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An attempt to restore macroeconomic equilibrium in Hungary

T*he present study examines the developments concerning major disturbances in the Hungarian macroeconomic equilibrium between 1995 and 2008, and the attempt to restore that equilibrium between 2006 and 2008.* The first part reviews to what extent domestic consumption exceeded the GDP and the GNI, presents the major constituents of that surplus consumption, and explains its financing. Based on recent years' data, it concludes that while a marked decrease in the domestic consumption surplus is a great achievement, it is primarily due to an enhanced export performance and the decrease of gross capital formation. However, favourable changes in the export performance are dependent on business cycles, so they are necessarily volatile.*

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Indeed, the impact of the slump period within the business cycle can already be felt. At the same time, decreasing gross capital formation is simply intolerable. The second part of the article discusses changes in the government's financial situation, outlines the changes after 1996, describes the deterioration of the government's financial situation between 2000 and 2006, and explains how that derived from the dominance of different aspects of internal politics. The assessment of the stabilisation attempt suggests that that attempt was based both on increasing revenues and decreasing expenditures. By and large, we can say that increasing revenues led to the restoration of the situation of 2000–2001, while the attempt to decrease expenditures was dominated by decreasing capital formation and collective consumption, as well as social transfers in kind, while social transfers other than in kind failed to be decreased, and were indeed increased. Even though the stabilisation attempt led to a steep decrease in the government's borrowing, which is a great achievement, that happened at the cost of decreasing social transfers in kind serving as an investment in human capital and of capital formation, which is intolerable, sustaining an increase in social transfers other than in kind, a process that can still be regarded as one governed by motives of internal politics. The era when stabilisation has been a top priori-

ty has ended, and an era dominated by crisis management is beginning. It is impossible to foresee how the different aspects of stabilisation and crisis management, calling for contrary measures, will be reconciled in a situation shaped by the rather condemnable economic policy of the pre-2006 era.

The present article is closely related to previous publications by the same author (Szakolczai, 2005a; 2005b; 2005c; 2005d; 2006a; 2006b; 2006c; 2006d; 2007a; 2007b; 2007c; 2008a). Each of those studies is part of a larger research project whose objective is to draw the developmental track of economic equilibrium in Hungary, i.e. a developmental path capable of eliminating the current lack of equilibrium, placing the Hungarian economy on a developmental track of equilibrium.

In spite of being a direct continuation of previous ones, the present article fundamentally differs from them. Primarily, the situation has changed. While a few years ago it was necessary to provide evidence for the existence of grave disturbances in the equilibrium, by now their existence has become a commonplace. Years ago, it was necessary to demand corrective measures: correction procedures have been under way for some time. Years ago, one was only able to rely on partly too short annual statistical data series, published too late, i.e. almost one and a half years after the closure of the subject year. Even though the regular annual publications relating to the national accounts are still published almost one and a half years after the subject year (HCSO, 2008a), these days the most important annual data on the balance of the national economy is already available in September in the year following the subject year (HCSO, 2008b), and the time series of the non-financial accounts of the government dating back until 1996 have also been compiled (HCSO, 2008c). In addition, making quarterly data publicly available has become normal practice, which means that the prelimi-

nary quarterly data on production and consumption (HCSO, 2008d) and on the governmental sector (HCSO, 2009) has become available as little as two, three months after the end of a quarter. At the same time, the theoretical apparatus to rely on has undergone great progress, too. Based on the latest research results (Alesina & Ardagna, 1998; Ardagna, 2004; Benczes, 2008 and the works referred to there), it has become possible to more securely assess whether stabilisation measures are likely to bring about lasting success. Finally, a meticulous, very detailed analysis on the developments of the Hungarian budget between 2000 and 2006 has been published (Ohnsorge-Szabó & Romhányi, 2008).

Accordingly, the present article does not aim to prove the existence of disturbances in the equilibrium or to conduct an analysis to find out which of these is to be deemed as the most important one. Firstly, it wishes to analyse long term trends, i.e. the development of disturbances in the equilibrium, and secondly, the attempt to restore the equilibrium. Based on the newly available data as specified above, it has become possible to track both long-term, i.e. decade long trends, and the changes that have occurred over the last two years. Moreover, preliminary conclusions regarding their evaluation, at least conditionally, may be drawn. That is the primary aim of the analysis presented in this article. The fact that it is so, i.e. that that is the aim of the present article, does not mean the author has given up his conviction that low employment standards are the most important of all the problems, that the balance of current international payments deficit and the low level of domestic savings constitute even more serious problems than the budget deficit, and that the most important task should be to settle the political, social and ethical issues, which are mainly responsible for the insolvency of economic problems. However, it is

impossible to always focus on what is most important, and choosing a different topic as a subject matter for the present article should not be frowned upon.

Currently available data facilitates analysing three areas: basic correlations, government finances, and foreign trade and international finance. The two sections of the present article deal with the first two of these, while an analysis of the other issues remains to be carried out in another study. I need to emphasise that the conclusions drawn are of a preliminary nature of and that it is expedient to carry out further related work.

BASIC CORRELATIONS

Regarding basic general correlations, earlier works have mainly pointed out that practically over the whole period of 1995 to the present day, i.e. the period that, from the point of view of statistics, can be satisfactorily analysed and comparatively evaluated, domestic consumption has exceeded the GDP and, more importantly, the national income, too, which has led to Hungary's running into increasing debt, a process that seems impossible to halt. Firstly, we shall examine this trend based on time series reaching back to 1995, complemented with the latest data by the Hungarian Central Statistical Office (HCSO) on the balance of the national economy.

INCREASING DEBTS

Table A/1 presents the 1995–2008 time series of the GDP, export and import, and domestic consumption.

As I have already mentioned it in the introduction, preliminary annual data on 2007 and the necessarily also preliminary quarterly data on 2007–2008 have been made available, in the

form originally published by the HCSO, which creates the opportunity to conduct the analysis of the latest events in full consistency with the time series reaching back to 1995. According to the studies cited above, the central problem is domestic consumption exceeding the GDP, and especially domestic consumption exceeding the national income, or, in other words, general overconsumption; and the budget deficit – overconsumption financed by the budget – is only one element of that problem, albeit obviously not an unimportant one. The peaks of general domestic overconsumption were reached in 2000 and 2003, and the situation has been markedly improving since then. According to the preliminary annual data on 2007, and the quarterly data on Q1–3 2007 and on Q1–3 2008, that highly welcome trend has continued. By 2007 an export surplus had been achieved, and the export surplus in Q1–3 2008 exceeded that in Q1–3 2007. Provided that this trend continues, the first and foremost condition of settling the situation will have been fulfilled. However, it remains a question as to what the source of such improvement may be and whether the improvement is transitional or long-lasting. That this process started as early as in 2004 and did continue in 2005 and 2006, when, due to obvious political reasons, general overspending continued and the budget deficit increased, instantly provides a basis for the assumption that the trend was primarily established by reasons relating to foreign trade. Thus there is hope that the improvement proves long-lasting; which hope may only be overshadowed by the possibility that export might start increasing at a decreasing pace, or might even start decreasing due to the crisis, at least temporarily.

