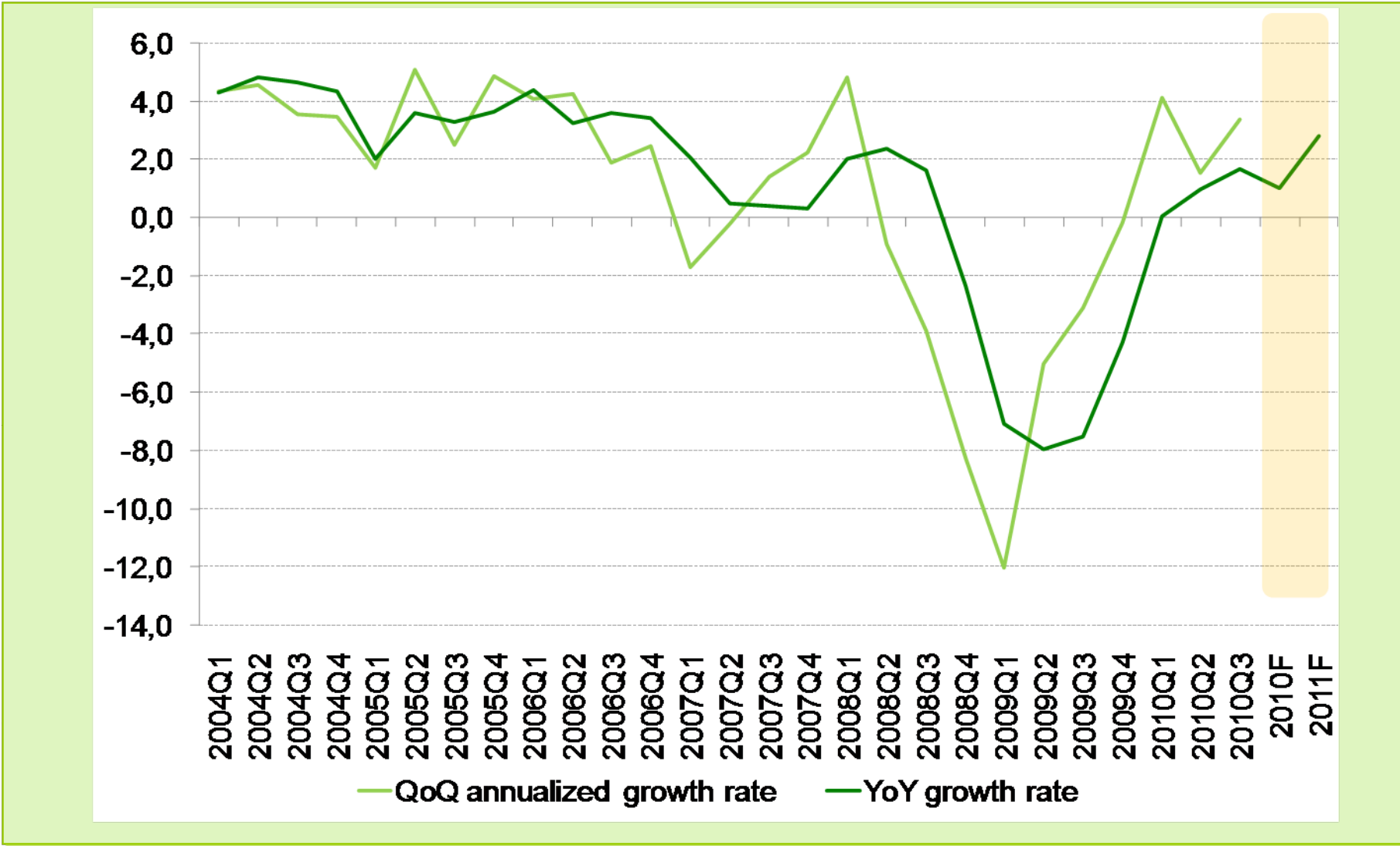

Hungary after the crisis

The Central Eastern European Forum
Euromoney Conference
Vienna 2011 January

Gergely Tardos
Head of Research, OTP Bank

Economic growth has already returned (3Q: 3.4%* q-o-q and 1.7% y-o-y), the contribution of domestic demand will also turn into positive in 2011

