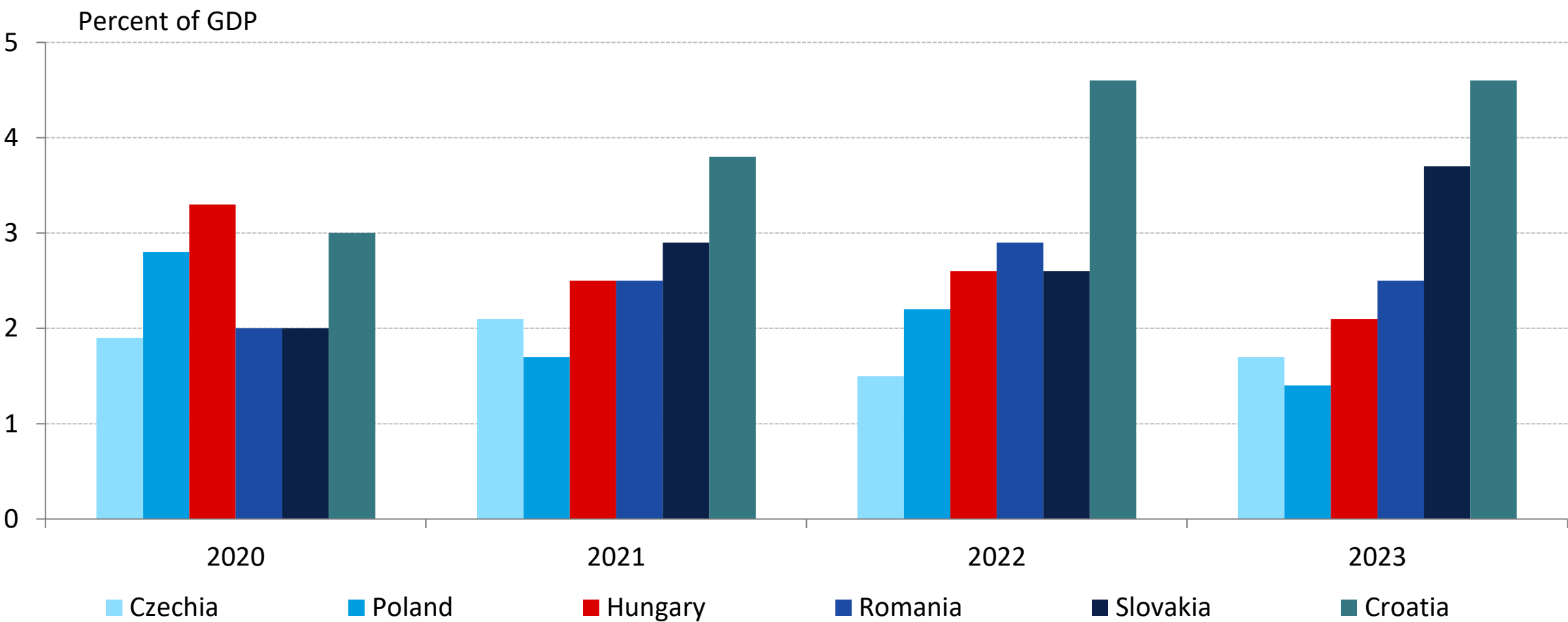
Average annual change (%)

	2020– 2021	2022– 2023
	12.8	18.3
	10.2	13.4
	5.0	9.9
	3.6	7.2
	3.5	6.4
	-1.1	4.9

ANNUAL TRANSACTION GROWTH RATE OF CORPORATE LOANS

Note | Region (Czech Republic, Croatia, Poland, Romania, Slovakia) excluding Hungary. The last data point is January 2024. Source | ECB, MNB