To be able to form a well-based judgement on that issue, firstly, it should be examined how the *makeup of domestic consumption* has developed. That examination is rendered possible through the actual figures of the major

constituents of the domestic consumption of the GDP at current prices, presented in *Table A/2*.

Due to technical reasons, the table does not contain the year 2000 values of the consumption expenditures of households, non-profit making institutions, and the government according to the pre-2000 statistical system, which, however, is not an obstacle to the analysis. These figures are inserted here primarily to provide a full picture, and – similarly to further tables containing original values – also because such long comparative time series of these values have not been published before.

Yet, regarding the present analysis, it is more important to focus on the analysis of the make-up of domestic consumption, and the *proportions of major elements expressed as percentages*. Such figures are contained in *Table A/3*.

THE NATURE OF THE STABILISATION

Unfortunately, this one table in itself clearly shows that this stabilisation is volatile, and is still dominated by elements of internal politics, and also that *stabilisation* – at least in its present form and based on the achievements reached so far – *suppresses and even acts against different aspects of long-term growth and development*. The consumption expenditures of households and non-profit making institutions – within which entry the proportion of the consumption expenditures of non-profit making institutions is insignificant – perhaps somewhat surprisingly, peaked in 2003, which is likely to have been the consequence of the effects of the measures taken in 2002, obviously linked to the general elections held that year, stretching up until then. However, the subsequent values are not much lower than those, either. Again, in 2007, that proportion was, if ever so slightly, higher than in 2006, even though it is the 2006 values that could most easily have

been assumed to have been the highest – due to obvious considerations of internal politics. Again, that could be assumed to have been the consequence of the effects of the 2006 measures stretching up until then. However, it is important to note that the Q1–Q3 2008 value is considerably higher than the Q1–Q3 2006 value, which shows that the stabilisation attempt has been going on *with the proportion of the consumption expenditures of households failing to decrease, indeed it has increased*, which is obviously contrary to general ideas relating to stabilisation attempts that can be deemed as correct.

Thus the question arises as to the decrease of which expenditures is bearing the burden of stabilisation. The figures clearly indicate that *it is gross capital formation, more specifically gross fixed capital formation, and the consumption expenditures of the government that are bearing the burden of stabilisation*. The decrease of the proportion of these entries is far from negligible. The proportion of gross fixed capital formation reached its maximum, i.e. 23 per cent or over 23 per cent between 1998 and 2002. Then it stayed at a level of 22 per cent or over 22 per cent, and reached a new high, i.e. 23.5 per cent, in 2005. After that, its value steeply decreased, to 17.8 per cent in Q1–Q3 2008, which value is almost 6 percentage points lower than the 2005 value. The decrease in gross capital formation is of an even larger extent, showing a value of hardly 21.5 per cent in Q1–Q3 2007 as opposed to 30.5 per cent in 2000, which represents a 9 percentage point decrease. However, at this point, further analysis is required as to the reason of the steep decrease of changes in inventories and other, non-specified consumption (or, using a different terminology, in changes in inventories and statistical discrepancy). As for the consumption expenditures of the government, comprising of collective consumption and welfare expenditures, its proportion used to be 21–22

per cent until 2002, then, between 2003 and 2006, due to obvious considerations of internal politics, it increased to a value of approximately 23 per cent, while in 2007–2008 it decreased by nearly 2 percentage points, to a value of only slightly over 21 per cent. Therefore, it is obvious that the burden of the stabilisation attempt is borne by these two entries, i.e. capital formation and the consumption expenditures of the government.

Moving on from listing facts to the *analysis*, I do not believe that there should be one single economist in favour of decreasing the proportion of gross fixed capital formation. Even its highest values mentioned here should be considered low. Dynamic growth and true catching up would require a value over 30 per cent or even one close to 40 per cent, as it is hardly debatable. On the other hand, the consumption expenditures of the government are a largely debated issue. The adherents of the neoliberal school demanding a definite decrease in the government's economic role – Bokros, Bauer, Csillag and Mihályi (2006), Csillag and Mihályi (2006), Bokros (2007), Muraközy (2007), and Mihályi (2008) – regard decreasing that proportion as the key to progress. Such views are definitely debated by the author of the present article (see Szakolczai, 2008b; 2008c; 2008d and earlier works cited in those articles). However, a detailed account of such a debate does definitely not fit in here. Yet, there is no doubt that the impact of the supporters of such neoliberal views is clearly recognisable in the present stabilisation attempt. Finally, Benczes (2008), and the recently published foreign reference works cited in his study agree with the neoliberal views that decreasing the consumption expenditures of the government is a suitable stabilisation tool, however, he quite firmly represents the view – true, in relation to investment expenditures financed by the government – that such a decrease is the worst stabilisation tool, it will cause fragility, and it will

induce the failure of the stabilisation attempt. Therefore, returning to the first sentence of this paragraph: *it can be deemed that there is total agreement not only that decreasing the proportion of gross fixed capital formation is an obstacle to longer-term progress, but also that a stabilisation attempt built on it is doomed to failure* – while the different figures indicate that the current Hungarian attempt is largely, even decisively built exactly on that.

CONSUMPTION EXPENDITURES

Having treated the most general correlations, we should now focus on the details, examining first the developments of the major constituents of consumption expenditures. The figures are presented in *Table A/4*.

The figures presented in the table fully support the statements above; and again analysing the relative figures of distribution seems to be the most expedient. The proportion of the consumption of households within the GDP – including the consumption expenditures of households financed by the households, the non-profit making organisations and the government – was higher in Q1–3 2008 than in Q1–3 2007, or together in 2006 and 2007, and exactly equalled the 2004 value, indicating that *the attempt to sustain the consumption of households in accordance with considerations of internal politics is still dominant, or is even stronger and stronger*. That is even better indicated by the figures in the last two columns. In Q1–3 2007 and Q1–3 2008, the proportion of the consumption of households within the total final consumption grew to a height that had never been witnessed before, while collective consumption decreased to low values never before experienced. Even though this issue is not expressly dealt with in the literature, the author of the present article finds that withering collective consumption due to considera-

tions of internal politics is just as impermissible as decreasing the proportion of fixed capital formation due to considerations of internal politics. This argumentation is reinforced by the finding that the consumption of households is seven times as high as collective consumption in absolute value. Thus, a decrease of a size of one percentage point in the case of collective consumption is the equivalent of a decrease seven times as large as that in the case of the consumption of households, in relation to the whole of consumption. A 7 per cent decrease is a grave operation, one would even say destruction, while a 1 per cent decrease is hardly felt at all.

The same correlations can also be presented from the point of view of financing consumption. The figures are presented in *Table A/5*. In that Table, consumption financed from primary incomes has been defined by deducting social transfers other than in kind and other current income transfers from the overall purchased consumption of households. The 2007 annual figures concerning these are to be published by the HCSO in May 2009. We have not found such figures in the preliminary annual data (HCSO, 2008b), and such quarterly data do not, and indeed cannot exist. Thus, this part of the analysis cannot be extended to 2007–2008. However, regarding those years, the consumption expenditures of households and non-profit making organisations, the social transfers in kind received from the government, and – as it has already been demonstrated – the data on the overall consumption of households are available. They are presented in this Table.