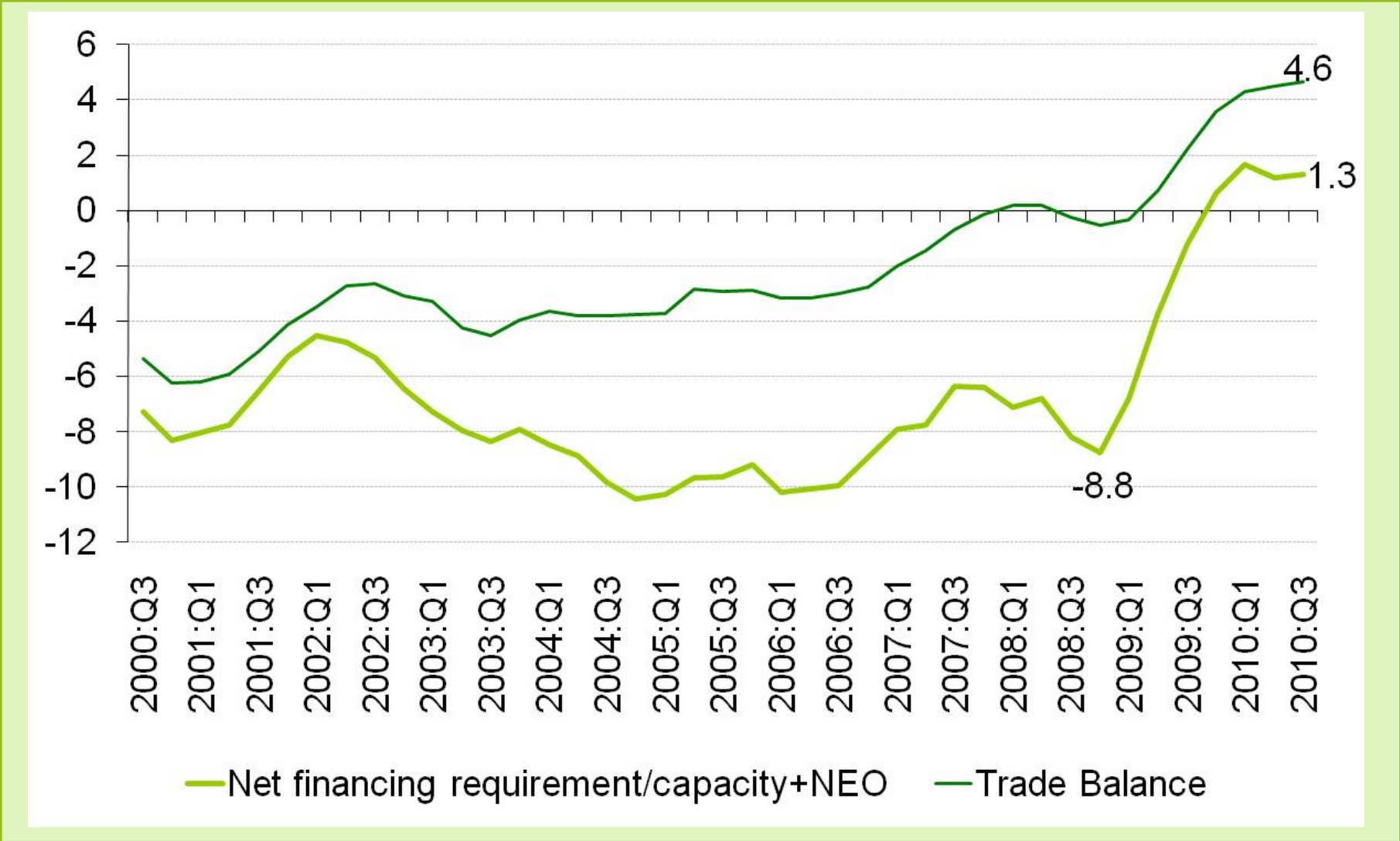
Main indicators of economic growth (%)