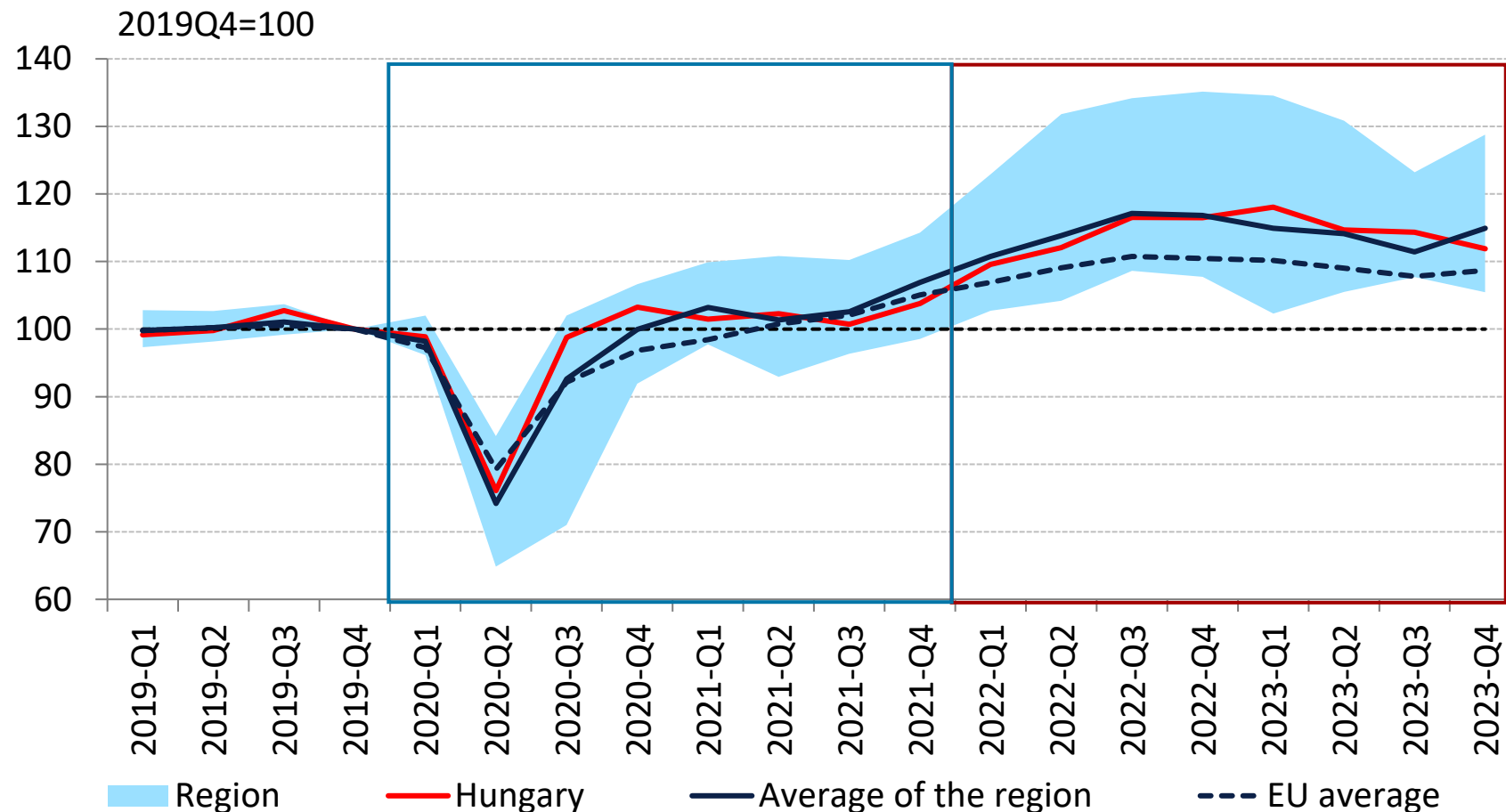
CROATIA HAS THE HIGHEST ABSORPTION OF EU FUNDS AS A SHARE OF GDP IN THE REGION



DRAWDOWN OF NON-REIMBURSABLE COHESION AND RECOVERY FUNDS

Source | European Commission, MNB calculation

EXPORT VOLUMES ARE IN LINE WITH THE REGIONAL AVERAGE



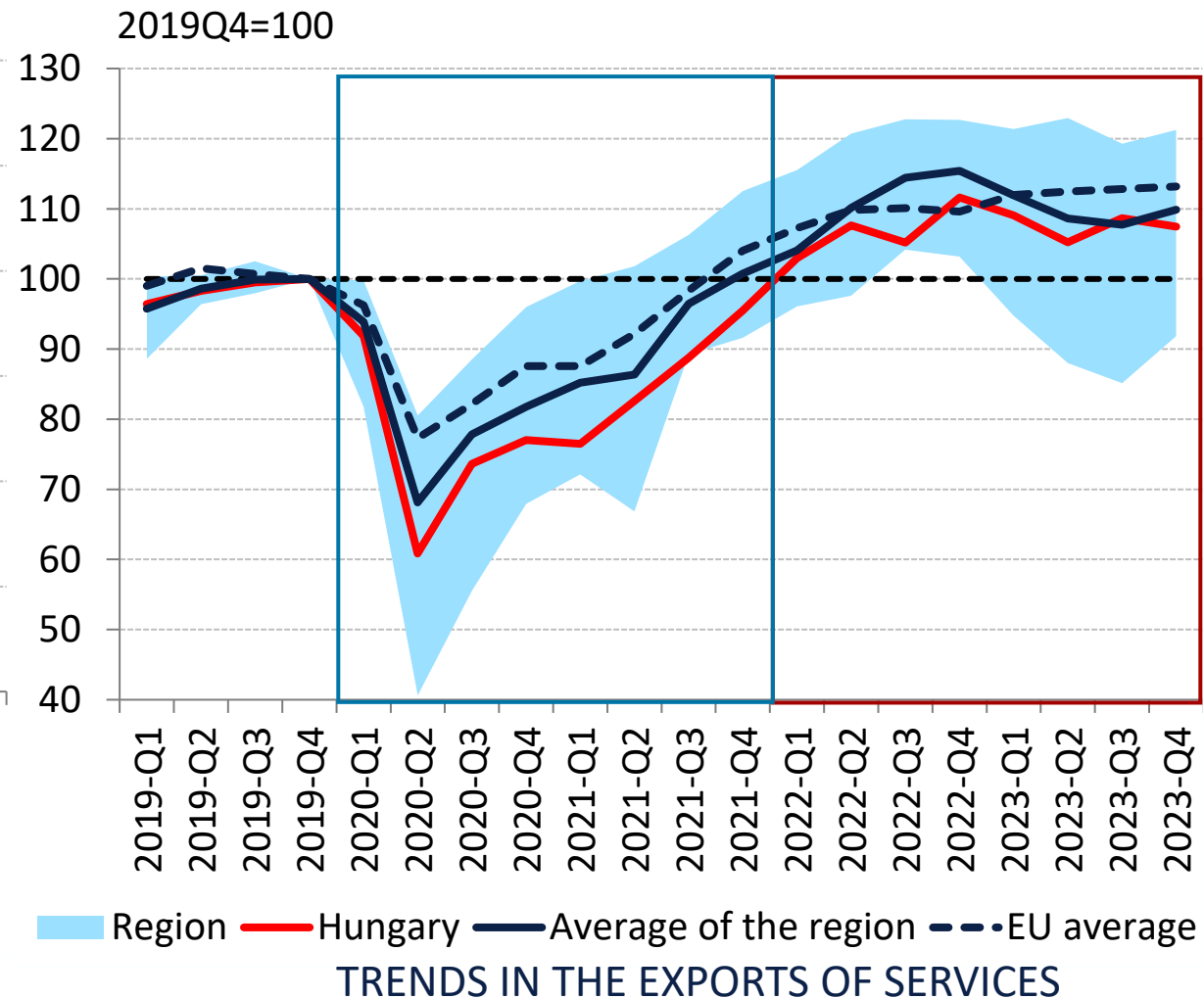
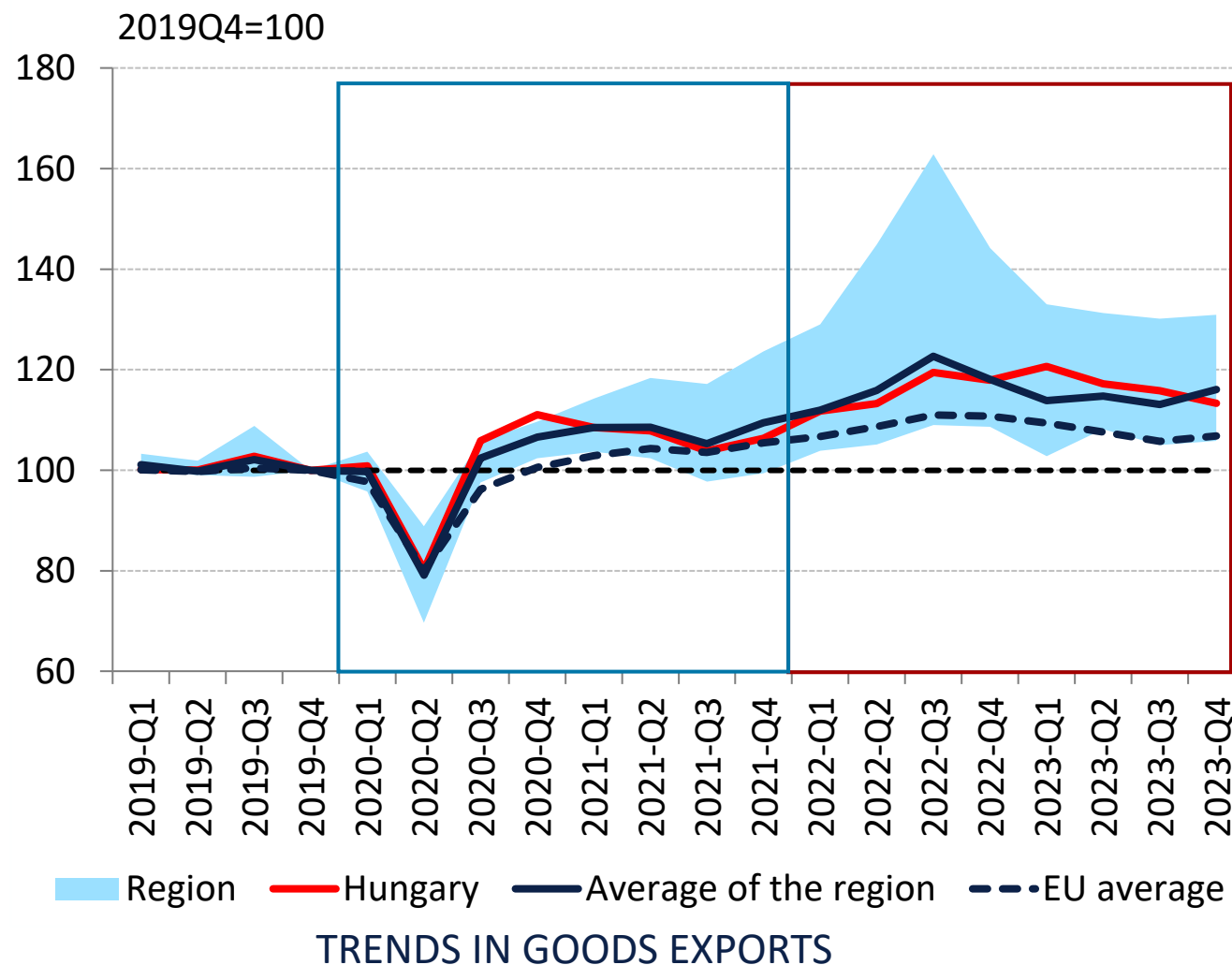
Average annual change (%)

	2020-2021	2022-2023
	6.0	13.3
	5.2	6.2
	2.8	5.2
	2.5	4.0
	1.9	2.4
	0.2	1.2

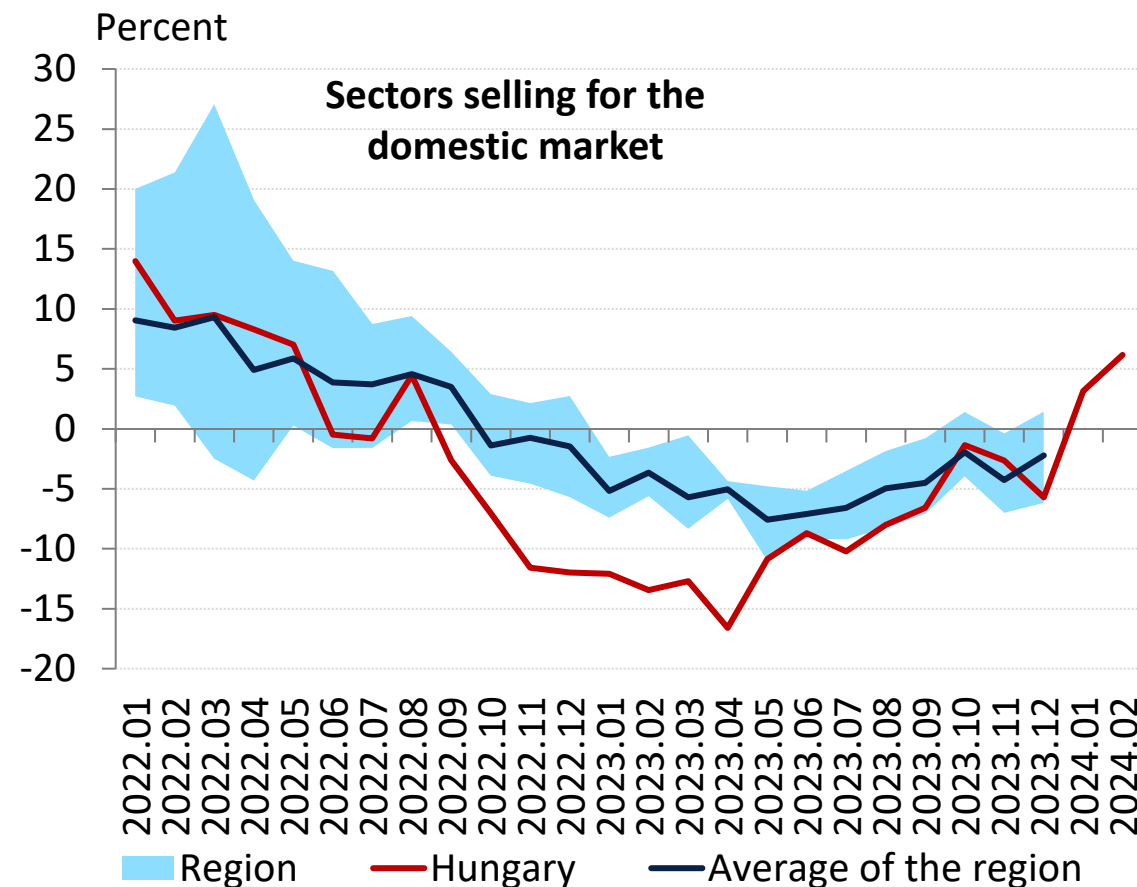
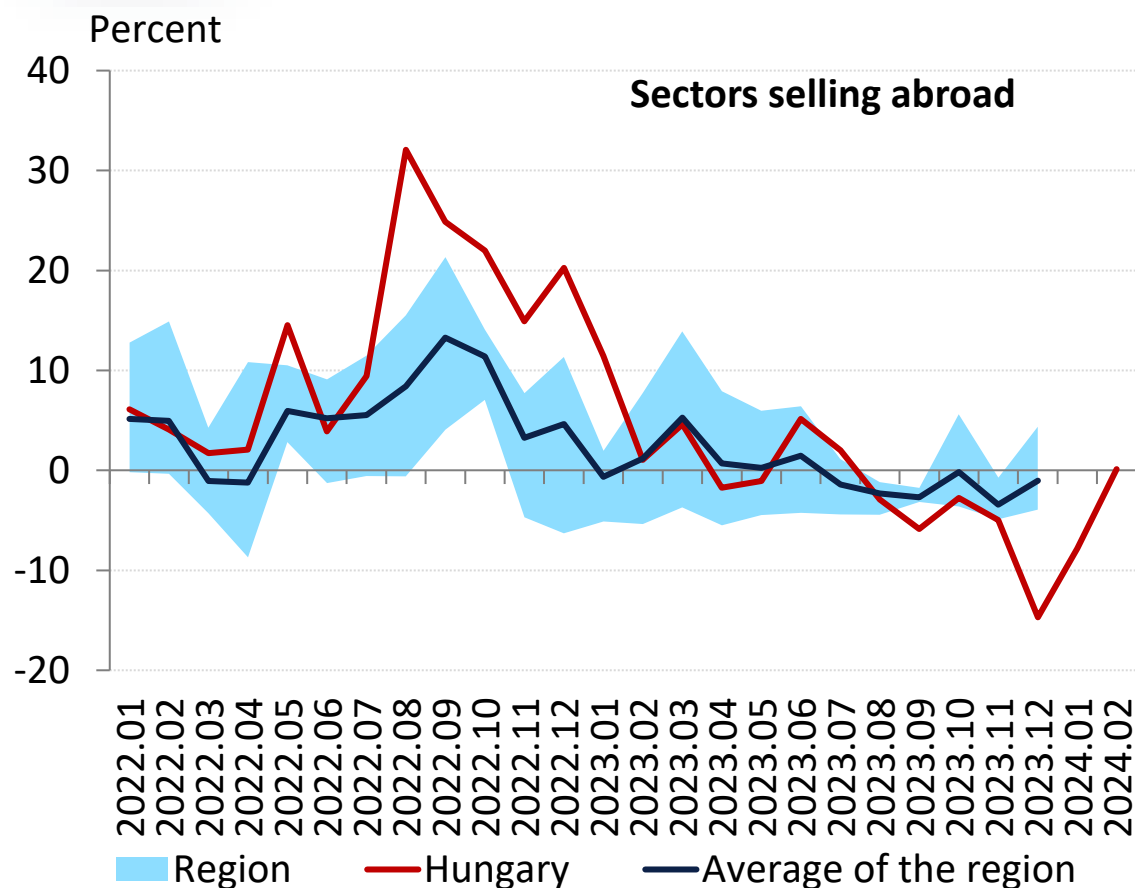
EXPORT TRENDS

Note | Region (Czech Republic, Croatia, Poland, Romania, Slovakia) excluding Hungary. Seasonally and calendar adjusted data. Source | Eurostat, MNB

