

Coronavirus response in 2021: building back better

Update on Hungary (24 June 2021)



Covid-19 policy response

- **The authorities implemented a major policy response in 2020**, amounting to around 18 per cent of gross domestic product (GDP), focused on income support for vulnerable individuals, liquidity support for businesses and budgetary support for the health sector.
- **Covid-19-related fiscal measures in 2021 are projected at 12 per cent of GDP**, with continued spending on pandemic protection and support for the economic recovery, including a value-added tax cuts on new housing, more money for the pandemic control fund and a wage hike for doctors.
- **Substantial European Union (EU) funds will help boost the short-term recovery.** Hungary is expected to receive about €41 billion in total from the bloc's regular multiannual financial framework (MFF) and an extraordinary Covid-19 recovery fund.

Macroeconomic indicators (%)

	2018	2019	2020	Short-term indicators
GDP growth	5.4	4.6	-5.0	EBRD GDP growth forecast (June 2021) 2021: 5.5%; 2022: 4.8%
Annual inflation (end-year)	-0.4	0.3	0.3	Quarterly GDP growth: -2.1% y/y (Q1 2021)
Government balance/GDP	-2.1	-2.1	-8.1	Economic sentiment: 103.9 (May 2021)
Current-account balance/GDP	0.3	-0.4	0.1	Purchasing Managers Index: 52.8 (May 2021)
Net FDI/GDP	-2.4	-0.1	-0.3	Budapest Stock Exchange (BUX): 46,371 (end-May 2021), up 7.4% m/m
Public debt/GDP (end-year)	69.1	65.5	80.4	Annual inflation: 4.6% (May 2021)
Unemployment rate (end-year)	3.6	2.9	4.2	

Key short-term priorities

- The government should maintain strong, targeted fiscal support for companies, especially small and medium-sized enterprises and in the tourism sector.
- Further support is needed for companies to keep employment at current levels.
- The epidemiological preparedness of the healthcare sector should be monitored carefully following extended support to end 2021.

EBRD assessment of transition qualities (ATQs), 2020¹



Building back better: key ongoing initiatives

Competitive	The government is adding HUF 30 billion (around €86 million) to its existing competitiveness programme for companies that maintain employment at current levels.
Green	The government is supporting investments in residential solar power systems and the electrification of residential heating systems.
Resilient	Water management reform is set to boost Hungary's resilience to climate change and to improve the conditions of drought-prone ecosystems.
Integrated	The Sustainable Green Transport programme should double the number of rail passengers travelling and the number of trains running in and between metropolitan areas.
Digital	Ongoing digital transformation reforms are expected to increase corporate digitalisation and create conditions for a data economy and the widespread use of artificial intelligence.

To learn more about the EBRD's support for Hungary, visit: <https://www.ebrd.com/hungary.html>.

¹ For more details on ATQs, see EBRD (2020), [Transition Report 2020-21: The State Strikes Back](#), London.