Source: Central Statistical Office, OTP Bank

Indicators of Hungarian external balance turned into significant surpluses

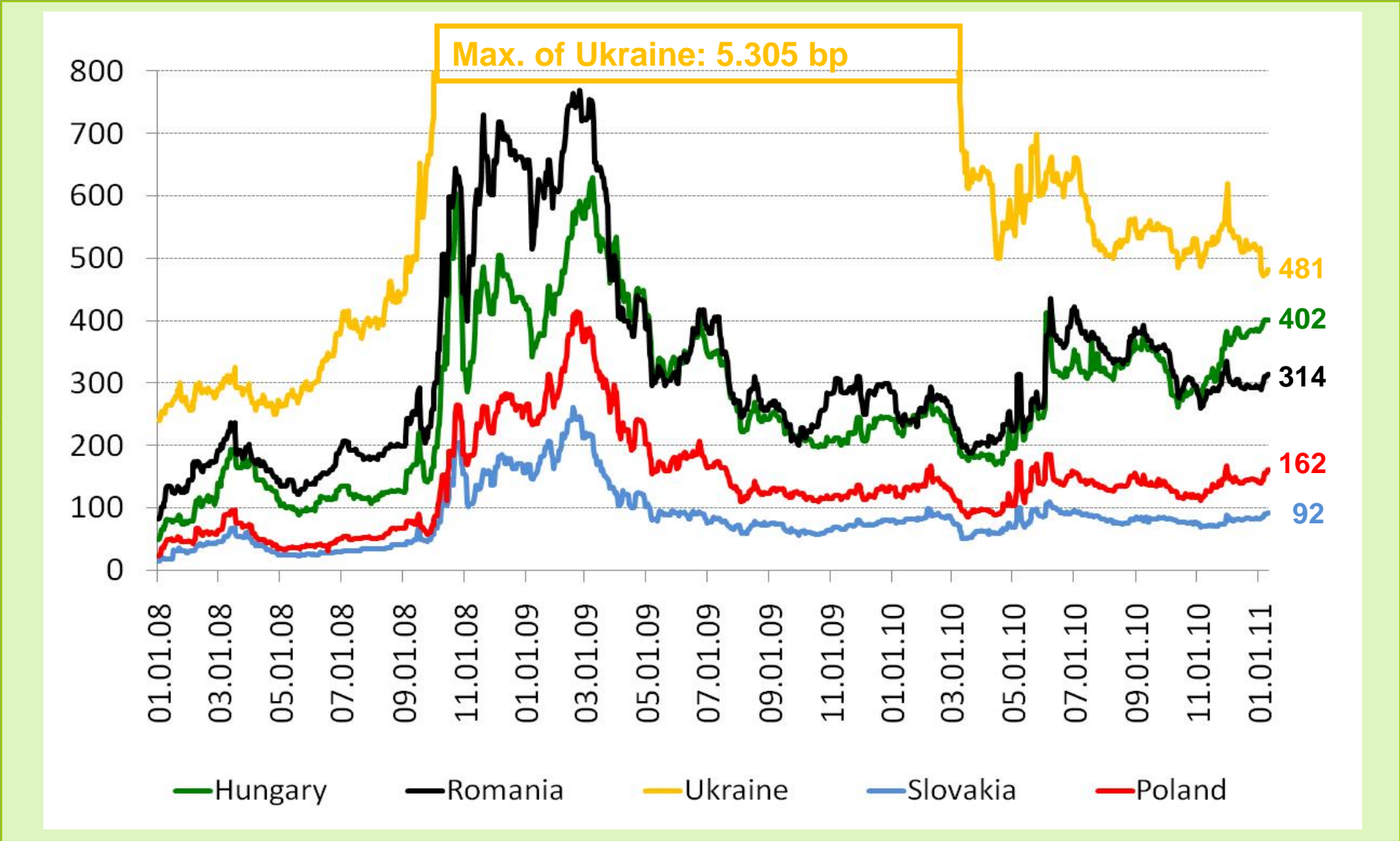
Main indicators of external position (in % of GDP)



