

## COUNTRY PROFILE



## Hungary

GLOBAL RANK: 41st= of 104



Ranking 33rd for Economic Competitiveness and 54th for Comparative Liveability, Hungary is tied at 41st with Latvia, scoring low marks for equality of opportunity and for family and community life.

## ● BACKGROUND

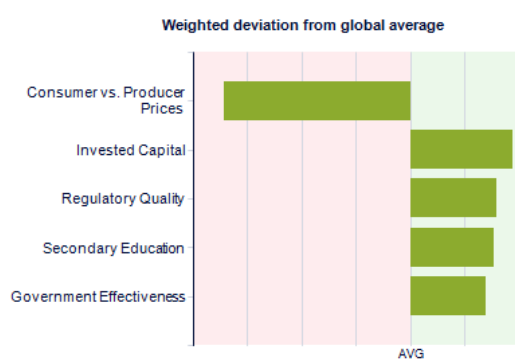
Entrance into the EU in 2004 has helped accelerate Hungary's development into a modern market-based economy. The flourishing private sector has attracted a steady flow of foreign investment, with Germany a key economic partner. However, high levels of personal income tax hold back growth, and Hungary's informal economy is estimated at 18% of GDP. Progress in fighting corruption in local and national government has also been disappointing. The status of over 5 million ethnic Hungarians living outside Hungary's modern borders is an unresolved political issue. As elsewhere in Eastern Europe, Hungary's 6% Roma minority suffer under poverty and discrimination.

## FAST FACTS

<b>Population:</b>	9.9 million (2008 est.)	<b>FDI (net inflow):</b>	10.36% (2006 est.)
<b>Life Today</b>	5.1 (2007 est.)	<b>Exports</b>	65.74% (2006 est.)
<b>GDP (PPP)</b>	\$191.3 billion (2007 est.)	<b>Imports</b>	68.38% (2006 est.)
<b>GDP (Growth)</b>	1.3% (2007 est.)	<b>Unemployment:</b>	7.3% (2007 est.)
<b>GDP (per Capita)</b>	\$19,000 (2007 est.)	<b>Life Expectancy</b>	73.18 years (2008 est.)
<b>Political System:</b>	Parliamentary Democracy		
<b>Foreign Aid:</b>	0.30% (2004 est.)		

## ● KEY SCORE DRIVERS

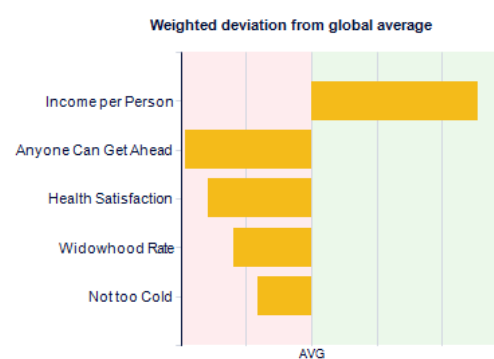
## ECONOMIC COMPETITIVENESS



Hungary is typical of Central European economic success. Excellent mass education and EU accession have paved the way for increasing foreign investment and export-led growth. Foreign direct investment is over \$80 billion, overall levels of capital investment are high, and the proportion of high-tech exports is high compared with global averages, exceeding 2.5% of GDP.

After successfully carrying out the first wave of transition reforms, which included price and trade liberalisation, privatisation, and the establishment of an independent central bank, subsequent Hungarian governments failed to deliver the second wave of changes. Hence the public welfare arrangements remain largely unreformed, putting a

## COMPARATIVE LIVEABILITY



Hungary ranks lower in the Comparative Liveability than in the Economic Competitiveness index, although rising income levels buoy liveability somewhat.

Equality of opportunity receives a poor score. While the female share of national income is impressive, its effect is outweighed by the lack of women in parliament (8%). Incomes are sufficiently low for Hungary's cold winters also to exert a substantial negative influence on wellbeing.

