

# **Economic Trends in Eastern Europe**

**No. 2 2007**

**Budapest, July 2007**

**Main Macroeconomic Indicators for Hungary and Kopint-Tárki Forecast**  
(Change over the previous year or the corresponding period of the previous year, percentage)

	2004	2005	2006	2007			Forecast			
				Q1	Apr.	May	2007 (2007. Apr.)	2007 (2007. Jul.)	2008 (2007 Apr.)	2008 (2007 Jul.)
<b>GDP Aggregates, real growth</b>										
<b>GDP total</b>	4.8	4.1	3.9	2.7			2.8	2.7	3.2	3.2
<i>Domestic Demand</i>	4.2	1.4	0.4	0.8			-0.4	-0.4	0.7	0.7
Private Consumption	3.2	3.9	1.9	-0.8			-0.5	-0.6	0.0	0.0
Public Consumption	-0.1	-0.1	0.2	-7.6			-7.0	-7.0	-5.0	-5.0
Gross Fixed Capital Formation	7.6	5.3	-2.1	-2.9			2.0	2.0	3.0	3.0
Exports	15.7	11.5	17.9	17.6			13.5	14.0	11.0	11.0
Imports	14.1	6.9	12.4	14.9			9.5	10.0	8.5	8.5
<b>Industrial Production</b>	7.4	7.0	10.1	8.8	10.6	3.2	9.0	8.5	7.0	7.0
<b>Consumer Price Index (HICP)</b>	6.8	3.5	4.0	8.8	8.7	8.4	6.8	7.5	3.5	3.5
<b>Employment, Earnings</b>										
Number of Employed, p. avg.*	-0.5	0.0	0.7	0.5	-0.1	-0.2	0.0	0.0	0.5	0.5
Unemployment rate, ILO, p. avg.*)	6.1	7.2	7.5	7.5	7.5	7.3	7.8	7.5	7.5	7.5
Unit Labor Costs, in EUR <sup>a</sup>	4.9	0.8	-8.5	0.6			-0.1	1.8	-4.8	-3.1
Gross Nominal Wages	6.0	8.8	8.1	7.1	8.4	7.4		8.0		4.0
Net Real Wages, accumulated	-1.1	6.3	3.5	-7.0	-6.8	-6.8	-3.2	-3.8	0.5	0.5
Savings Rate, % of GDP	2.4	4.2	3.2	0.8			2.9	2.5	3.3	3.0
<b>Balance of Payments</b>										
<b>Trade Balance, bn EUR</b>	-3.9	-2.9	-2.0	-0.3	-0.2	-0.1 <sup>c</sup>	-1.0	-1.0	-1.0	-1.0
<b>Current and Capital Accounts, bn EUR</b>	-6.7	-5.4	-4.5	-1.0			-4.1	-4.1	-3.9	-3.9
% of GDP	-8.1	-6.0	-5.0	-4.6			-4.0	-3.9	-3.6	-3.6
<b>Inward FDI<sup>b</sup>, with Reinvested Earnings, bn EUR</b>	3.3	5.9	2.3	1.0			3.5	3.5	3.2	3.2
Reinvested Earnings, bn EUR	2.2	1.9	0.9	0.6			1.7	1.7	1.5	1.5
<b>Government Finances</b>										
<b>General Government Balance, ESA-95, % of GDP</b>	-6.5	-7.8	-9.2				-6.8	-6.4	-4.3	-4.0
<b>Gross Government Debt, % of GDP</b>	60.2	61.6	65.5	65.6			70.1	67.6	71.3	68.0
Short-term Interest Rates (3M), eop**	8.9	6.0	8.0	7.7	7.7	7.6	6.5	6.5	6.0	6.0
Long-term Interest Rates (10Y), eop**	7.1	7.0	6.9	6.7	6.6	6.5	6.2	6.2	6.0	6.0
<b>External Assumptions</b>										
Internat. Trade in Goods, vol.	9.5	6.0	8.0				7.8	7.0	8.0	7.5
Brent Oil Price (\$/bbl, p. avg.*)	38.2	54.4	59.8	57.7	67.5	67.9	63.5	65.5	64.0	66.0
GDP Real Growth, Eurozone	2.0	1.4	2.8	2.8			2.4	2.6	2.2	2.3
GDP Real Growth, New EU Members	5.8	4.8	6.3	6.5			5.6	5.9	5.1	5.4
<b>Exchange Rates</b>										
HUF/EUR, p. avg.*	252	248	264	252	246	248	250	250	250	250
USD/EUR, p. avg.*	1.24	1.24	1.29	1.31	1.35	1.35	1.30	1.34	1.30	1.32