Source: National Bank of Hungary, OTP Research

Risk premium of Hungary significantly exceeds it's peer group

CDS spreads (basispoint)

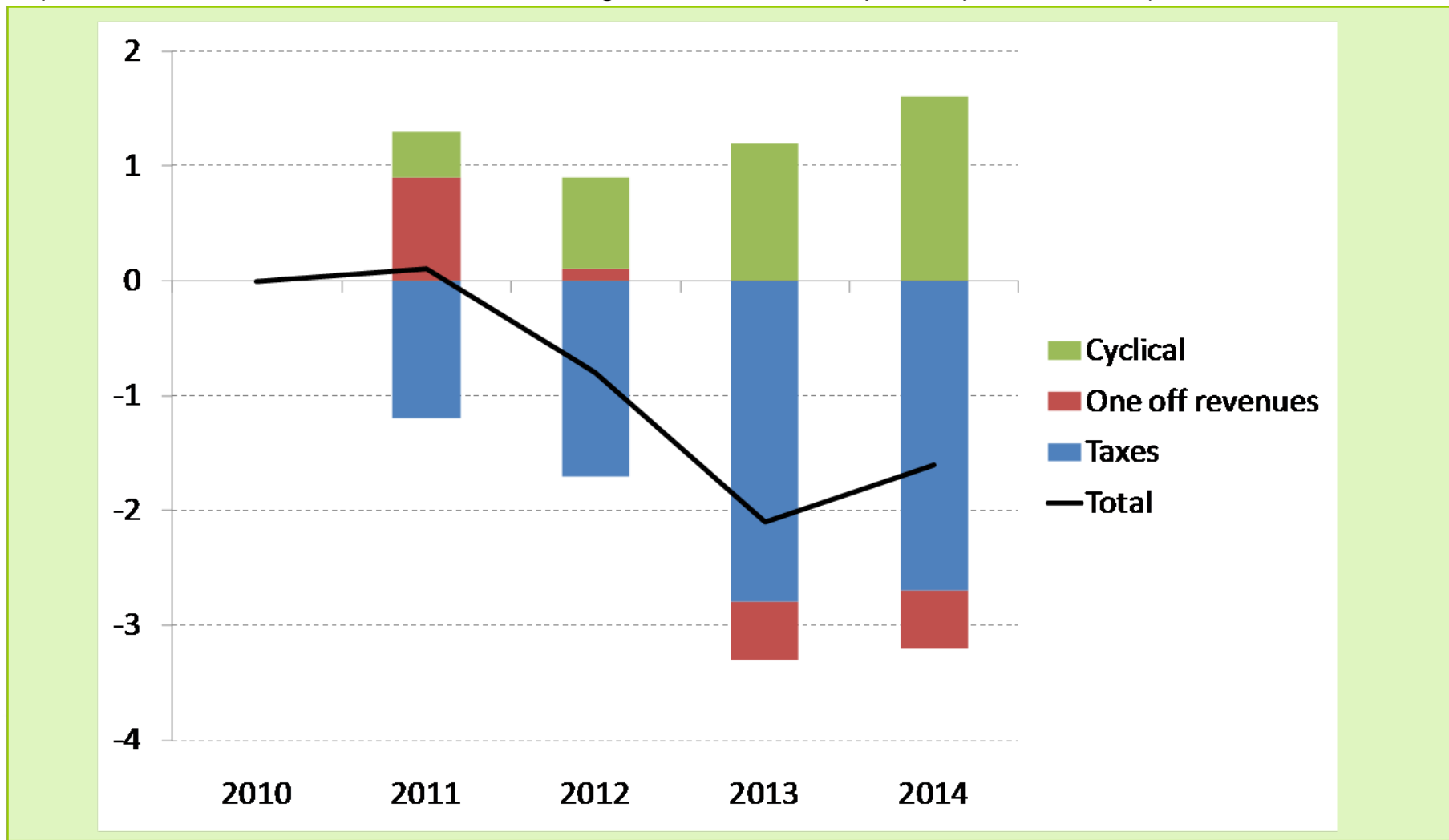


Source: Bloomberg



Budget deficit would likely to increase under a „no policy change scenario”, so already announced tax cuts call for expenditure cuts

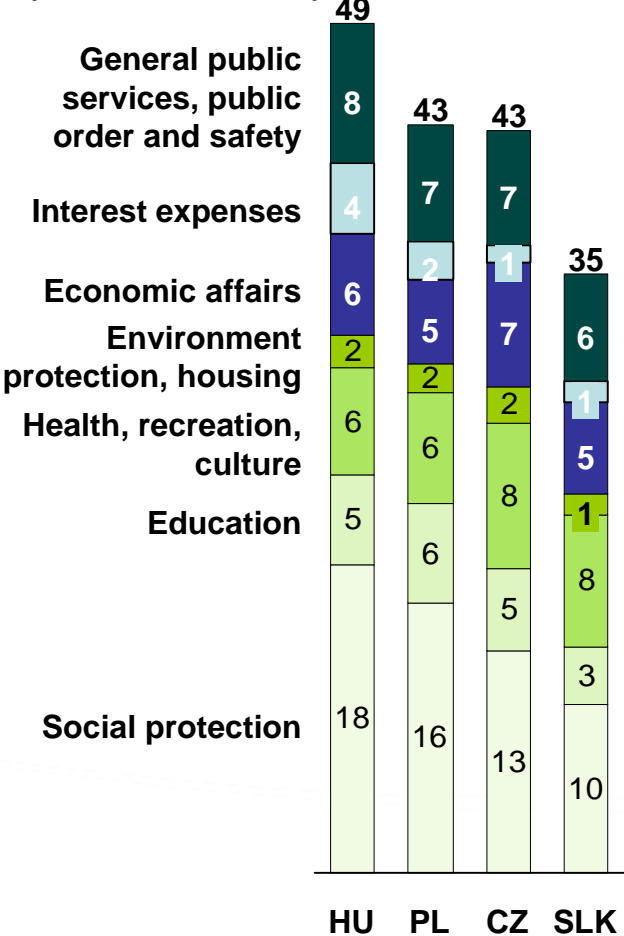
Expected change in budget balance compared to 2010 due to the cycle and already announced measures (as % of GDP, without the effect of returning asset stocks from private pension funds)



Not solved structural problems – high redistribution, high taxes and low employment: the government will announce measures in February to handle these problems