RECOVERY IN SERVICES EXPORTS WAS SLOWER, REACHING THE REGIONAL AVERAGE BY 2023 H2



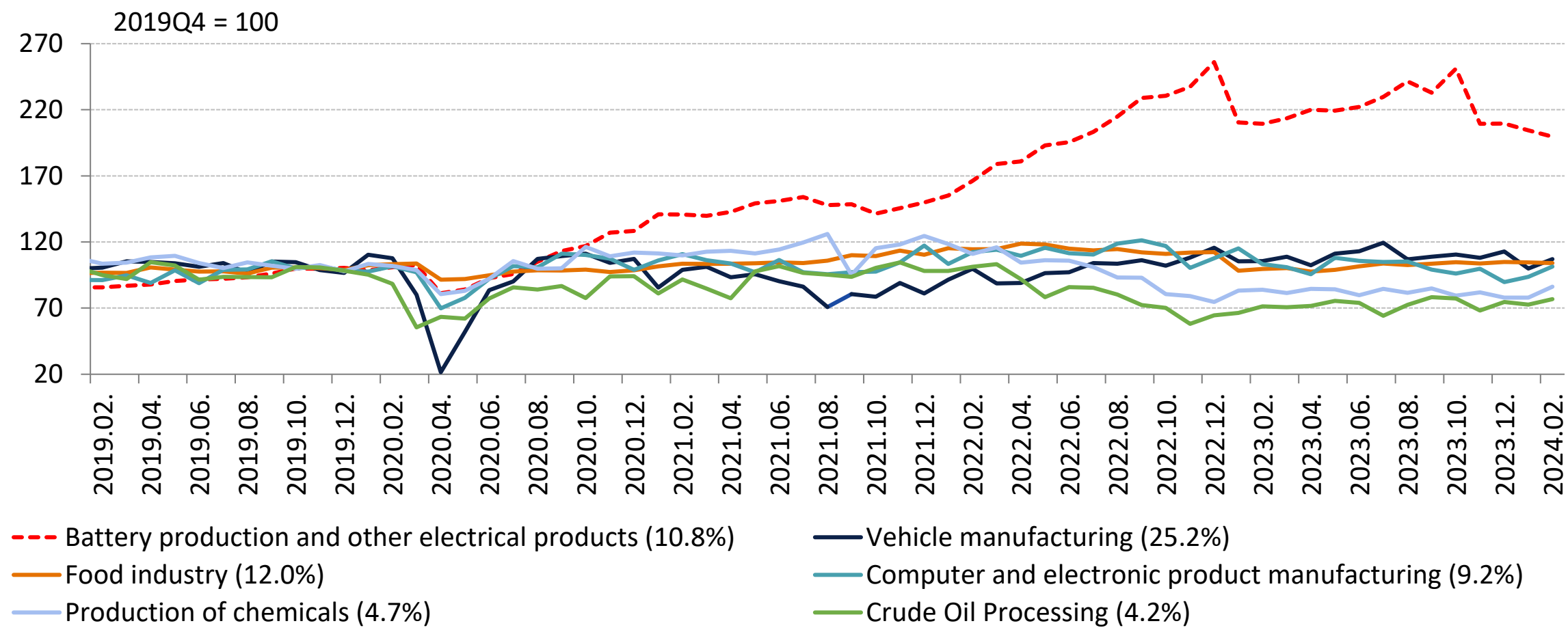
THE EFFECTS OF THE SLOWDOWN IN THE EUROPEAN ECONOMY BECAME MORE PRONOUNCED IN REGIONAL INDUSTRY FROM THE SECOND HALF OF LAST YEAR



ANNUAL CHANGE IN DOMESTIC AND REGIONAL INDUSTRIAL PRODUCTION BY SALES DESTINATION

Note | Domestic sectors selling abroad exported at least 70 per cent of their sales in 2022. In brackets, the weight of industrial production in 2022. Sectors selling abroad: clothing industry, production of chemicals, pharmaceuticals, rubber manufacturing, computers and electronics, electrical equipment and batteries manufacturing, motor vehicles. The regional average was calculated for the Czech Republic, Poland and Romania due to data accessibility. Source | KSH, MNB calculation

THE INCREASE IN BATTERY MANUFACTURE HELPED EXPORTS SIGNIFICANTLY IN 2022



TRENDS IN THE PRODUCTION VOLUME OF INDUSTRIAL SUB-SECTORS

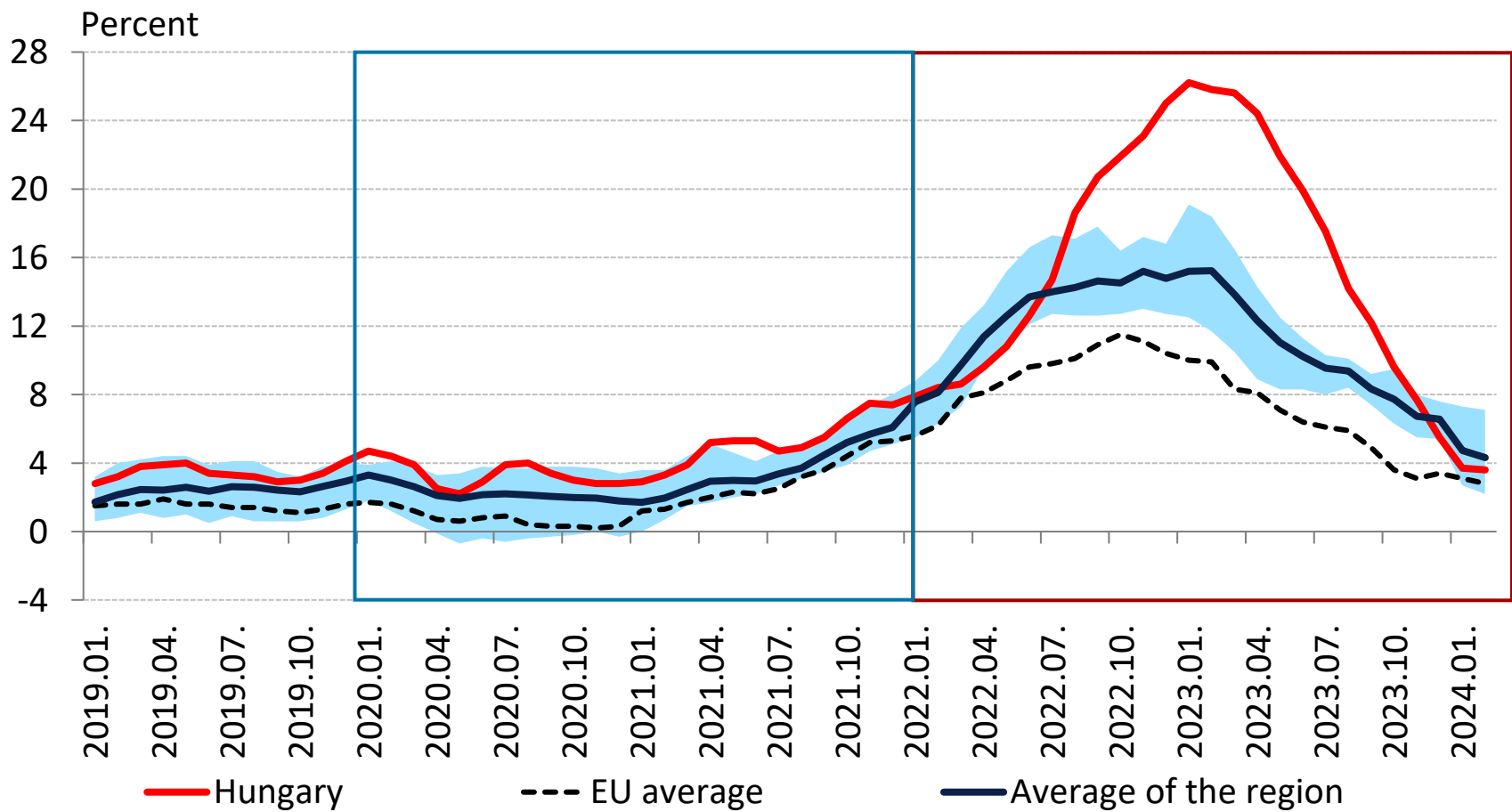
Note | Data adjusted for seasonal and calendar effects. The weight in production is given in brackets. Source | Hungarian Central Statistical Office (HCSO)

INFLATION DEVELOPMENTS



*100 years for Hungary's
prosperity*

FROM 2022 H2, WE HAVE A MEANINGFUL INFLATION SURPLUS COMPARED TO THE REGION



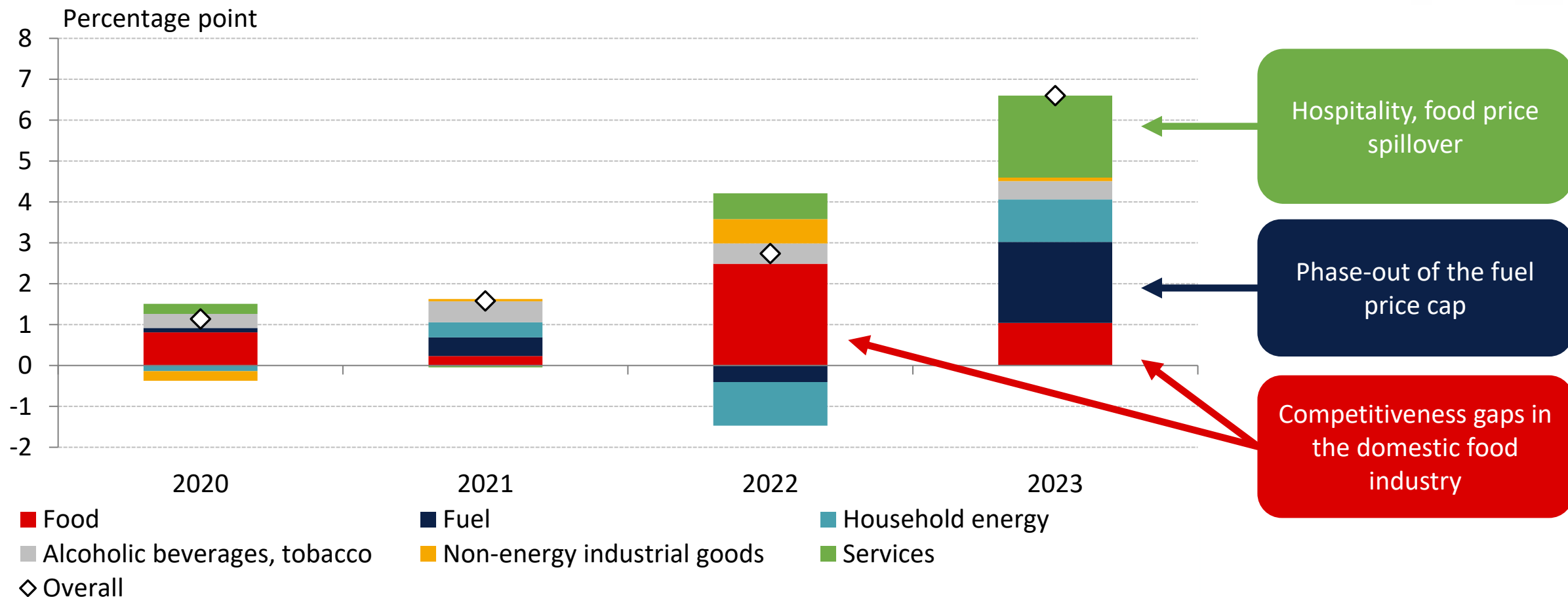
Average annual change (%)

	2020-2021	2022-2023
	1.4	9.6
	2.4	10.9
	3.2	11.6
	3.3	12.1
	4.3	13.5
	4.4	16.4

TRENDS IN HICP INFLATION RATE IN THE REGION

Note | Region (Czech Republic, Poland, Romania, Slovakia, Croatia) excluding Hungary. Based on HICP data. Source | Eurostat, MNB

