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# The Central and Eastern European Investment Forum

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# The starting point

- **Unsustainable macroeconomic imbalances**
- **Some corrective measures prior to 2010**
- **The bottom line: some correction at high price**

# The new government's economic policy

- **Main goal: sustainable growth via job creation and improved competitiveness**
- **Measures to foster job creation:**
  - restructuring of the tax system
  - labour demand side measures
  - labour supply side measures

## Further measures to close the fiscal gap

- **Temporary measures needed to gain time...**
- **Bank levy and sectoral crisis taxes**
- **Pension system: a temporary measure to be followed by a systemic pension reform.**

## The results thus far

- **Deficit target (of 3,8% of GDP) for 2010 has been met – fifth smallest deficit in the EU**
- **Net financing capacity**
- **Recovery of the Hungarian economy has continued**

## Plans of the Hungarian government

- **a large-scale, permanent structural reform package will be announced in February 2011**
  - based mainly on the expenditure side
  - permanent character
  - strong preference given to growth-enhancing structural measures (which have a positive impact on the supply side of the labour market)

## Further details

- **The most important components of the package (the way of thinking – no final decision yet):**
  - re-design of the pharmaceutical subsidy system with a significantly lower overall budget;
  - re-design of expenditures financed by the Labour Market Fund (goal: enhancement of labour supply);
  - a significant restructuring of the main public transport companies;
  - re-consideration of the social benefit system in order to motivate labour supply;
  - further cut of bureaucracy and state administrative expenditures;
  - broadening the tax base through increasing the number of tax payers;
  - guarantees in the new Constitution safeguarding public finances.



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**Thank you for your attention!**