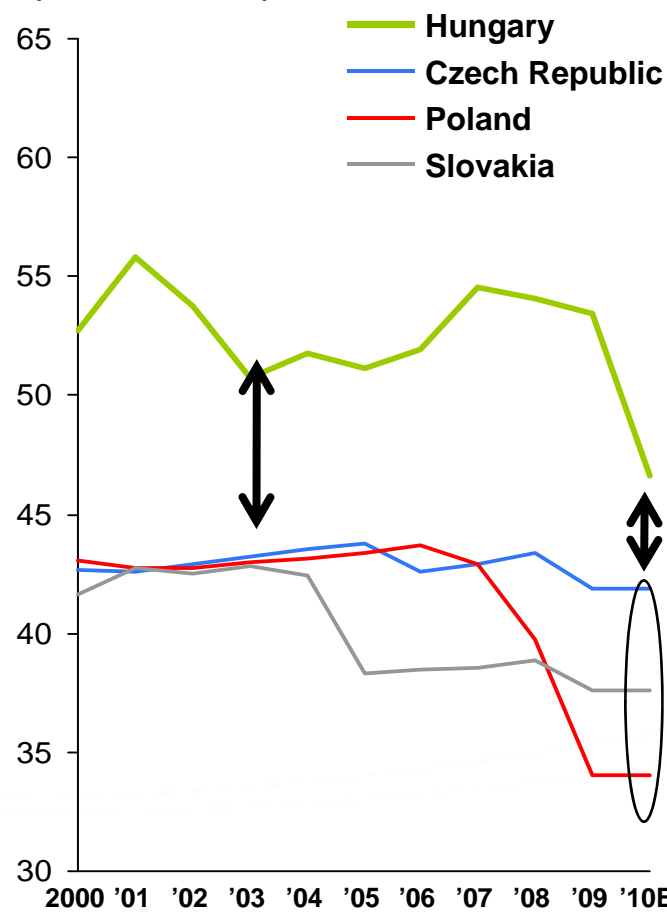
1. High level of central redistribution

Budget expenditure structure (as % of GDP, 2008)



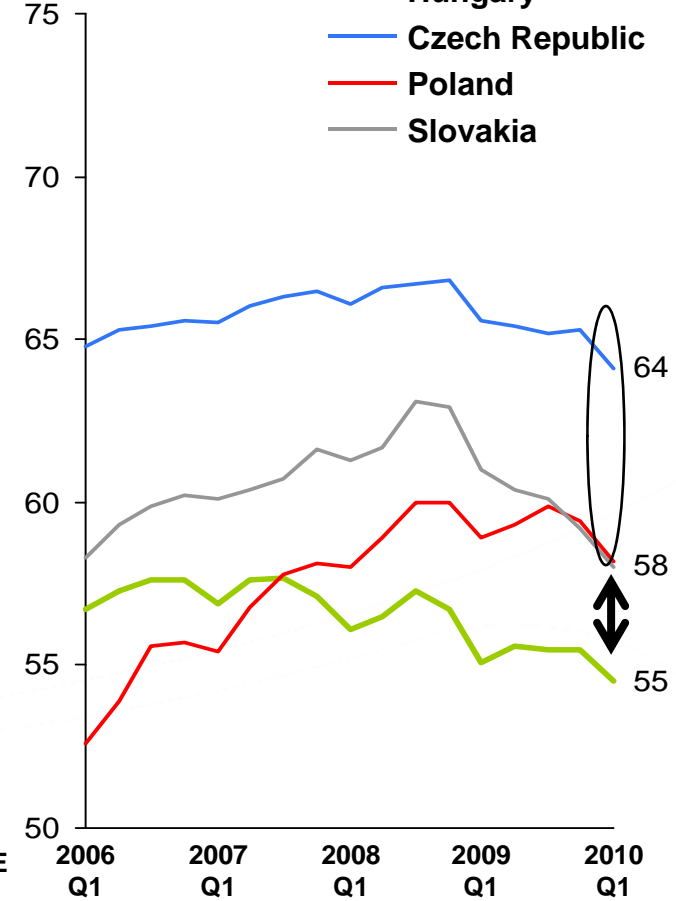
2. High tax burden

Average tax wedge on average income* (% , 2000-2010E)



3. Low employment

Employment** (as % of total potential labor force, 2006Q1-2010Q1)