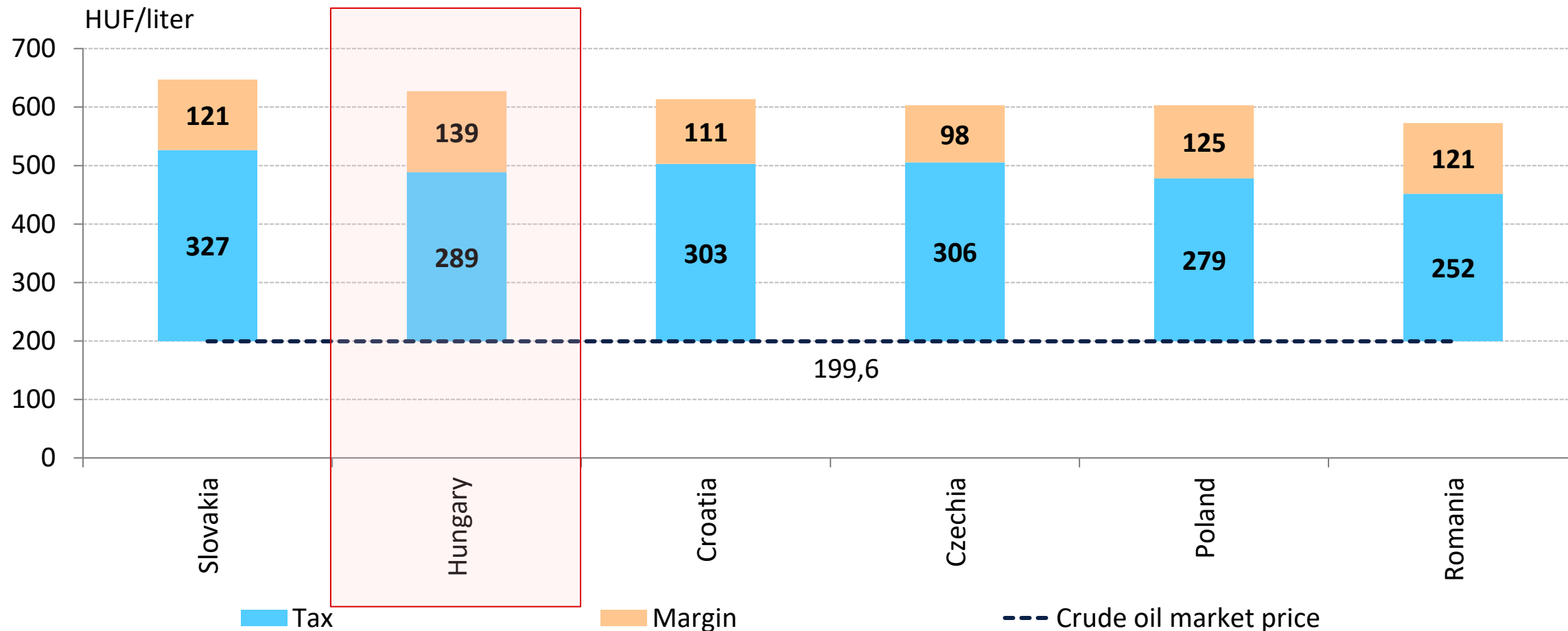
OUR INFLATION SURPLUS IN 2022 WAS MAINLY EXPLAINED BY FOOD, WHILE IN 2023 IT WAS EXPLAINED BY FUELS AND SERVICES



DECOMPOSITION OF OUR INFLATION SURPLUS RELATIVE TO THE COUNTRIES OF THE REGION

Note | Based on annual HICP data. The countries in the region are the Czech Republic, Poland, Slovakia, Romania and Croatia. Source | Eurostat

DOMESTIC PETROL MARGINS ARE THE HIGHEST IN THE REGION



TRENDS IN PETROL MARGINS IN THE REGION

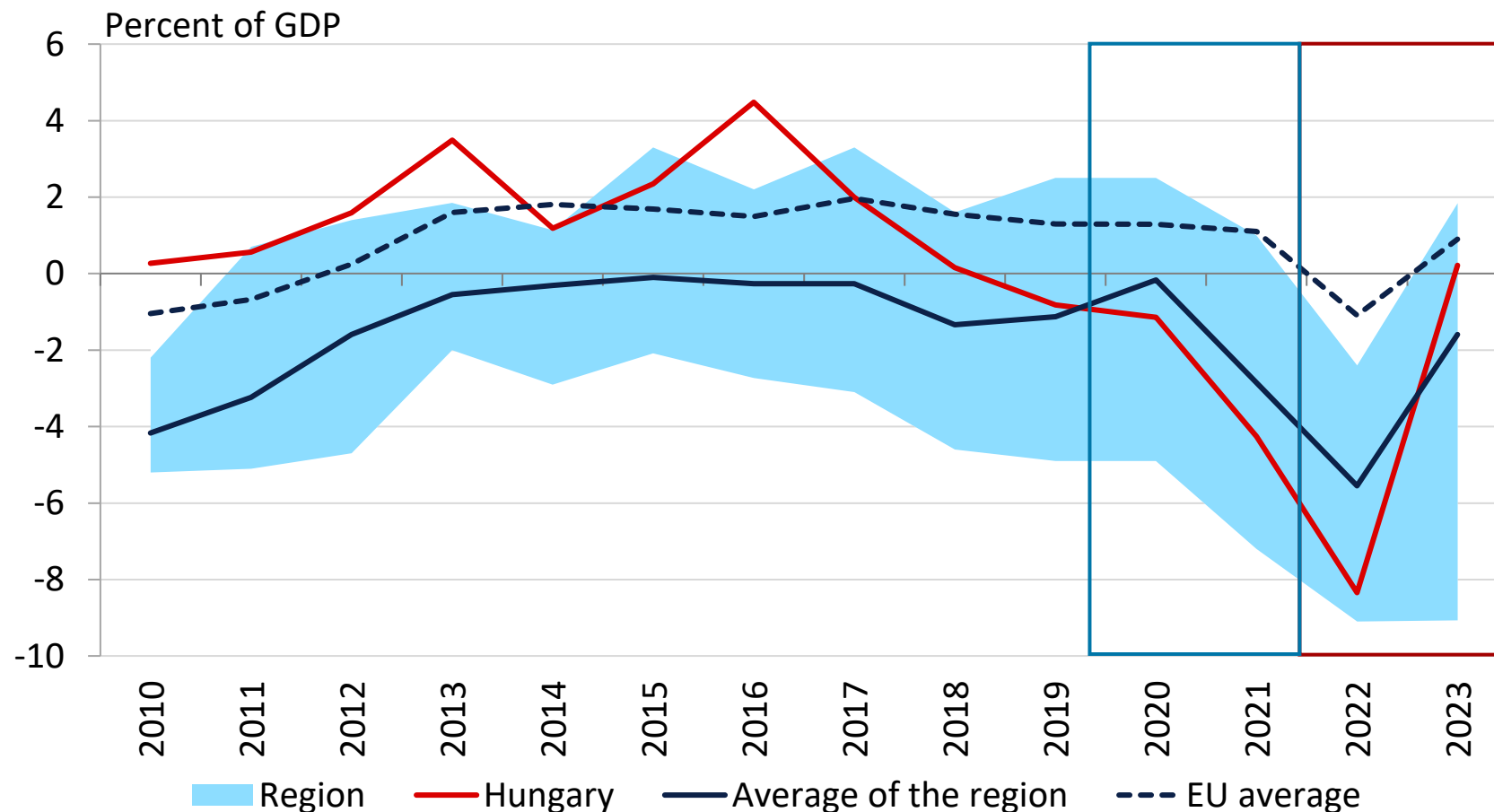
Note | The margin includes all costs associated with the refining of crude oil, transportation, wholesale and retail of refined products. Based on 1 April data. Source | Bloomberg, European Commission, Weekly Oil Bulletin









*100 years for Hungary's
prosperity*

BALANCE POSITION

THE CURRENT ACCOUNT BALANCE RETURNED TO A MORE FAVOURABLE POSITION THAN THE REGIONAL AVERAGE IN 2023 AFTER A HIGHER DEFICIT



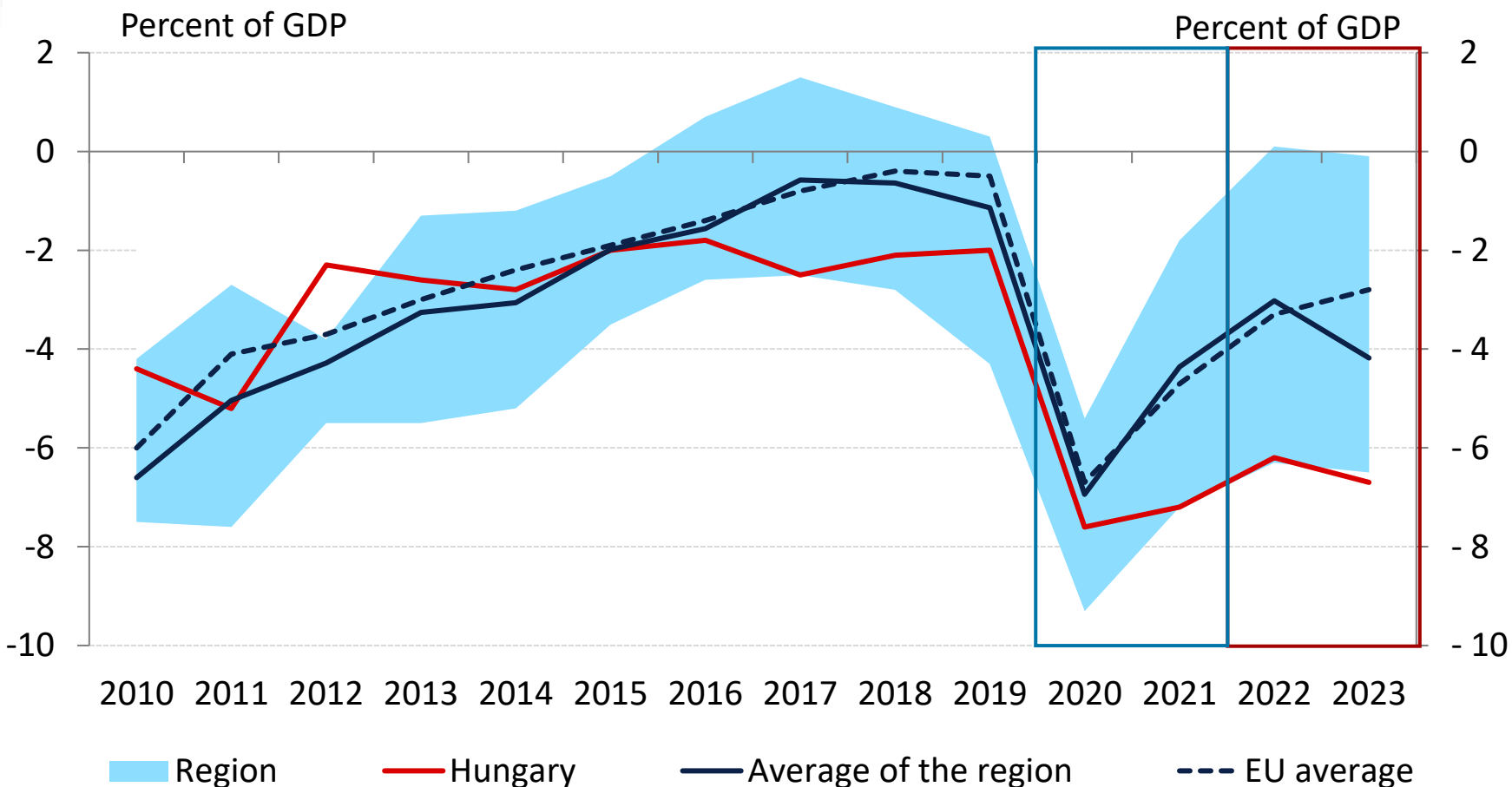
Annual average (%)

	2020-2021	2022-2023
	0.6	-0.3
	0.0	-1.4
	-0.4	-2.4
	-1.7	-4.1
	-2.7	-4.6
	-6.1	-9.1