Again, for the purpose of the present analysis, the relative figures calculated as percentages of the consumption of households, presented in *Table A/6*, are the most important data of all. It would require further analysis what elements are contained within the entry “other current income transfers”, and what causes its steep decrease and its falling to a value only slightly

higher than one tenth of the initial value within the period examined. Yet, conducting that analysis has proved impossible within the current framework. However, the other time series enable us to draw very important conclusions.

First of all, what the representatives of the anti-state ideology can sometimes be heard to say, i.e. that the proportion of *consumption financed from primary incomes* is decreasing, and the proportion of redistribution is increasing, thus consumption and one's standard of living is less and less dependent on individual performance is obviously a tenuous argument. In fact, the opposite is true. The proportion of consumption financed from primary incomes increased from 42.1 per cent to 48.5 per cent between 1995 and 1998, i.e. during the second parliamentary cycle, which represented a considerable change. The same trend prevailed in the third parliamentary cycle: its proportion was 51.8 per cent in 2002; and in the fourth cycle, until 2004, when its proportion was already as high as 56.5 per cent. It was only after 2004 that a decrease began, due to obvious reasons relating to internal politics. Later, presumably, the trend turned around, and that proportion grew again, although data relating to it is not yet available. There is a significant difference between the initial 42.1 per cent and the 53.7 per cent in 2006, at the endpoint of the period analysed, and an especially significant difference between 42.1 per cent and the peak value so far, i.e. 56.5 per cent in 2004. The change is of 14.4 percentage points, taking the latter value into account as a basis for comparison. Those against redistribution must be satisfied with the direction and the extent of such changes.

We only have little space to discuss the role played by *non-profit making institutions*, which is small. The significance of these institutions is slowly increasing, and, after a peak in 2004–2005, their relative weight has now even

decreased to some extent. It is hard to imagine that anyone is satisfied with that as, in theory, everyone is in favour of increasing the weight of social self-organisation and self-help – albeit for different reasons.

SOCIAL TRANSFERS

Possibly, the changes in the role *social transfers other than in kind* and *social transfers in kind* play and in their proportion are even more significant than the changes in the proportion of consumption financed from primary incomes. The proportion of social transfers other than in kind kept decreasing until 2001, then it started to increase, whereas the importance of the role social transfers in kind played and their proportion kept increasing until 2002, i.e. the end of the third parliamentary cycle, then both were stabilised at a higher level in the fourth one, they fell sharply from 2006 to 2007, and then they were stabilised at that lower level. Such data is not sufficient for a truly satisfactory analysis; however, the author of the present article firmly believes that the increase in the proportion of social transfers other than in kind and the decrease of the proportion of social transfers in kind constitute an unequivocally unfavourable trend. The increase in social transfers other than in kind appears to have motives relating to internal politics. It appears to be a rather unrefined purchase of votes just like the increase of the consumption of households in general, while the decrease of the proportion of social transfers in kind is bound to lead to the deterioration or at least the stagnation of the standards of education and health care, which the author of the present article finds impermissible. Social transfers other than in kind mostly encourage consumption and staying away from work, whereas a huge part, or very probably the major part of social transfers in kind is an investment in human capital.

Also, the stagnation of the proportion of social transfers in kind in 2007 and 2008 seems to suggest that a further decrease in that proportion does not seem viable despite the attempt to further decrease it, which attempt was also supported with theoretical arguments. Again, I need to emphasise that the few figures available are not sufficient to render these conclusions adequately well-based; however, due to their very high social impact, I have found it necessary to refer to them at some length.

NATIONAL INCOME AND DOMESTIC CONSUMPTION

As I have already emphasised it in former publications cited above, rather explicitly in fact, domestic consumption ought not to be compared to the GDP but to the *national income*. It is the GNI that is at our disposal, while the most important constituent of the difference of the two, i.e. foreigners' property income is at the disposal of foreigners. Relevant figures are presented in *Table A/7*.

Foreigners' property income, which primarily determines the difference between the GDP and the GNI, is exceptionally large and has been growing rapidly. Its value of approximately 1,000 billion HUF in 2003 had more than doubled by 2007, i.e. within four years, reaching exactly 2,100 billion HUF. The positive balance of labour incomes and their increase, together with the also positive balance of EU transfers and their increase are dwarfed by the value of the balance of property incomes. It is lamentable that the freshest data available is the preliminary 2007 figure. In May 2009, only that figure is expected to be made more accurate, and the HCSO does not publish related quarterly data, thus the 2008 trends cannot be analysed, at least based on data by the HCSO. However, it is a fact that, according to the preliminary 2007 figures already available, the

GNI, of an amount of 23.7 thousand billion HUF, only accounted for 93.1 per cent of the GDP, which is of the exact amount of 25.4 thousand billion HUF.

Foreigners' property income is mainly comprised of the income of *multinational companies*, which produce the bulk of the Hungarian export. Without the export surplus of these companies, which export surplus appears on the revenue side of the balance of current payments, the Hungarian economy could simply not exist. However, that export surplus has its contra entry appearing on the expenditure side of the balance of current payments, which is the property income of these companies. So the basic question is whether it is possible to create circumstances where the export surplus of these companies exceeds their property income to an extent which can eliminate the deficit of the balance of current payments, thus stopping the Hungarian economy from running into further and further debt. The analysis of that basic question, which is even more important than those dealt with in this article, remains to be the subject of a next study, which is currently in preparation.

Based on the above data and analysis, it is obvious – even without scrutinising on any further figures to be analysed – that domestic consumption, which had until quite recently constantly exceeded the GDP, and only recently became slightly smaller than it, is bound to substantially exceed national income. That difference needs financing, and *Table A/8* presents the methods and sources of *financing*.

The third column of the table contains figures relating to *the domestic consumption surplus* against the GNI determined in *Table A/7*. This domestic consumption surplus, which had barely exceeded two hundred thousand million HUF in 1995, which was of a tolerable extent, started growing rapidly and steeply after that. By 2000, it had already exceeded a thousand billion HUF. It peaked in 2004, having reached

an amount of 1,750 thousand billion HUF. Since then the domestic consumption surplus has somewhat decreased, which is indeed laudable. Its 2007 value was exactly 1,350 thousand billion HUF, still impermissibly high; yet, it is a fact that the surplus kept decreasing steadily for three years and may be supposed to have continued decreasing in 2008, too.

Here, *three different sources of financing* the domestic consumption surplus have been determined, the balance of reinvested capital gains, the balance of EU transfers, and what has remained upon their deduction, i.e. other sources of financing, essentially borrowing. The balance of reinvested capital gains stagnated between 2002 and 2005, and decreased in 2006, which was a highly adverse, one could even say frightening trend; however, in 2007 it increased by approximately 100,000, i.e. one hundred thousand million HUF, which again is laudable. The balance of EU transfers – contrary to public belief, which (unfortunately) is further reinforced by politicians – is still insignificant in comparison with the weight of the whole issue. In spite of that, thanks to a decrease in the domestic consumption surplus and an increase in reinvested capital gains in 2007, the significance of other forms of financing, i.e. borrowing, largely decreased after the peak in 2004 – the same year when domestic consumption surplus peaked. The decrease of exactly 500,000, i.e. five hundred thousand million HUF signifies a considerable change, a real shift of direction, which cannot be appreciated enough. However, the question arises – and I am indeed going to raise this question or its near equivalent several times – as to why the outstandingly high values of 2003–2006, which could be truly fatal for the future, were allowed to occur and how they could possibly be allowed to occur while the domestic consumption surplus in 2007 practically equalled that in 2002 and the average of the years between 1998 and 2002.