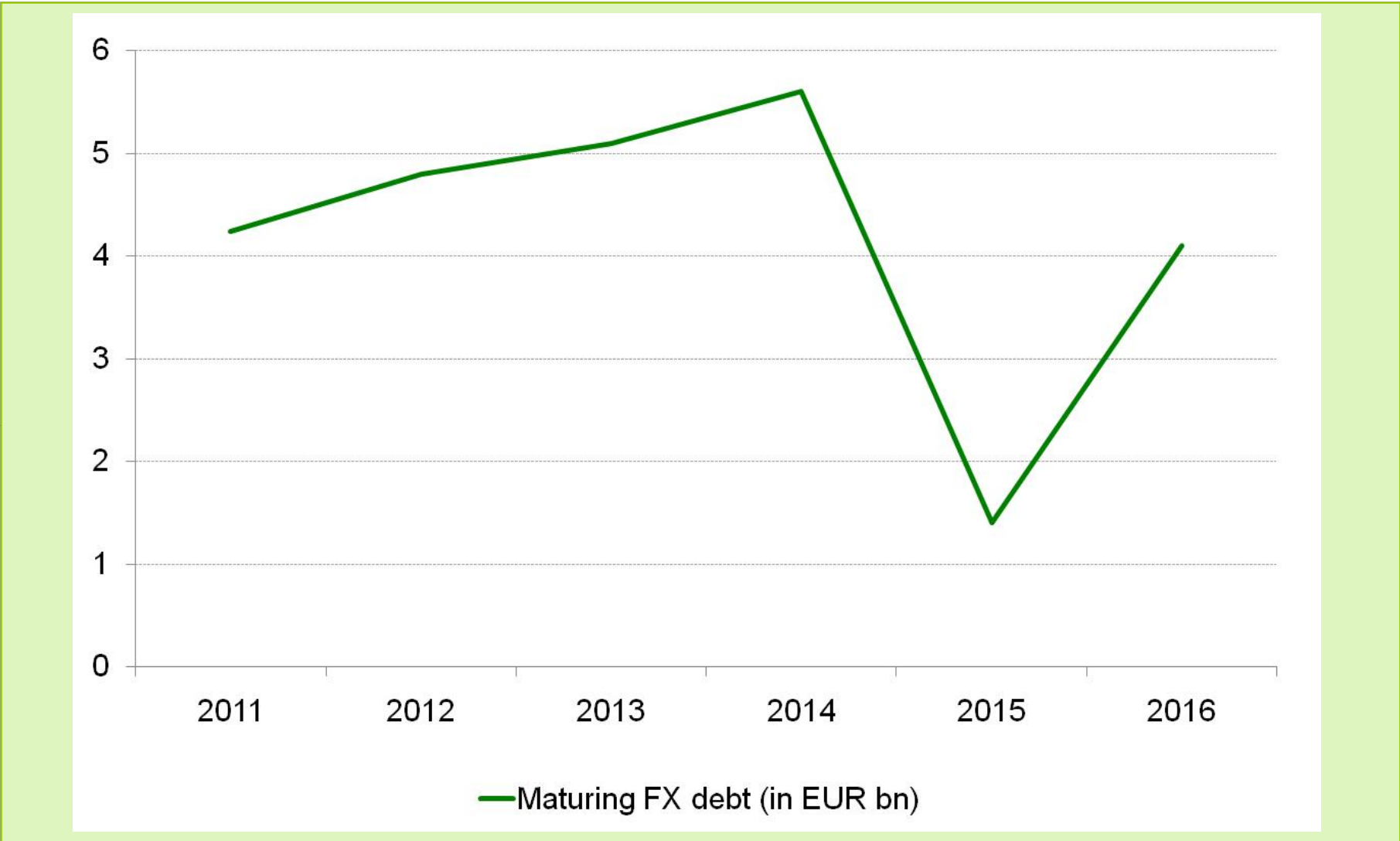
Source: Eurostat, OECD, OTP Research

* Average Tax wedge on average income: Total tax and social contribution paid by the employee and the employer imposed on the average income as % of the total labor costs (gross wage + social contribution paid by the employer); ** Employment: Total potential labor force between ages 15 and 64, LFS definition



The repayment of the IMF-EU loan will significantly increase the Hungarian FX financing requirement in the upcoming years

