

Coronavirus response in 2021: building back better

Update on Hungary (06 December 2021)



Covid-19 policy response

- **The authorities continued with the policy response to Covid-19 in 2021.** This included further spending on epidemic protection and support for the economic recovery.
- **Tax changes announced for 2022 should support the short-term recovery.** There will be tax relief for companies and families with children, as well as a reduction in the social contribution burden for employers.
- **The European Commission approved an additional €250 million for epidemic support through the REACT-EU fund.** The Commission has still not approved Hungary's Recovery and Resilience Facility (RFF) plan, however, so the government is pre-financing its RFF programmes.

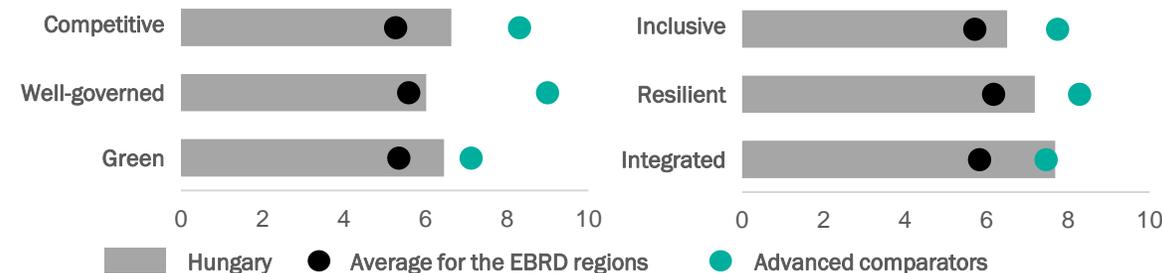
Macroeconomic indicators (per cent)

	2018	2019	2020	Short-term indicators
GDP growth	5.4	4.6	-4.7	EBRD GDP growth forecast (Nov 2021) 2021: 7.7%; 2022: 4.8%
Annual inflation (year end)	2.8	4.1	2.8	Quarterly GDP growth: 6.1% y/y (Q3 2021)
Government balance/GDP	-2.1	-2.1	-8.0	Economic sentiment: 112.7 (November 2021)
Current-account balance/GDP	0.2	-0.7	-1.5	Purchasing Managers Index: 52.2 (November 2021)
Net FDI/GDP	-2.2	-0.1	-1.8	BUX stock exchange: 51,200 (November 2021, down 5.4% m/m)
Public debt/GDP (year end)	69.1	65.5	80.1	Annual inflation: 6.6% (October 2021)
Unemployment rate (year end)	3.6	2.9	4.1	

Key short-term priorities

- Fiscal policy needs to remain supportive and targeted to assist the recovery until all Covid-19 restrictions have been lifted.
- For EU funds to be fully absorbed and the RRF to be implemented, enhanced reform capacity and political will are needed, including with regard to the rule of law.
- Policies that address skills shortages and improve inclusivity would strengthen labour markets and make better use of labour supply.

EBRD assessment of transition qualities (ATQs), 2021¹



Building back better: key ongoing initiatives

Competitive

- The government added to the number of regions in which large investment would receive state support and reduced the investment threshold for research and development project support.

Green

- The National Bank of Hungary will provide funds to local banks at zero per cent, with the aim of offering loans to customers considering purchasing energy-efficient homes.

Resilient

- From 2022, small and medium-sized firms will be eligible to use universal service providers, which provide energy at regulated prices below market prices.

Integrated

- The construction of the renovated Budapest-Belgrade railway line, currently the largest infrastructure investment focused on regional connectivity, has started.

Digital

- Government support for the country's economic recovery, combined with European Union (EU) funds, will target digitalisation projects, especially in public administration and the education sector.

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 (2021), *Transition Report 2021-22: System Upgrade: Delivering the Digital Dividend*, London.