CURRENT ACCOUNT BALANCE AS A PERCENTAGE OF GDP

Note | Region (Czech Republic, Croatia, Poland, Romania, Slovakia) excluding Hungary. For Croatia and the EU average, data for 2023 are four-quarter averages until 2023 Q3. Source | Eurostat, MNB

HUNGARIAN BUDGET DEFICIT WAS AMONG THE HIGHEST IN THE REGION AFTER 2019

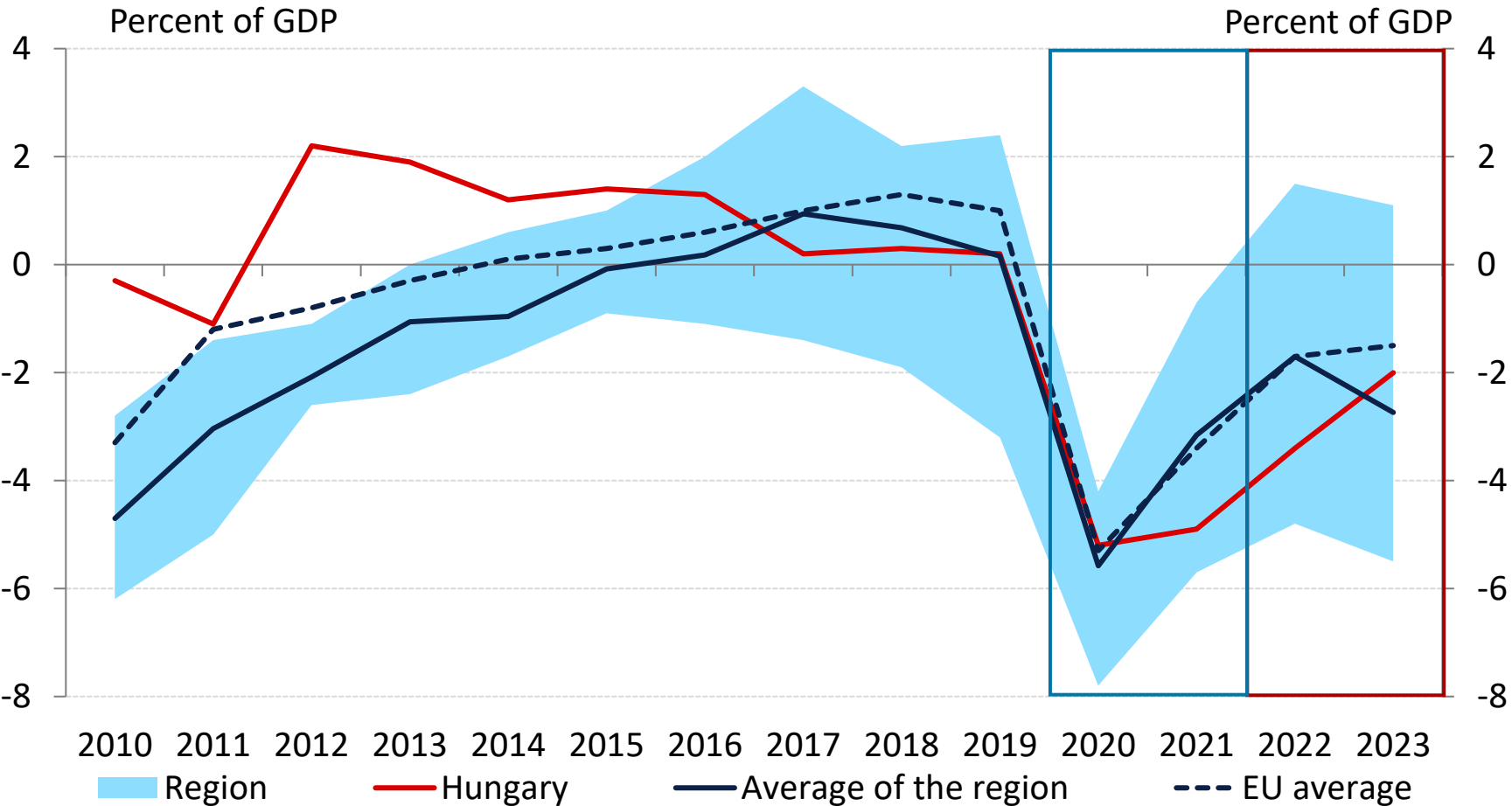














Annual average (%)			
2020-2021		2022-2023	
	-4.4		0.0
	-4.9		-3.3
	-5.3		-4.3
	-5.5		-4.4
	-7.4		-6.1
	-8.3		-6.5

TRENDS IN THE BUDGET BALANCE

Note | Region (Czech Republic, Croatia, Poland, Romania, Slovakia) excluding Hungary. Source | Eurostat, MNB compilation for 2023, Hungary April 2024 EDP notification

THE DOMESTIC PRIMARY BALANCE DEFICIT EXCEEDED THE REGIONAL AVERAGE IN 2021-2022 AND FELL BELOW IT IN 2023

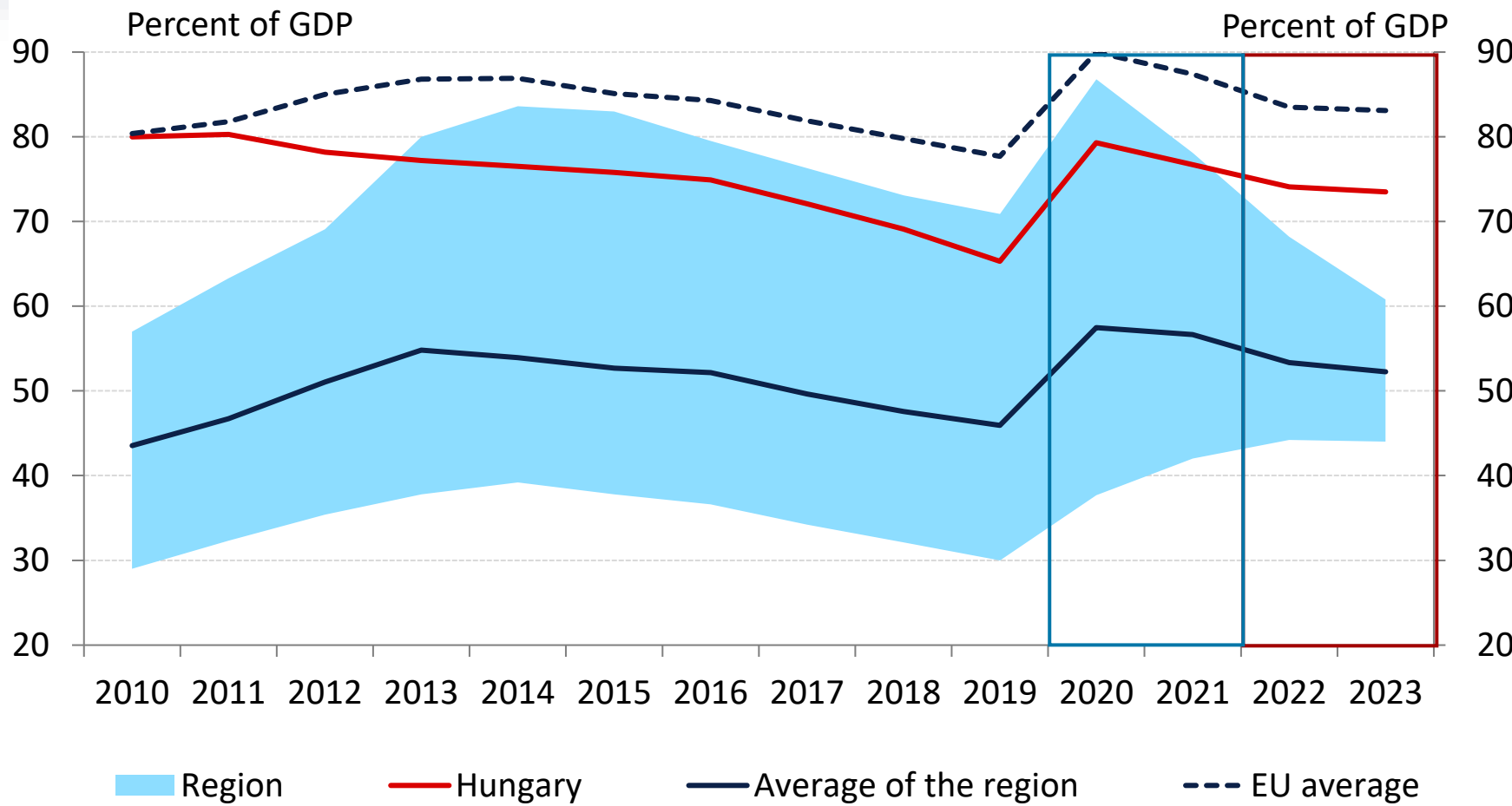














Annual average (%)	
2020-2021	2022-2023
 -3.2	 1.3
 -3.2	 -2.1
 -4.2	 -2.6
 -4.7	 -2.7
 -5.1	 -3.3
 -6.8	 -4.6

TRENDS IN THE PRIMARY BALANCE

Note | Region (Czech Republic, Croatia, Poland, Romania, Slovakia) excluding Hungary.
Source | Eurostat, MNB compilation for 2023, Hungary April 2024 EDP notification, AMECO

HUNGARY'S PUBLIC DEBT REMAINS ABOVE THE LEVEL OF THE REGIONAL COUNTRIES



Annual average (%)	
2020-2021	2022-2023
 39.9	 44.1
 47.7	 48.1
 55.4	 49.5
 60.0	 57.9
 78.0	 64.5
 82.5	 73.8

TRENDS IN GROSS PUBLIC DEBT

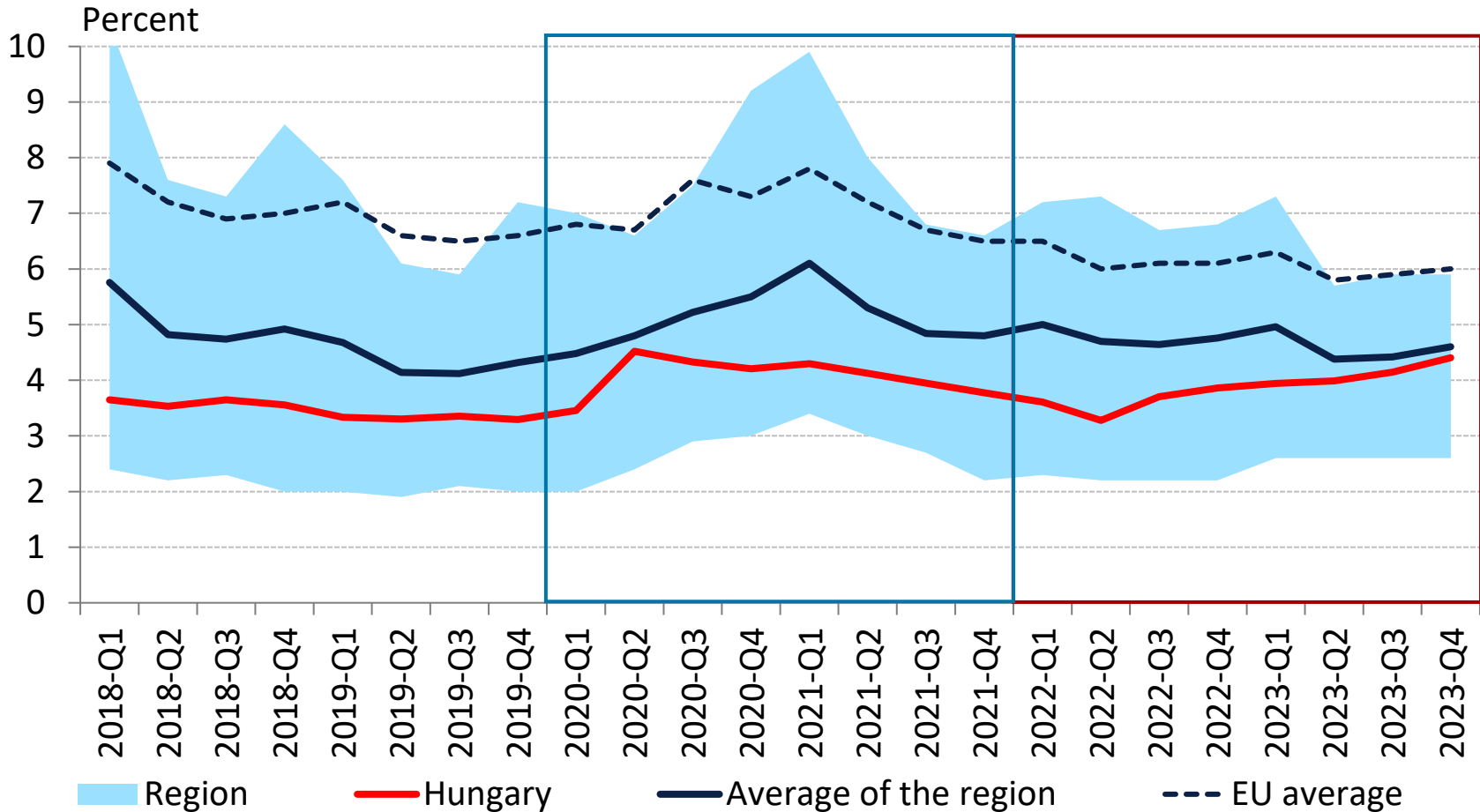
Note | Region (Czech Republic, Croatia, Poland, Romania, Slovakia) excluding Hungary. Source | Eurostat, MNB compilation for 2023, Hungary April 2024 EDP notification