One might be tempted to conclude that the low Comparative Liveability score is the result of a pessimism rooted in Hungarian

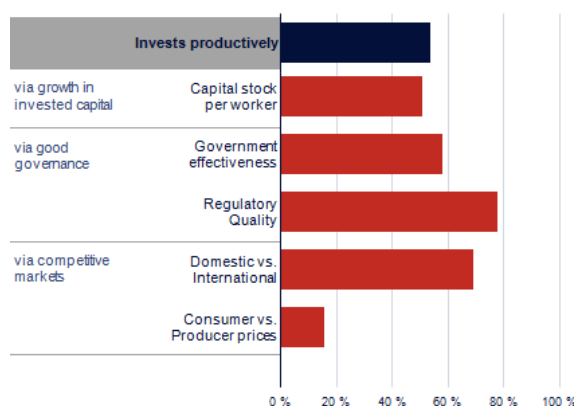
heavy burden on public finances, and resulting in the highest tax wedge among OECD countries. This may be one factor hindering competitiveness in domestic markets, as suggested by movements in relative price levels.

Nevertheless, despite these weaknesses, Hungary's competitiveness fundamentals are good. Highly-rated government effectiveness and quality of regulation suggest a bright future over the medium to long term.

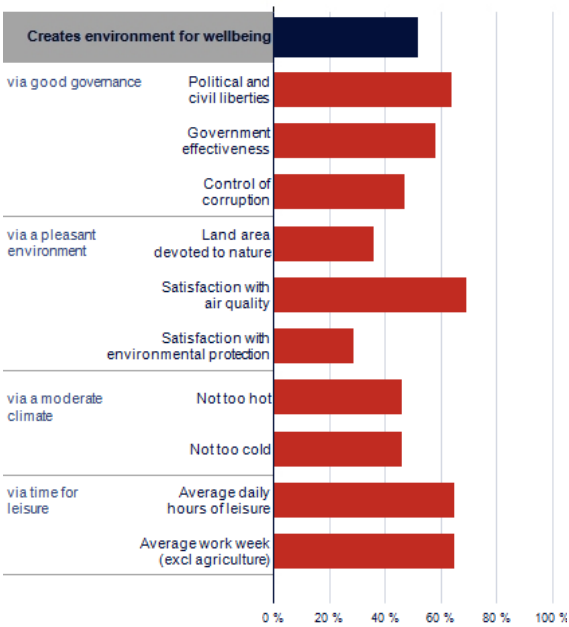
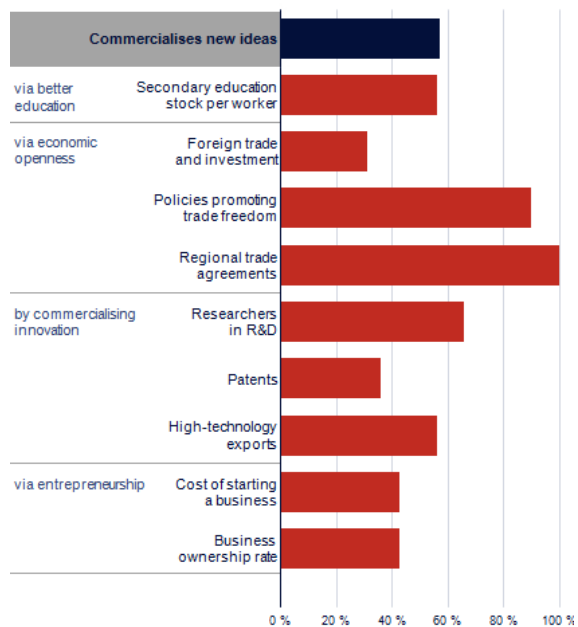
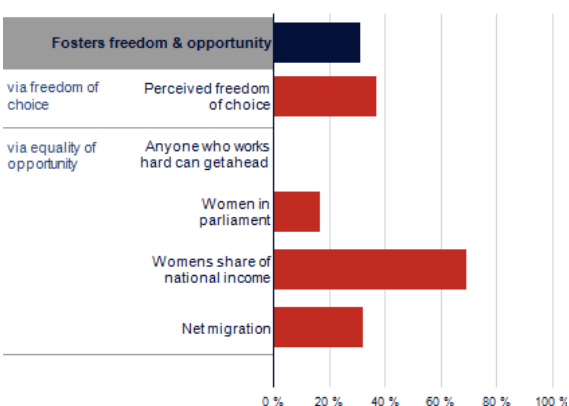
culture. Despite manifest economic opportunities, only 40% of Hungarians report themselves satisfied with their freedom of choice. Perhaps these attitudes reflect a general transition fatigue or disillusionment with the market economy. Hungarians also report surprising pessimism regarding their ability to get ahead through hard work.

