

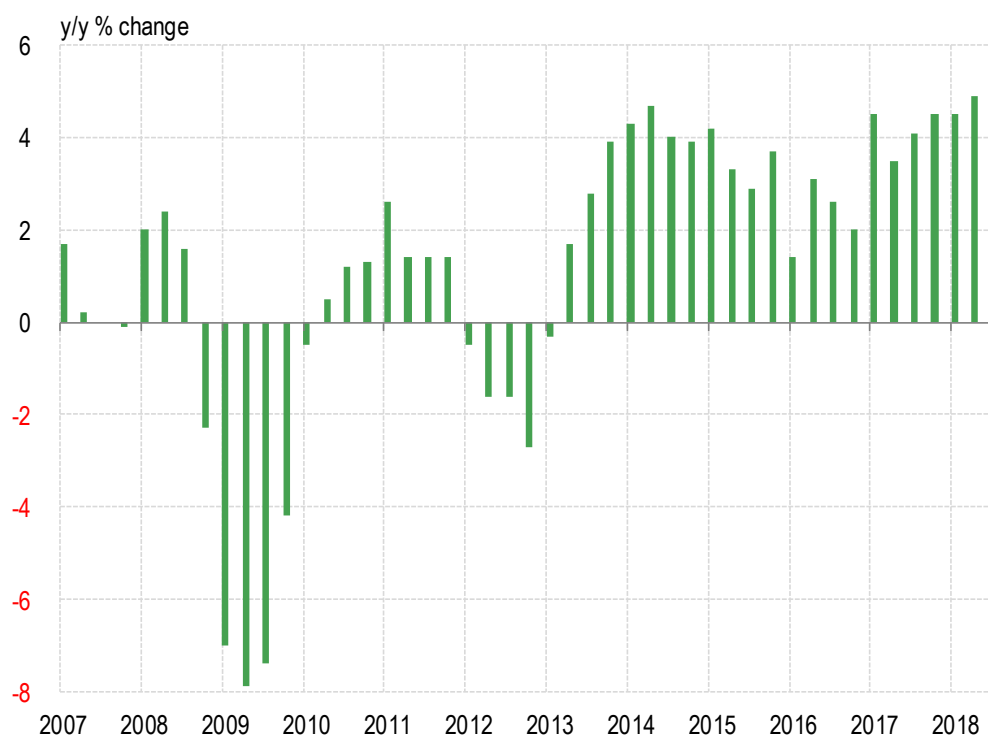


Hungary: Cyclical peak

Hungary's Prime Minister Victor Orban, who intends to lead a eurosceptic, sovereigntist and anti-immigration front in European elections next May, can boast of a favourable macroeconomic situation. Economic growth continued to accelerate in 2018 thanks to a mix of expansionist economic policies, European structural funds and an upturn in domestic lending. GDP growth is estimated at an average of 4.5% in 2018, the highest level since 2004 and above its long-term potential. It is expected to slow in 2019.

The "Orban model" is striking a fragile balance between interventionism and pro-business measures. A small open economy, Hungary is highly integrated in European and global supply chains and then is dependent on the global business cycle. Despite the government's strong rejection of European institutions, Hungary is fond of EU structural funds, which are likely to decline as of 2021. Economic patriotism prevails in strategic sectors (energy, telecommunications, finance), but the authorities are pushing to open up labour intensive industrial sectors (automotive, electronics) to non-resident investors by providing an attractive fiscal framework and low labour costs. In December 2018, a pro-business law raising the ceiling on overtime work triggered strong popular discontent.

Hungary: GDP growth



Source: Hungarian Central Statistical Office