LABOUR MARKET SITUATION



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prosperity*

THE LABOUR MARKET REMAINED STRONG IN THE REGION AND THE HUNGARIAN UNEMPLOYMENT RATE WAS ONE OF THE MOST FAVOURABLE

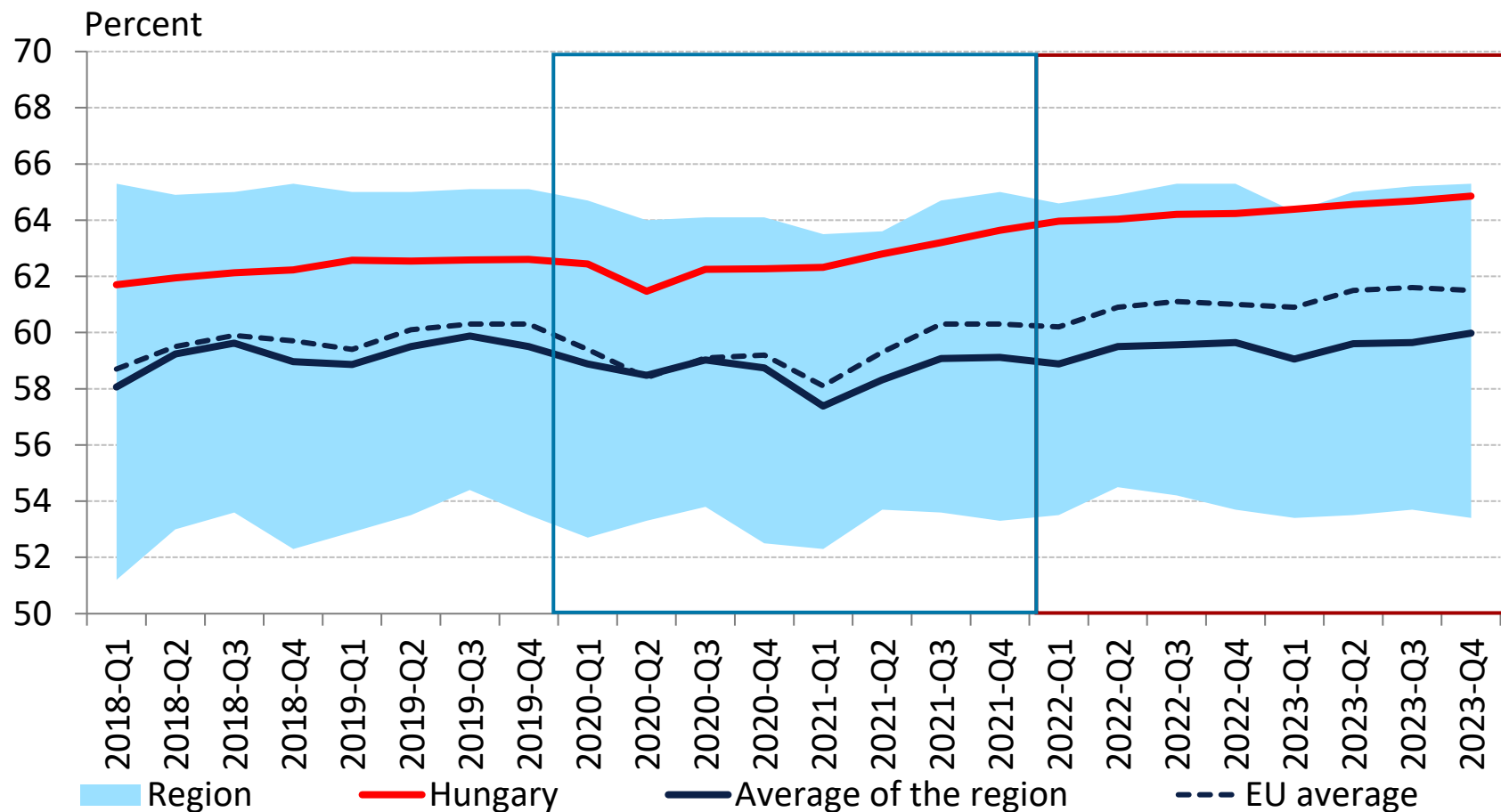


Average (%)	
2020-2021	2022-2023
 2.7	 2.4
 3.3	 2.9
 4.1	 3.9
 5.3	 5.6
 6.8	 6.0
 7.6	 6.5

UNEMPLOYMENT RATE TRENDS IN THE REGION

Note | Region (Czech Republic, Croatia, Poland, Romania, Slovakia) excluding Hungary. Source | Eurostat, MNB

DOMESTIC EMPLOYMENT RATES ARE HIGH BY REGIONAL AND HISTORICAL STANDARDS

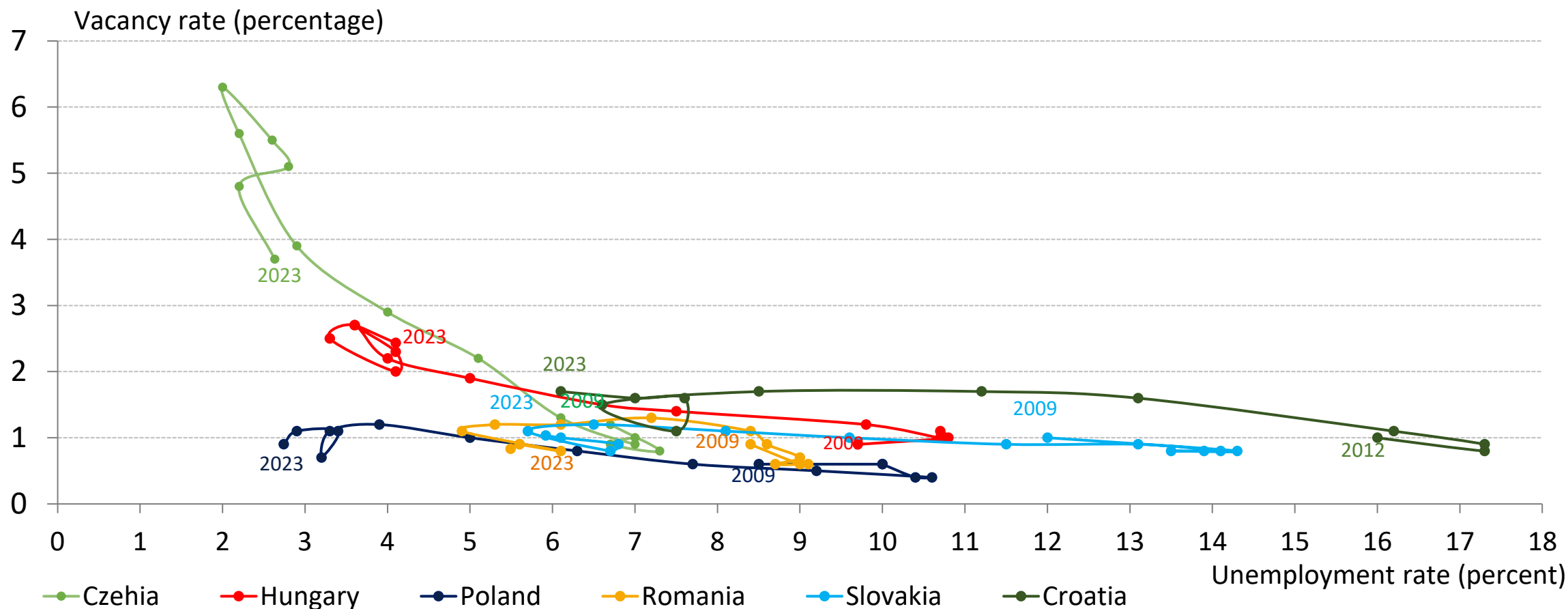


Average (%)	
2020-2021	2022-2023
64.2	65.0
62.5	64.4
60.2	62.4
59.7	61.3
55.5	55.1
53.5	53.7

EMPLOYMENT RATE TRENDS OF 15–74 YEAR OLDS IN THE REGION

Note | Region (Czech Republic, Croatia, Poland, Romania, Slovakia) excluding Hungary. Source | Eurostat, MNB

LABOUR MARKET TIGHTNESS DECLINED SLIGHTLY, RATHER DUE TO A DROP IN THE VACANCY RATE



EVOLUTION OF THE BEVERIDGE CURVE IN THE REGION

Note | For Croatia, vacancy data are only available from 2012.