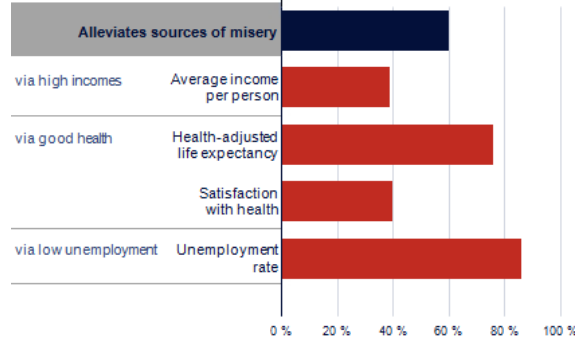
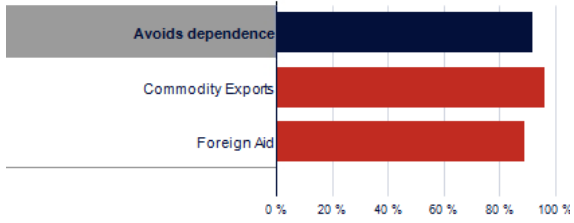
This sense of pessimism is reflected in other statistics as well, with low scores on family and community life. 12%<sup>9</sup> of the population is widowed and almost 7%<sup>9</sup> is divorced, and levels of social trust are low, according to the World Values Survey. Alcoholism and suicide rates are among the highest in the world, and around 35% of citizens smoke. Perhaps unsurprisingly, health satisfaction exerts a negative influence on Hungarian's liveability scores.

## ECONOMIC COMPETITIVENESS: SCORECARD

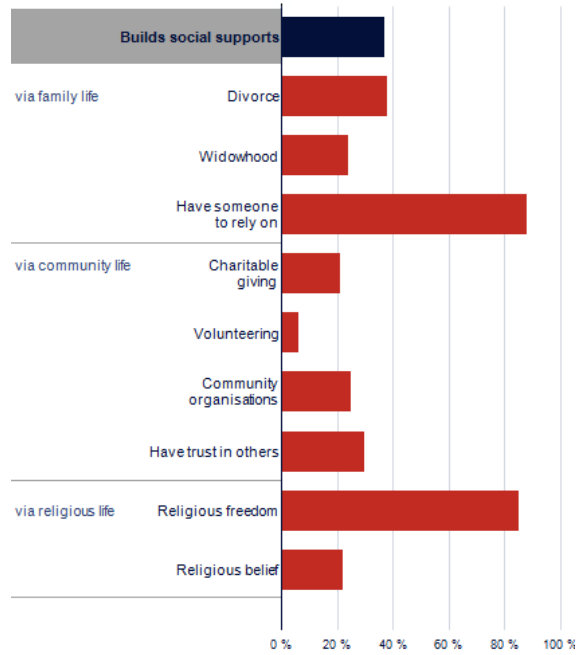


## COMPARATIVE LIVEABILITY: SCORECARD





All subindicator scores in the Index are shown unweighted, expressed as a percentage of the score for the best-performing country in the Index. Indicator scores (in dark blue) are derived from the weighted average of relevant subindicators. For more information on how the subindicator scores are weighted to produce indicator scores and an overall Index score and ranking, see Chapter Two of this report.



**References:**

<sup>9, w</sup> See [www.prosperity.com/references.aspx](http://www.prosperity.com/references.aspx) for further details including date of survey, sample size, and margin of error.