The trends outlined so far might be better evaluated based on the relating *relative figures*, presented in *Table A/9*.

According to the current accounting system, the domestic consumption surplus was practically of the same size in 2000, 2003 and 2004, i.e. 9.5 per cent, 9.4 per cent and 9.3 per cent of the GNI, respectively. However, it has been decreasing steadily since then, and considering that trend, it is not impossible that in 2008 it did not even amount to 5 per cent of the GNI. Both content-wise and economically speaking, the changes in the proportion of reinvested capital gains are contrary to that trend, since even the favourable 2.2 per cent value of 2007 lags far behind the highest value reached earlier. So, while the property income of foreign owners increased sharply, the role of reinvested capital gains in financing the domestic consumption surplus failed to increase. That latter trend only changed in 2007, when the balance of reinvested capital gains – as a percentage of GNI – started increasing again subsequent to a period of decrease of several years, obviously not independently of the fact that the similarly calculated domestic consumption surplus decreased sharply, i.e. the financial situation of the country became stabilised and the trust towards the country was growing. The effect of that can be felt in respect of other financing forms, i.e., practically, borrowing, which – again, as a percentage of the GNI – was of a value lower than one half of the 2003–2004 value in 2007. The question raised above is thus raised again: if the situation can be repaired so fast, how and why was it possible to allow it to deteriorate to such an extent earlier? Finally, examining the same correlations as percentages of the domestic consumption surplus, we only find one figure reflecting a favourable trend. In 2007, other financing forms – i.e. practically, borrowing – amounted to barely over one half of the domestic consumption surplus.

As for what causes these mostly favourable trends, and whether they can be expected to become steady, we may draw conclusions – within the framework of the present article and in this part – based on the makeup of the corrective process and the developments concerning export and import. However, these conclusions are not too favourable. *The volume indices of the GDP, export and import, and domestic consumption*, which that analysis can be based on, are presented in *Table A/10*. These are preliminary volume indices. The 2007/2005 value has been calculated by multiplying the volume indices published by the HCSO, while we have determined the 2008/2007 and consequently the 2008/2005 figures based on the Q1–3 2007 and Q1–3 2008 data.

EXPORT DEPENDENT STABILISATION

Based on such figures, two highly negative conclusions need to be formed.

The first one relates to the *makeup of the corrective process*, and is based on the last three columns. We can clearly see that the value of the three-year volume index of final consumption thus determined is higher than that of domestic consumption, while that of gross capital formation is lower than 100, i.e. gross capital formation at an unchanged price has decreased. That, according to the literature relating to this topic – *Alesina and Ardagna* (1998), *Ardagna* (2004), and especially *Benczes* (2008) and further works cited by him – but also, according to common sense, is the most adverse trend imaginable. It points out the fragility of the stabilisation efforts and warns of failure. In the literature there is total agreement – and that agreement is reinforced by common sense, too – that *stabilisation based on restricting gross capital formation is contrary to the requirements of longer term development, it is fragile, and cannot even lead to lasting stabilisa-*

tion. That very negative conclusion needs to be further examined and reinforced; however, the figures suggest that the conclusion above is well-based.

The second and also negative conclusion refers to the weight of export and import within the corrective process. It can be clearly seen that both export and import steeply increased in 2006 and 2007, and at that time the increase of export rather substantially exceeded that of import. Thus, *the spectacular improvement presented above, based on the time series leading up until 1997, was largely or even wholly the consequence of a boost in the export activity: an increase of 37.5 per cent in the export volume within two years is definitely an extraordinary achievement. As the bulk of the export derives from assembly activity carried out in Hungary, the boost in export necessarily resulted in a boost in import. Yet, the figures suggest that a significant part of the export growth was domestic added value, and as a result, domestic consumption fell under the GDP, as we have demonstrated it above, which is a great achievement.*

However, *in 2008 that trend was broken, obviously due to the phenomena relating to the crisis of the world economy, and export fell. Also, the decrease in import was of a smaller extent than the decrease in export. Also taking the claims made two paragraphs “ago” into consideration, that unfortunately suggests that the achievements of stabilisation are fragile, are mostly or indeed wholly the consequence of a temporary boost of export performance, and thus, necessarily, they are dependent on the changes in the world economy.* In a small open economy, that is inevitable; however, the extent of the dependence on the world economy could be lowered below its current Hungarian extent through suitable economic and structural policies as it is quite natural that at a time of recession in the world economy, the assembly activity is primarily not

decreased in the “parent country” but at such “relocated” plants as most of those in Hungary are.

The aspects listed so far are interestingly complemented by *the volume indices of the major constituents of domestic consumption*, which figures are presented in *Table A/11*.

The last column of the Table shows that the decrease of gross fixed capital formation was of a larger extent than that of gross capital formation. That supports the claims made previously and needs no further commenting on. Neither does the steady decrease of social transfers in kind originating from non-profit making institutions need to be commented on, a trend which cannot be approved of by any means. However, what we can experience in the case of social transfers in kind originating from the government and collective consumption is indeed very interesting and surprising. Here, a steep decrease in 2007 was followed by a steep increase in 2008. That supports the argument that the direction the government chose to take in 2007 was the wrong direction. At that time, the government wanted to achieve stabilisation primarily by decreasing social transfers in kind financed by the government and collective consumption – primarily the former one – however, it became obvious that it had proved impossible to go down that road, as these expenditures steeply increased in 2008. That seems to prove the point the author of the present article has been trying to make for some time: *the burden of stabilisation cannot be left to be borne by social transfers in kind or by collective consumption. Neither is it expedient for it to be borne by gross fixed capital formation, from which the inevitability of decreasing the consumption expenditures of households clearly follows.* That did indeed begin, albeit to a rather modest extent, in Q1–3 2008.

Thus, so far the analysis has pointed out that there have been real positive developments in

the recent years, these, however, can rightly be deemed as fragile, and it is justifiable to harbour certain doubts over how long-lasting those favourable trends will prove. Therefore, as it has already been mentioned in the introduction, it is necessary to conduct further examinations based on data on the government on the one hand, and foreign trade on the other hand. The analysis of the government data that is already available is presented below, while that of the data on foreign trade is to be carried out in another study.

THE GOVERNMENT

The analysis of the financial situation of the government is rendered possible by the HCSO having published the 1996–2006 data on the non-financial accounts of the government (HCSO, 2008c) and by their publishing certain key government data on a quarterly basis (HCSO, 2009). As such comparative time series stretching over 12 years have not been published anywhere before, it seems expedient to insert that data here.

The distribution of incomes by the government, i.e. primarily the revenue side regarding the years 1996–2001 is presented in *Table K/1/a*. As it has proved impossible to insert notations in *Table K/1*, they are listed in the *auxiliary table* called *Notations for Table K/1/a*. The same data regarding 2002–2007 is presented in *Table K/1/b*.