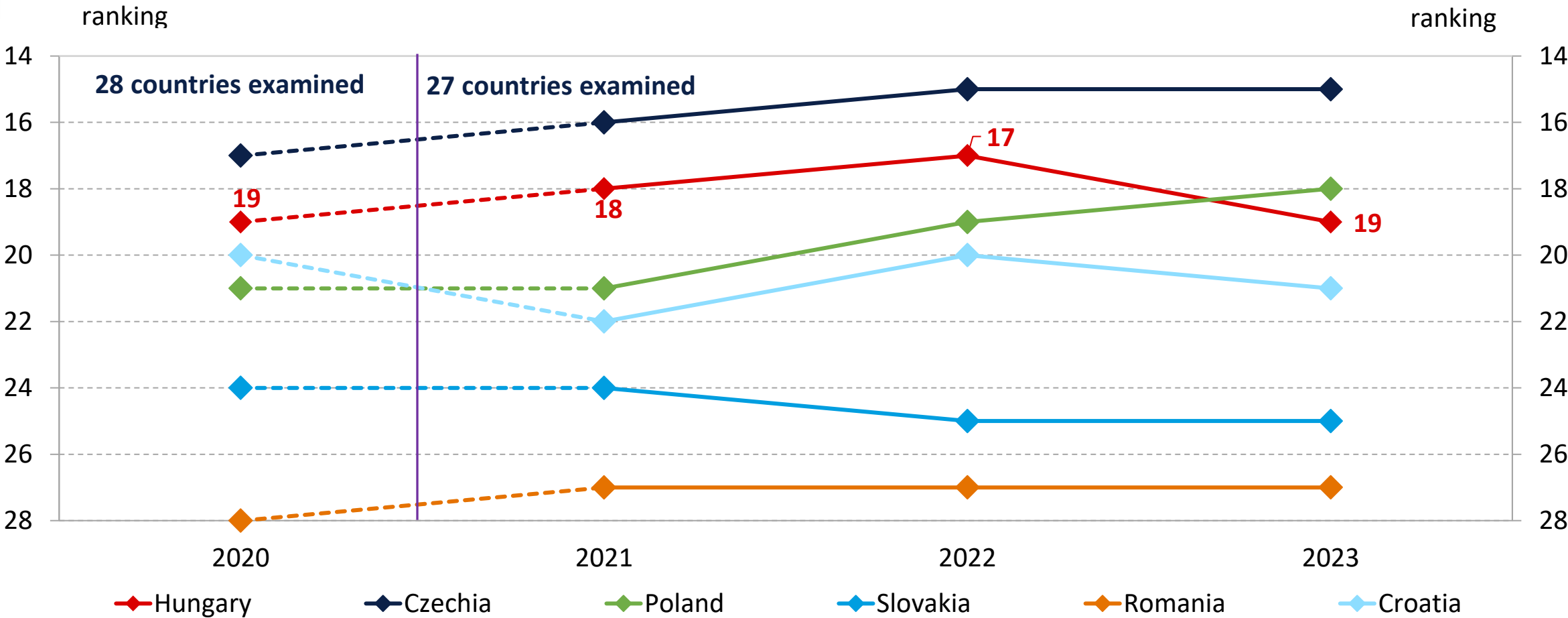
Source | Eurostat, HCSO

COMPETITIVENESS INDICATORS



*100 years for Hungary's
prosperity*

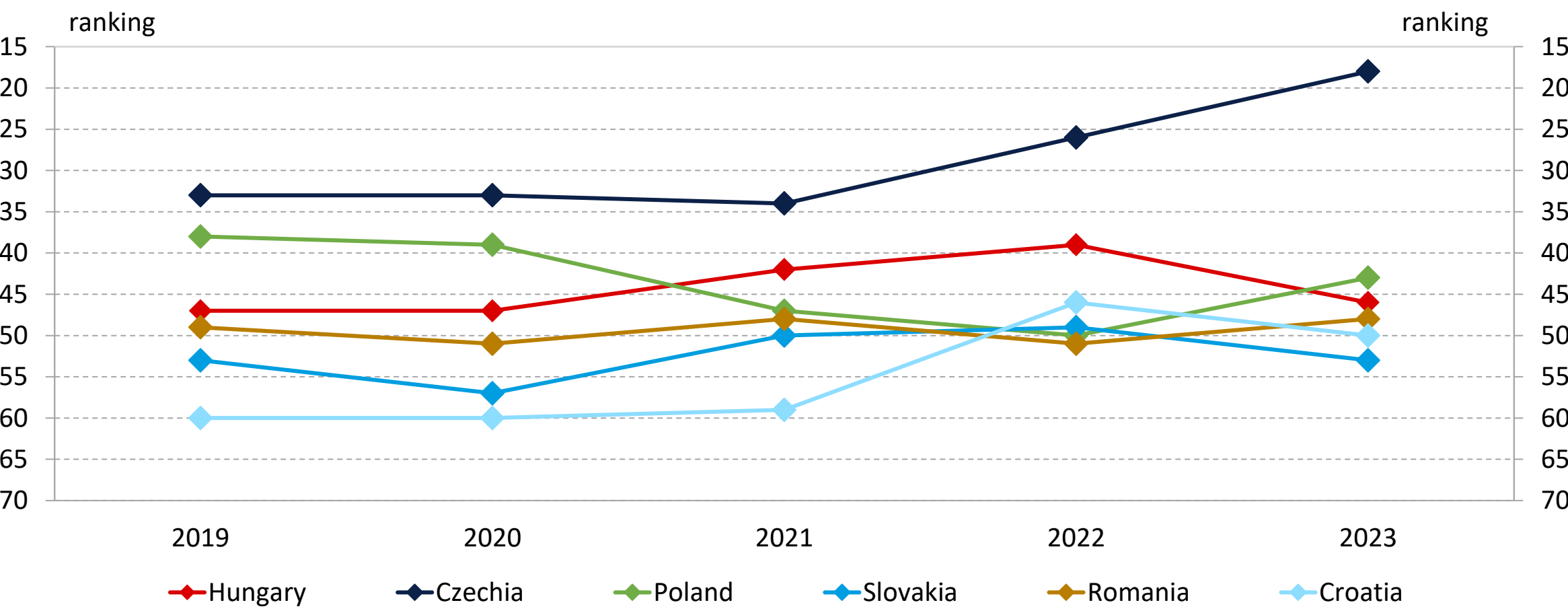
AFTER A TEMPORARY IMPROVEMENT, HUNGARY RETURNED TO THE 2020 POSITION IN THE MNB'S COMPETITIVENESS RANKING



RANKING OF REGIONAL COUNTRIES IN THE MNB COMPETITIVENESS INDEX

Note | A lower ranking means a more favourable position. The 2020 Competitiveness Index still included the UK (5th place) as well. Source | MNB

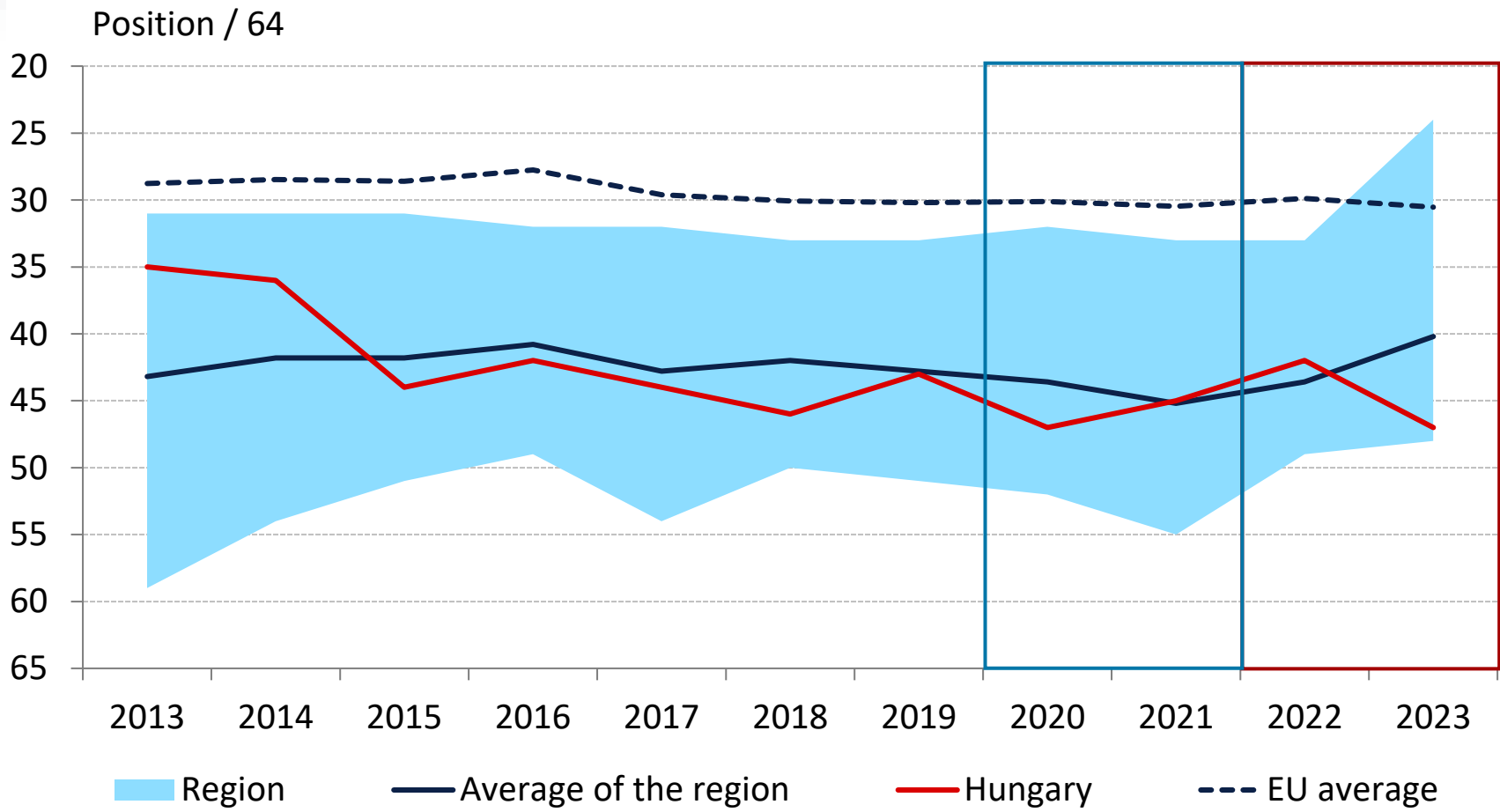
IN THE IMD RANKING, HUNGARY HAS ALSO RETURNED TO ITS POSITION FROM 2020, DROPPING 7 PLACES IN 2023