Source: Kopint-Tárki database

\* Period average

\*\* End of period

a Manufacturing, gross value added, based on monthly average compensation of employees in euro (including allocations in cash and in kind), accumulated

b Foreign Direct Investment: Equity capital and reinvested earnings without other capital transactions (inter-company loans)

c Preliminary data

Economic Indicators 1999-2006, forecast 2007-2008

(percentage change)

	1999	2000	2001	2002	2003	2004	2005	2006	2007 <sup>a</sup>	2008 <sup>a</sup>
<b>GDP AGGREGATES, ANNUAL REAL GROWTH</b>										
GDP total	4.2 <sup>b</sup>	5.2 <sup>b</sup>	4.1	4.4	4.2	4.8	4.1	3.9	2.7	3.2
Domestic Demand	5.1 <sup>b</sup>	4.8 <sup>b</sup>	2.2	6.5	6.2	4.2	1.4	0.4	-0.4	0.7
Private Consumption	4.8 <sup>b</sup>	4.9 <sup>b</sup>	5.7	9.9	7.8	3.2	3.9	1.9	-0.6	0.0
Public Consumption	1.8 <sup>b</sup>	1.2 <sup>b</sup>	1.0	5.3	5.1	-0.1	-0.1	0.2	-7.0	-5.0
Gross Investments	6.8 <sup>b</sup>	5.7 <sup>b</sup>	-4.6	-1.2	2.5	8.7	-4.4	-3.5	2.5	4.9
of which: fixed Investments	5.9 <sup>b</sup>	7.7 <sup>b</sup>	5.2	10.2	2.2	7.6	5.3	-2.1	2.0	3.0
Exports	12.2 <sup>b</sup>	22.0 <sup>b</sup>	8.1	3.9	6.2	15.7	11.5	17.9	14.0	11.0
Imports	13.3 <sup>b</sup>	20.3 <sup>b</sup>	5.3	6.8	9.3	14.1	6.9	12.4	10.0	8.5
<b>PRODUCTION INDICES</b>										
Agricultural Production (gross)	0.1	-6.4	15.8	-4.1	-4.5	23.0	-8.5	-2.3	-5.0	5.0
Industrial Production	10.4	18.1	3.6	2.8	6.4	7.4	7.0	10.1	8.5	7.0
<b>PRICES, EXCHANGE RATES</b>										
Consumer Price Index	10.0	9.8	9.2	5.3	4.7	6.8	3.6	3.9	7.5	3.5
Industrial Producer Price Index	5.1	11.6	5.2	-1.8	2.4	3.5	4.3	6.5	5.0	4.0
HUF/EUR Exchange Rate (annual average)	253	260	257	243	254	252	248	264	250	250
USD/EUR Exchange Rate (annual average)	1.07	0.92	0.90	0.94	1.13	1.24	1.24	1.29	1.34	1.32
<b>EMPLOYMENT, EARNINGS</b>										
Number of Employed	3.1	1.0	0.3	0.1	1.3	-0.5	0.0	0.7	0.0	0.5
Unemployment Rate, ILO	7.0	6.4	5.7	5.8	5.9	6.1	7.2	7.5	7.5	7.5
Methodology, annual average										
Gross Nominal Wages	16.1	13.5	18.0	18.3	12.0	6.0	8.8	8.1	8.0	4.0
Net Real Wages	2.5	1.5	6.4	13.6	9.2	-1.0	6.3	3.5	-3.8	0.5
Retail Trade Volume	7.9	2.0	5.4	8.8	9.0	5.8	5.5	4.1	-1.0	1.0
<b>BALANCE OF PAYMENTS</b>										
Current and Capital Accounts, EUR bn	-3.5	-4.1	-3.2	-4.7	-6.0	-6.7	-5.4	-4.5	-4.1	-3.9
Current and Capital Accounts, % of GDP	-7.8	-7.8	-5.4	-6.7	-8.0	-8.1	-6.0	-5.0	-3.9	-3.6
<b>GOVERNMENT BUDGET</b>										
General Government Balance, ESA-95, % of GDP	-3.7 <sup>c</sup>	-3.6 <sup>c</sup>	-3.0 <sup>c</sup>	-9.1	-7.2	-6.5	-7.8	-9.2	-6.4	-4.0
Gross Government Debt, % of GDP	60.4 <sup>e</sup>	54.4 <sup>e</sup>	51.5 <sup>e</sup>	56.6	58.9	60.2	61.6	65.5	67.6	68.0

a Forecast

b According to former methodology, without FISIM-allocation

c According to GFS-methodology, without revenues from privatization

e Gross Central Government Debt

Sources: CSO Yearbooks, Statistical Bulletins, Ministry of Finance press releases, NBH Annual Reports, CSO Labor Survey, Eurostat