Regarding the basic data, we only need to say the following:

The first two lines of the tables contain data on the GDP and the GNI, which are to be used as a basis for comparison later. The balance of interests paid and property incomes may be very important for future assessment, the most important entry of which is obviously *interests paid*. Interests paid kept rising, but not so steeply. They amounted to nearly 700 billion

HUF in 1996, while in 2007 they already exceeded 1,000 billion HUF. However, this increase is not of an extent that could have caused the deterioration of the financial situation of the government.

In these tables, we contrast *received social contributions* with *social transfers other than in kind* and calculate the *balance* of the two entries. That balance does not appear in the system of national accounts, and contrasting the two entries is not completely logical as, theoretically, received social contributions should not only cover social transfers other than in kind, but also the bulk of social transfers in kind. Still, the changes of the balance of the two entries very clearly indicate changes in the financial situation of the government. That balance was plus 17 billion HUF in 1996, i.e. a positive value, albeit negligible at the level of the national economy. Then it increased and reached a significant positive value; however, from 2002 on, its value has been negative. Its value peaked in 2006, it was over minus 550 billion HUF, and even the 2007 value was exactly minus 400 billion HUF. The size of that entry in itself puts doubts on the well-foundedness of the proposals concerning decreasing the social contributions received by the government, paid by households and enterprises. Naturally, it also underlines the necessity of restricting expenditures.

Lastly, we wish to draw the reader's attention to the *balance of other current transfers*; which entry also clearly depicts the changes in the financial situation of the government. That balance was exactly plus 14 billion HUF in 1996, i.e. a positive value, albeit also negligible at the level of the national economy. In 1997 it was practically zero, and from that year on, it has had a negative value, increasing ever year, reaching as much as minus 510 billion HUF in 2007. In view of that entry and its size, a question instantly arises: whatever might make up this huge amount of other current transfers

paid by the government? Their value was only 93 billion HUF in 1996, lagging behind received current transfers. However, by 2007, it had reached 669 billion HUF, i.e. it had become sevenfold, and its value, as we have already pointed it out, exceeded the value of received transfers by 510 billion. Unfortunately, the HCSO does not publish any further details, i.e. does not elaborate on the constituents of this entry.

Adding up the three highlighted entries: i.e. interests paid, the surplus of social transfers other than in kind over received social contributions, and the balance of other current transfers, we find that the total amount in 2007 was as high as 1.9 thousand billion HUF in contrast with the amount only slightly over 700 billion HUF in 1996. The bulk of the increase of the negative value, i.e. the deterioration of the system, relates to the difference of received social contributions and social transfers other than in kind, and the balance of other current transfers, as the total value of the interests paid was already nearly 700 thousand billion HUF in 1996, as we have demonstrated it above. Thus, based on these figures, it is possible to identify the most important causes of the rapid progress of the financial deterioration of the government. Finally, the last row of the table represents *disposable income* based on the definition of the balance system of the national economy. The large negative values are already deducted from it, justifiably, as the government does not freely avail of those amounts, as the government is contractually and statutorily obliged to pay them out. Naturally, that does not mean that such obligations of the government should be impossible to modify.

The use of income and capital accounts of the government between 1996 and 2001 are presented in *Table K/2/a*. Such time series have not been published in full or in such a format before, which justifies their insertion here. Again, the naming of the entries needs to be

presented separately in the *auxiliary table* called *Notations for Table K/2/a*. Finally, similar data on 2002–2007 is presented in *Table K/2/b*.

Again, the first two lines of the tables contain data on the GDP and the GNI, to be used as a basis for comparison later. The third row represents the disposable income of the government, which serves as the actual initial value of this table. The next rows represent the individual consumption expenditures of the government, i.e. social transfers in kind, collective consumption expenditures, and the total of these two, the total, final consumption expenditures of the government. The amount saved – or, in the present Hungarian case, the negative amount saved, i.e. the excess consumption expenditure – is the difference of the disposable income and the total, final consumption expenditures of the government.

That data leads to important conclusions and poses important problems. Firstly, *the negative amount saved, i.e. the excess consumption expenditure of the government* increased between 1996 and 1999, then it steeply decreased, and in 2000 it reached its lowest value, a value slightly over 200 billion HUF. That was followed by the five-year period of high excess consumption expenditure dictated by obvious considerations of internal politics. In 2002, the excess consumption expenditure was 3.3 times as high as in 2000, and in 2006, its peak value was 8.3 times as high as in 2000. However, within one year, i.e. by 2007, that excess consumption expenditure of the government decreased from exactly 1,700 billion HUF to barely over half that amount, i.e. 888 thousand billion HUF, barely 52.1 per cent of the value of the previous year. As it was possible to practically halve that excess expenditure within one single year, it is justified to ask whether it was necessary to allow such excess consumption expenditure due to any consideration at any time. The answer cannot be anything but the following: that excess expenditure was not only imper-

missible but also unjustifiable as I strongly believe that the obvious internal politics and election-related considerations cannot be deemed as acceptable reasons.

We can reach even more important conclusions by examining how it was possible to achieve a decrease of such incredible proportions. Contrasting the 2006 and 2007 values, we can see that from one year to another, individual consumption expenditures only slightly decreased, collective consumption expenditures increased, and the decrease of the excess consumption expenditure of the government was almost entirely due to the steep increase of the disposable income of the government. The disposable income of the government increased by slightly over 750 billion, i.e. 20.3 per cent of the 2006 value within a single year.

That result justifies the further examination of the figures in Table K/1/b. Those figures suggest that government revenues deriving from taxes on production and import, as well as from social contributions grew steeply, by 415 billion, i.e. 16.5 per cent of the 2006 value and by 468 billion, i.e. 15.6 per cent of the 2006 value, respectively, within one year. Thus, decreasing the excess consumption expenditure of the government was decisively due to increasing revenues, and so radically, to barely over half the 2006 value.

Such experience is in total contrast with the arguments of the international literature, of the ideologists whose names are often associated with the governing parties, and of the opposition. The international literature (see Benczes, 2008 and the sources cited there) typically reasons that only stabilisation built on decreasing expenditures promises success, stabilisation built on increasing revenues does not, even though it is not fully consistent, as Benczes, based on the literature cited by him, also discusses cases of successful stabilisation built on increasing revenues. However, this success was – decisively, we shall soon see to what extent –

due to a stabilisation process built on increasing revenues, thus it was contrary to the recommendations of Benczes and the literature cited by him. At the same time, the ideologists often associated with the governing parties regard decreasing public, and primarily welfare expenditures and downsizing the welfare state as the only possible solution. However, in this case, the final consumption expenditures of the government decreased by barely 56 billion, i.e. 1.0 per cent of the 2006 value between 2006 and 2007, which can hardly be labelled as the radical demolition of the welfare state. Finally, the opposition fervently supports a radical decrease in the amount of social contributions, which, however, increased by 456 billion, i.e. almost half a thousand billion HUF, i.e. by 15.6 per cent between 2006 and 2007, as we have demonstrated. That indeed shows that stabilisation built – at least mostly – on increasing revenues may be successful, the welfare state need not be demolished, and the slogan of decreasing contributions is to be dropped, which, in the opinion of the author of the present article, is the triumph of common sense over ideologies. Naturally, that, so far, is only a preliminary conclusion drawn based on the figures available, which needs to be supplemented with further figures and further analyses based on them.