RANKING OF REGIONAL COUNTRIES IN THE IMD COMPETITIVENESS RANKING

Note | A lower ranking means a more favourable position.
Source | IMD, MNB

HUNGARY'S DIGITAL COMPETITIVENESS IS BELOW THE REGIONAL AVERAGE

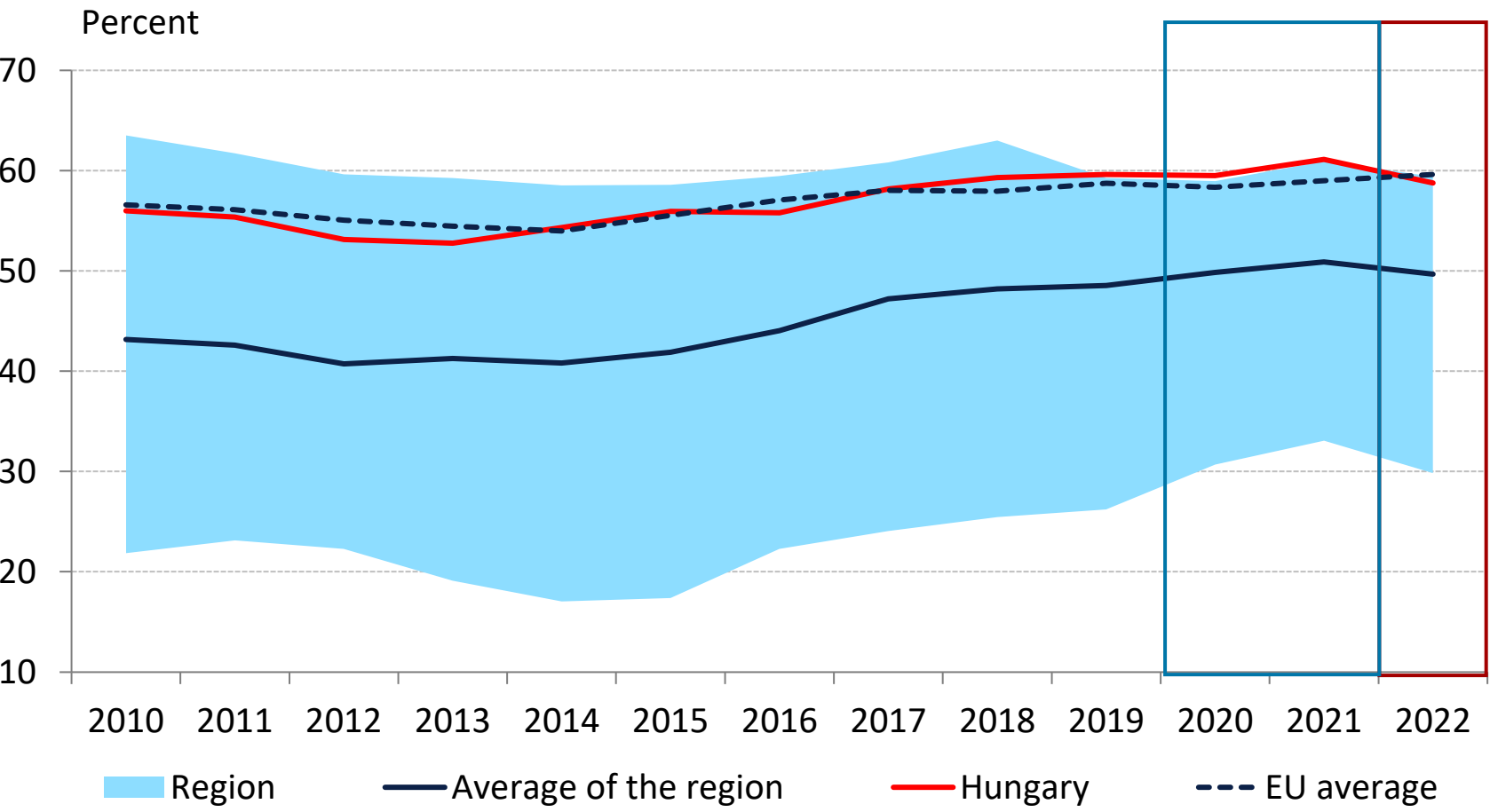


Average ranking	
2020-2021	2022-2023
34.0	28.5
36.5	42.5
46.0	43.5
48.5	44.5
49.5	46.5
53.5	48.5

COUNTRY RANKINGS IN THE IMD DIGITAL COMPETITIVENESS RANKING

Note | The region includes Croatia, Romania and the V3 countries.
Source | IMD

HUNGARY'S NET ENERGY IMPORT SHARE DECLINED IN 2022, BUT IT IS STILL HIGH COMPARED TO THE REGION



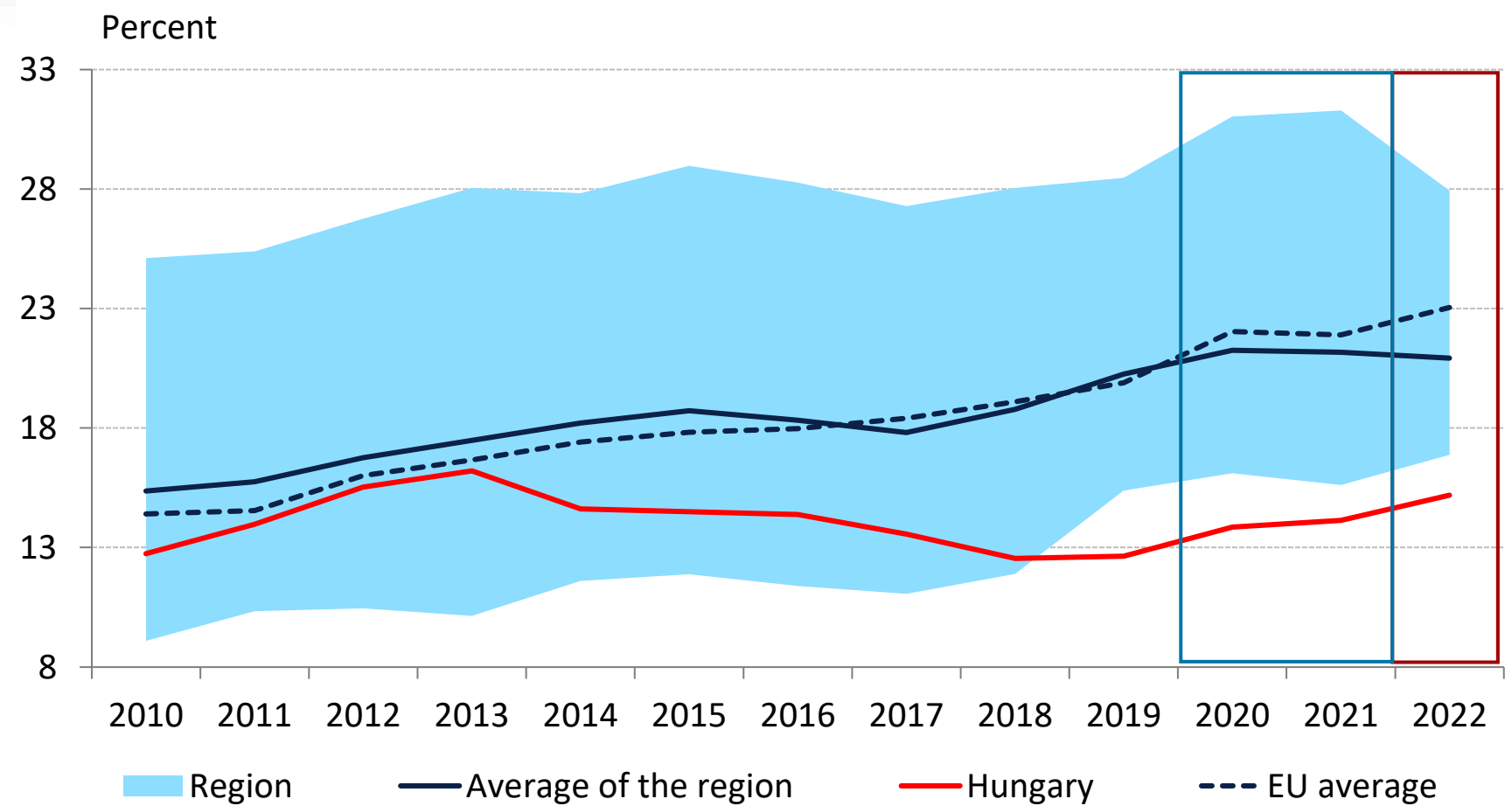
Average (%)	
2020-2021	2022
31.9	29.8
42.2	39.5
44.4	43.2
54.9	56.6
59.9	58.8
60.3	59.4













NET ENERGY IMPORTS (AS A SHARE OF AVAILABLE ENERGY)

Note | The region includes Croatia, Romania and the V3 countries. Calculated from kilotonnes of oil equivalent data. The value of net energy imports adjusted for change in inventories of energy sources.

Source | Eurostat based on MNB calculation.

THE DOMESTIC SHARE OF RENEWABLE ENERGY IS SUBSTANTIALLY LOWER THAN IN THE REGION, SO THERE IS CONSIDERABLE POTENTIAL FOR GROWTH

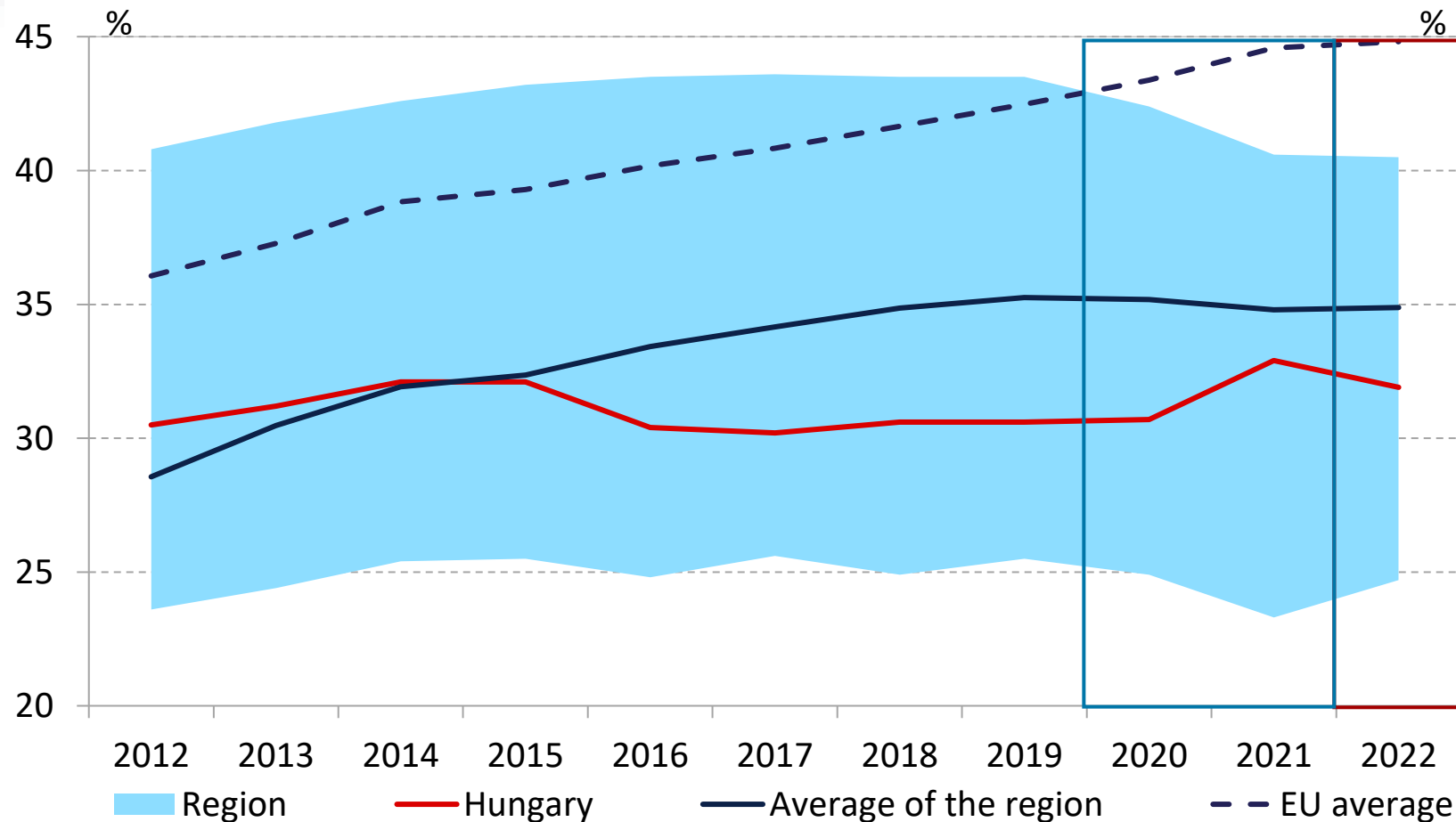














Average (%)	
2020-2021	2022
 31.2	 27.9
 24.2	 24.1
 17.5	 18.2
 17.4	 17.5
 15.9	 16.9
 14.0	 15.2

SHARE OF RENEWABLE ENERGY IN ELECTRICITY

Note | Share of energy from renewable sources in gross final electricity consumption. The region includes Croatia, Romania and the V3 countries. Source | Eurostat based on MNB calculation.

DOMESTIC SHARE OF PEOPLE WITH TERTIARY EDUCATION IS STAGNATING



Average (%)	
2020-2021	2022
 41.5	 40.5
 39.3	 39.1
 36.2	 35.5
 34.0	 34.5
 31.8	 31.9
 24.1	 24.7

RATIO OF TERTIARY GRADUATES FROM 25 TO 34 YEARS

Note | The region includes Croatia, Romania and the V3 countries.

Source | Eurostat

**THANK YOU
FOR YOUR
ATTENTION!**

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*100 years for Hungary's
prosperity*