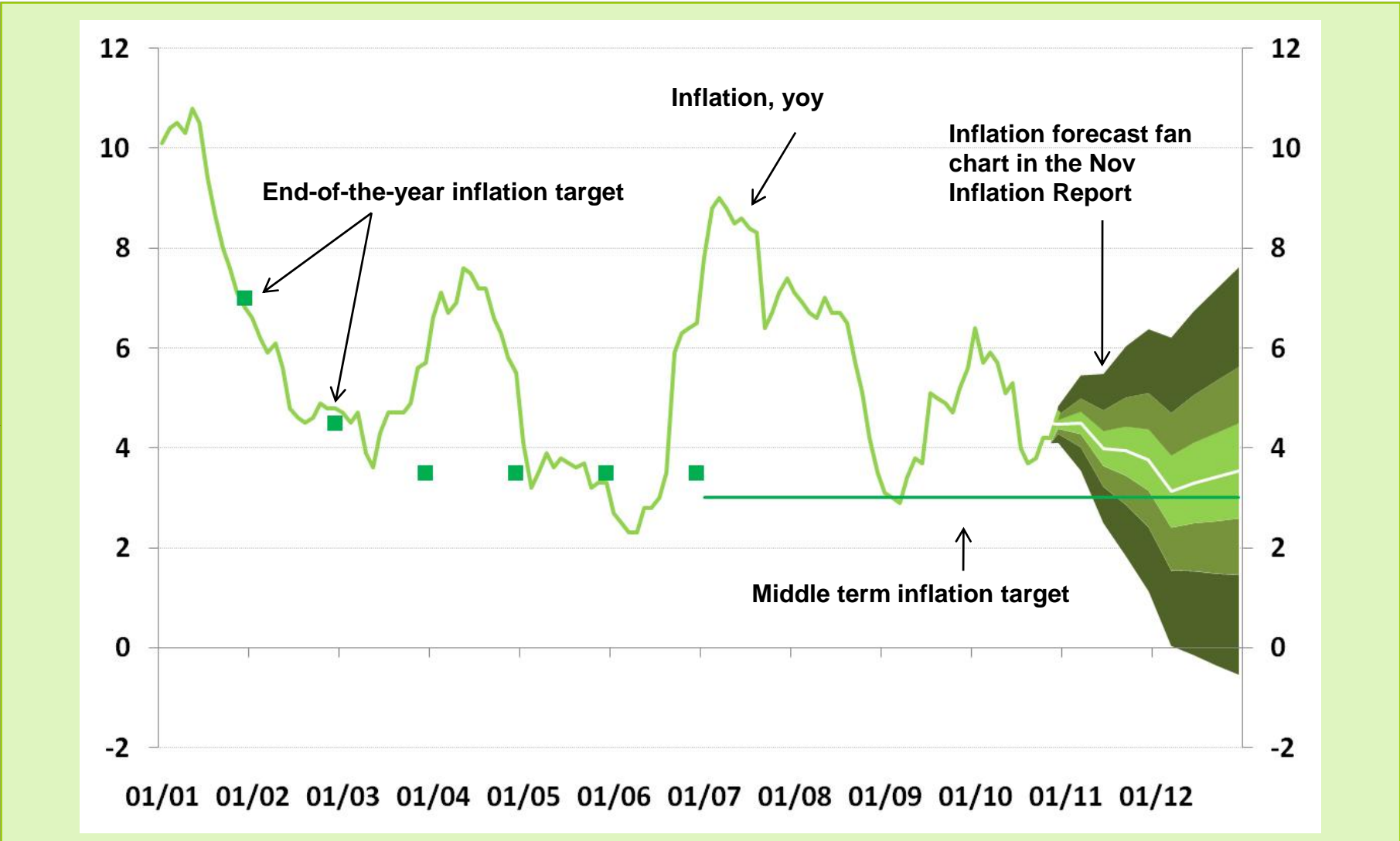
FX redeptions of the Government Debt Managing Agency (EUR bn.)



Source: Hungarian Debt Management Agency

Meeting the inflation target of the central bank looks to be challenging again

Inflation and inflation targets (YoY inflation, %)



Source: National Bank of Hungary

Thank you for your attention!