The next rows of the currently discussed Tables K/2/a and K/2/b deal with the development of *capital formation*. The *capital transfers* received and paid and their balance cannot be discussed here at length due to a lack of any background information. While the notions *gross fixed capital formation and changes in inventories* need not be explained, the notion *gross and net capital formation* does not appear in the system of national accounts. Gross capital formation equals the total sum of gross fixed capital formation, changes in inventories, and the balance of the purchase and sale of non-produced non financial assets. Net capital

formation is what remains after the deduction of consumption of fixed capital.

These figures depict *the darkest side of not only the currently discussed stabilisation but also the whole post-1996 era*, which we have already dealt with above, when analysing the data on the national economy. Between 1996 and 2000, net capital formation was a negative figure of a rather large absolute value. The 2000 value was still negative, already approaching zero, and we can detect values hardly differing from zero in 2003 and 2004, too. Thus, within the whole period examined here, net capital formation only had positive values in 2002, and between 2005 and 2007. That is completely untenable as the net capital formation of the government sector ought not to be of a negative value by any means. Its value ought to be positive, the equivalent of 3–5 per cent of the GDP. It is also completely impermissible that stabilisation should primarily decrease the already impermissibly low value of net capital formation. In that respect, we must totally agree with the international literature cited by Benczes (2008) stating that apart from the fact that stabilisation built on a decrease in investments cannot be long-lasting, it is obviously against the long-term interest of both the economy and the society.

Relating to these tables, we have three additional questions to discuss. Firstly, whether such a stabilisation may prove of a lasting effect. That is a question that simply cannot be answered any more. In 2007, the financial crisis had not started yet, or it only started in the USA at the end of the year, and in 2008, apart from at the very end of the year, it was not the crisis that determined the climate of opinion in Hungary. By now, it has become the dominant problem both abroad and domestically, so it will never be possible to find out what would have happened in 2008 and later, had there not been an international financial crisis and depression, in other words, what would have

been the consequence of the 2007 stabilisation results and how the process would have continued. It is necessary to stop and acknowledge the indisputable success of 2007, as halving the excess consumption expenditure of the government was indeed an indisputable success. The second additional question concerns the role of decreasing expenditures in that year, i.e. 2007, and whether it would have been or whether it would still be possible to decrease expenditures even further. We are to discuss that question presently.

Finally, in relation to this table, now it is necessary to focus on the most important summary figures, found in the last rows of the table. Between 2006 and 2007, total revenue increased by 1,278 billion HUF, i.e. by 12.6 per cent, while total expenditure increased by 290 billion HUF, i.e. by 2.3 per cent, and the resultant of these, the total of borrowing calculated decreased by 946 billion, i.e. by 42.9 per cent. Again, this suggests that stabilisation mostly built on increasing revenues has a realistic potential, which; however, in the opinion of the author of the present article, needs to be supplemented by radically decreasing truly unnecessary expenditures. This is definitely possible through modifying the methodology of the compilation of the budget (see Győrffy, 2007, primarily Chapter 6). It is highly probable that increasing revenues as described above, together with eliminating truly unnecessary expenditures, something that failed to be undertaken during the period examined, could restore the budgetary equilibrium without large structural changes. However, again, the question inevitably arises in a very serious form: why and how the budgetary equilibrium could get unsettled to the extent it did indeed get unsettled if it was possible to achieve such wonderful results restoring it so quickly? The answer obviously lies in the dominance of internal politics and election-related aspects prioritised over the requirements of the economy, even at

the expense of respecting economic considerations, which cannot be disapproved of strongly enough.

Subsequent to the analysis of absolute figures, we need to focus on the analysis of the *relative figures expressed as a percentage of the GDP*. The values concerning the distribution of incomes by the government are presented in *Tables K/3/a* and *K/3/b*.

Again, the first row represents the GNI, but now as a percentage of the GDP. The two do differ significantly, which, however, is not what created the problems – at least not the acute ones that have arisen recently – because the very low value of 2007, i.e. 93.1 per cent, is the exact equivalent of the lowest value experienced earlier, which was 93.1 per cent in 2001. However, we can clearly see that between 2006 and 2007, taxes on production and import grew by 0.6 per cent of the GDP, current taxes on income and wealth grew by 0.9 per cent of the GDP, and received social contributions grew by 1.0 per cent of the GDP. Primarily due to these changes, the disposable income of the government grew by 1.9 per cent of the GDP. However, all that – according to the figures published here – does not result in overtaxation or in an increase in the level of taxation, it only restores a previous situation. The 2007 value of taxes on production and import expressed as a percentage of the GDP equals the 2001 value, the value of current taxes on income and wealth calculated likewise equals the 2001 value, and the value of received social contributions also equals the 2001 value. *Therefore, what happened in 2007 did not result in an increased level of taxation, but the restoration of the extent of taxation of 2001, or maybe the restoration of the taxpaying discipline of 2001, which was really far from outstanding.* The figures published in the present article reinforce our conclusions drawn earlier. The value of interests paid expressed as a percentage of the GDP was exactly the same

in 2007 as in 1996, i.e. 4.0 per cent. At the same time, the increase of paid other current transfers, and of the balance of other current transfers by 0.7 per cent and 0.8 per cent, respectively, between 2003 and 2007 is not negligible. Here we are unable to specify the causes, but that entry is by no means insignificant from the point of view of the whole budget situation.

However, the values of *the use of income and the capital accounts of the government*, i.e. the expenditure side, *expressed as percentages of the GDP* are none the less important. These figures are presented in *Tables K/4/a* and *K/4/b*.

THE PROPORTIONS OF REDISTRIBUTION

The figures clearly show that the increase of revenues, i.e. the increase of the disposable income of the government was accompanied by *a decrease of expenditures*, even though that decrease did not appear or hardly appeared in the tables containing absolute values because the expenditures mostly decreased in a *relative sense, compared to the GDP*. That, therefore, modifies the conclusions drawn before: increasing revenues and decreasing expenditures jointly led to a spectacular budgetary improvement within one single year. However, the most striking thing is that according to these figures, *here again, all we can experience is the restoration of an earlier situation, i.e. that of the year 2001, and indeed, not even its full restoration, only its partial restoration.* Between 2006 and 2007, social transfers in kind, or, using another term, the individual consumption expenditures of the government decreased by 1.2 percentage point, the collective consumption expenditures of the government decreased by 0.5 percentage point, and the total of the two, the final consumption expenditures of the government decreased by 1.7 percentage point. However, the value of social transfers in

kind is still higher than the 2000–2001 value and is only very slightly lower than the 1996–1999 value. Accordingly, similarly to the case of taxation, there is nothing new introduced, simply the 2000–2001 situation has been restored. Thus, all of this is very far away from downsizing the welfare state, it rather is the downsizing of the excess expenditure of 2002–2006, which can be justifiably deemed as irresponsible and obviously motivated by considerations of internal politics. Only the percentage value of public consumption is lower than the 2000–2001 values, which difference, however, is not of a large extent in that case, either. It would require a detailed analysis to identify the entries responsible for that saving.

However, it is necessary to contrast these figures with the values of *social transfers other than in kind* in Table K/3/a. These transfers, expressed as a percentage of the GDP, grew steadily between 2002 and 2007, and kept growing even in 2007. Thus, *besides increasing tax revenues, the government seems to have based stabilisation primarily on decreasing social transfers in kind, while the proportion of social transfers other than in kind failed to be decreased, it was indeed increased.* The author of the present article finds it impossible to agree with that trend. I strongly believe – even if most of the literature disagrees with my view – *that it would have been better to choose to decrease social transfers in kind to a lesser extent, and to extend the decreasing onto social transfers other than in kind, or even to find a procedure where the decreasing is primarily borne by social transfers other than in kind as a tool to restore the equilibrium.* The 2007 value, i.e. 15.2 per cent of the GDP, equals the 2001 peak value, i.e. 15.2 per cent of the GDP, and is significantly higher than the 1996–2000 values. The assessment of such congregate data is obviously problematic; however, in my opinion, decreasing the real value of the money transferred into the pockets – even in the case

of pensions and allowances for families with children – is less destructive than decreasing the amounts to be allocated to sustain the health care and social care systems and cultural institutions. Besides, in relation to keeping up the given level of transferring money into the pockets – contrasting that with withering the welfare institutions – the accusation of buying votes is more likely to arise. Such considerations require more accurate analyses, but – as a first approach – they do not seem to be unfounded.

Moving on to the data on capital accounts, we are not in the position to undertake to analyse capital transfers – without any knowledge concerning the background data. However, the data on gross and net capital formation may justifiably be deemed as astonishing, even if using such a term is rather unusual in a study of scientific exigency. Between 1996 and 2001, net capital formation was always negative, albeit decreasing in absolute value. By 2001, a value practically equal to zero had been reached, and after a positive value in 2002, the values of 2003–2004 were zero with the accuracy of a tenth of a percent. Only in three years, in 2002, 2005, and 2006 did net capital formation have a positive value, of approximately 1 per cent of the GDP, although – as it has already been mentioned – its lowest acceptable value can be defined as 3–5 per cent of the GDP. That again reinforces that in 2007, *one of the major tools of stabilisation was decreasing the gross and net capital formation of an already unacceptably low level.* These figures require no further commenting on, *what we see here is undermining the future of the nation.*

However, the most important part of the analysis concerns the last rows of the table. It is widely known that the Bokros Package largely decreased the proportion of budget revenues within the GDP, and that later, during the whole period of 1996–2006, there was a big difference between the proportion of

revenues and expenditures and that that difference – as first of all Gyórfy (2005) pointed out – was always the largest in the election years, i.e. in 1998, 2002, and 2006. That is unequivocally reinforced by the figures published in the present article. However, the literature puts significantly less emphasis on the fact that the proportion of expenditures decreased steadily and to a large extent, i.e. by more than 5 percentage points, expressed as a percentage of the GDP, between 1996 and 2001, and it would have made it possible to restore the equilibrium, had it not been accompanied by a decrease in the proportion of revenues of a practically identical extent. In contrast with the views generally represented in the literature, that suggests that *but for the effects of the fervent support of downsizing the state and radically diminishing state revenues, the budgetary equilibrium could have been restored long ago and that equilibrium could also have been maintained*. Naturally, maintaining the right level of state revenues does not equal maintaining the same structure of the taxation system and of contribution payment; the right level of state revenues is likely to be more easily achieved through attaching larger weight to turnover taxes and potentially smaller weight to other tax types.

Based on the same figures, the author of the present article dares to formulate a very powerful tenet, which is contrary to the major part of the literature, but is consistent with the views of such experts as László Antal (2007), László Csaba (2005, 2006, 2007) and János Kornai (1992). Antal expressly states: “I find it highly doubtful whether it is possible to retreat from a well-established social contributions system with historic traditions that people are accustomed to, to a far narrower system of social transfers. That would lead to a dramatic increase in inequalities and social tensions [...] consequently that is a gate that is not open for Hungary” (Antal, 2007, p. 53). Kornai also

expressly states that “it is very different to decide whether the state should give its citizens a right that they have not enjoyed before or to decide whether to take away something they have already obtained and have grown accustomed to [...]. Historical development may be able to roll in one direction, while it cannot roll in the opposite direction with equal ease.” (Kornai, 1992, p. 508). Csaba does not make such firm statements, but when he puts “transformed countries” in “four groups” (Csaba, 2007, p. 266), he claims that “the groups have been formed along long-term path dependence rather than the ideological creed of certain periods” (id. p. 278), and that “there is little chance – although the example of Slovakia shows that such possibilities can never be fully excluded – that a country could be transferred from one category to another” (id., p. 267). That means admitting that the past has a decisive role to play and accepting that there exist obstacles relating to taking away attainments that have been achieved.

Thus, the author of the present article does not seem to stand alone endorsing the view that the historical traditions and the climate of opinion of the country make it virtually inevitable to maintain a redistribution ratio of approximately 50 per cent. Within the period examined, values significantly lower than that could only be detected in 2000 and 2001, which values were not much lower than 50 per cent, and still proved unsustainable. Thus, it seems that both the equilibrium and an appropriate social mood can only be restored and maintained at a level of approximately 50 per cent of the total revenue and total expenditure, i.e. roughly at the present level. That is what the figures of the 12 years examined unequivocally suggest.

To facilitate reviewing them, the most important figures of the above analysis regarding the periods 1996–2001 and 2002–2007 are presented in *Tables K/5/a* and *K/5/b*, respec-

tively, while the interpretation of the notations is contained in the *auxiliary table* called *Notations for Table K/5/a*.

THE MEASURES IMPLEMENTED IN 2007

Regrouping data in that manner is primarily justified by the fact that the system of national accounts – quite justifiably – calculates one part of the transfers provided for the household sector by the government sector prior to determining the amount of the disposable income and another part subsequent to it. As we have briefly referred to it, the reason for that is that what the government sector is statutorily obliged to transfer/pay to the household sector – i.e. social transfers other than in kind, pensions, allowances for families with children, etc. – is something that is not at the actual disposal of the government sector as the legislation has already disposed of it. This consideration is well justified even though legislation may always be modified. However, as both entries are provided for the household sector by the government sector, it is expedient to present the two together, next to each other and as a conglomerate. The data grouped in a manner that enables one to do that is presented in the tables.

Again, the first rows present the values of the GDP, the GNI and the disposable income. The next two rows present social transfers other than in kind and social transfers in kind, or using another term, the individual consumption expenditures financed by the government sector. The source of the former is not the disposable income of the government sector, while that of the latter is, still, these two together – i.e. the total amount of the social transfers other than in kind and the social transfers in kind presented in the sixth row of the table – are what the government sector provides the household sector with. At the same

time, the disposable income of the government sector is the source of the collective consumption presented in the seventh row and the total final consumption expenditures of the government, i.e. the total amount of the social transfers in kind and the collective consumption presented in the eighth row. The ninth row presents the total amount of household (individual) transfers and collective consumption financed by the government – before and after the disposable income is defined. Finally, the tenth row contains the potentially most important value, savings (+) or excess consumption expenditure (–), i.e. the difference of the disposable income and the final consumption expenditures of the government.

That last and most important row has already been presented and analysed in Tables K/2/a and K/2/b. During the whole period examined, the final consumption expenditures of the government exceeded the disposable income of the government, in other words, during the whole period examined, the government had negative savings: some excess consumption expenditure appeared each year. That excess expenditure was only of an acceptable extent in 2000–2001, and by 2006 it had grown to a size 8.3 times as large as it was in 2000, as it has already been pointed out.

It is expedient for the analysis of the data presented in this article to be based on *relative figures* expressed as percentages of the GDP. These are presented in *Table K/6/a* (1996–2001) and *Table K/6/b* (2002–2007).

Considering almost any aspect of the matter, we experience that *the most favourable values are those relating to 2000–2001*. The GNI/GDP ratio was the highest in 2000–2001, and has been decreasing since then. The disposable income of the government as a percentage of the GDP was also the highest in those two years and has been decreasing since then, apart from the improvements of 2007 discussed above. The proportions of social transfers

other than in kind, social transfers in kind, collective consumption, and the total final consumption expenditures were the lowest in the same years. It was higher both in the previous and the subsequent years, apart from last year, which was a stabilisation year, and the preceding ones only in respect of collective consumption, as it has already been discussed. Naturally, that does not mean that the low values of these expenditure entries need necessarily be approved of; however, when the budget deficit becomes the most important, most acute problem, such a view, as a first approach, cannot be rejected. It was also by 2001 that the negative value of net capital formation had closely approached zero; however, here, subsequently, positive values could be detected, too. Lastly, and most importantly, excess consumption expenditure and net borrowing were undoubtedly at their lowest during these two years. We cannot find such low values either in earlier or in later years. In actual fact, *during the whole period examined, the ratio of excess consumption expenditure and borrowing was only acceptable in 2000*, not that that value could be deemed as optimal either – the question as to what is optimal in this respect would lead too far, and definitely cannot be discussed here. It can be seen clearly that the stabilisation in 2007 – apart from the one issue of capital formation, in which respect the situation in 2007 was more favourable than it was in 2000–2001 – can hardly be considered anything but an attempt to restore the 2000–2001 situation, unfortunately also in the negative sense that the net capital formation of the public sector is dangerously approaching the practically zero percentage value of 2001.

Based on the rather scarce data available, the last two tables attempt to examine whether the trends set in 2007 continued in 2008. The absolute figures are contained in *Table K/7*. The first two columns present the data available on Q1–3 2008 already contained in tables

above, while the next four columns present the Q1–3 data of the period 2005–2008. For technical reasons, the basis for comparison of the quarterly, or rather Q1–3 data is the seasonally adjusted GDP. Comparing the first two rows, we can clearly see that the difference between the original and the seasonally adjusted GDP values is rather negligible.

UNFINISHED STABILISATION – URGENT CRISIS MANAGEMENT

Regarding *revenues*, the trend is favourable, the *trend of increasing revenues* of 2007 presented above *did continue in 2008*. The revenues from taxes on production and import, current taxes on income and wealth, and received social contributions kept increasing in 2008. However, the adverse trends continued as well. *The amount of social security cash benefits also increased*; and, what is more – contrary to what had been experienced in 2007 – faster than the received social contributions. Consequently, the absolute value of the negative balance of the received social contributions and the social security cash benefits paid out increased, which is an extremely adverse trend. That value, as demonstrated in Tables K/1/a and K/1/b, was positive between 1996 and 2001 and had an especially high positive value in 2001. Thus, in this one respect, the trend of approaching the 2001 situation is broken, which, among other things, demonstrates that the proposal relating to decreasing contributions is unacceptable, and supporting it fervently cannot be approved of at all.

As for the second half of the table, we can see that *public expenditures and final consumption expenditures kept increasing, while gross fixed capital formation kept decreasing*. Due to an increase in revenues and a decrease in gross fixed capital formation, *net borrowing kept decreasing as well*, in spite of the fact that the

value of social transfers other than in kind kept increasing. However laudable a further decrease in net borrowing might be, the author of the present article simply cannot approve of these trends, or at least most of them. That is because while I support consolidation built on increasing revenues and decreasing expenditures at the same time, under no circumstances can I approve of a consolidation which brings along an increase in the absolute value of the negative balance of received social contributions and social transfers other than in kind as well as a decrease in gross fixed capital formation – presumably eliminating positive net capital formation, or even rendering the value of net capital formation negative. That trend cannot be sustained in the long run, thus stabilisation may be temporarily successful in the sense that net borrowing decreases, but it cannot be long-lasting and is by all means against the long-term interest of the national economy.

Now let us examine the same correlations using relative values expressed as percentages of the GDP. The figures are presented in *Table K/8*.

We can see that *the ratio of budget revenues expressed as percentages of the GDP largely increased, but the pace of the increase slowed down*, especially in relation to taxes on production and import, and current taxes on income and wealth. At the same time, *the proportion of collective consumption expenditures, and especially that of final consumption expenditures, most of all, however, that of social transfers other than in kind grew within the GDP while the proportion of gross fixed capital formation steeply decreased*. All that resulted in a decrease in the proportion of net borrowing from minus 4.0 per cent to minus 2.1 per cent, which is indeed laudable; however, practically half of that decrease, i.e. 0.9 per cent, was related to the decrease of gross fixed capital formation, while social transfers other than in

kind increased by 0.8 percentage point. That can definitely be labelled as *stabilisation motivated by aspects of internal politics, based on continuing buying votes and devouring the future*, which cannot be approved of by any means. It also fails to match the criteria of stabilisation recommended in the literature, clearly based on decreasing expenditures, or of stabilisation built on the combination of increasing revenues and decreasing expenditures, an approach that is approved of by the author of the present article. *The total decrease of expenditures is lower than the decrease of gross fixed capital formation, which means that this is a kind of stabilisation built on a combination of increasing revenues and decreasing capital formation, which is to be condemned in the harshest possible terms*. The author of the present article finds that the radical wording of the final paragraphs of this study is totally justified.

I believe that at the end of the period discussed in this article, i.e. at the end of Q3 2008, the era of Hungarian economic policy dominated by stabilisation, i.e. by putting right the mistakes of economic policy made in 2006 and the preceding years ended, and a period when crisis management became top priority started. As it has been demonstrated, mainly by Györfy (2005, Figure 1 and 2007, Chapter 5), and others, these mistakes were caused by making aspects of internal politics a top priority. In other words, they were caused by the political business cycle, which is the best and the most clearly illustrated by the Figure cited above. However, the crisis management that has become necessary by now – however much economists' general attitude has distanced itself from the Keynesian approach – require decreasing revenues and increasing expenditures, which is something very hard to implement in a country which, as a result of the mistaken economic policy of recent years, has a huge budget deficit and a huge aggregate debt

portfolio. Thus, the requirements of continuing the incomplete, and in some sense successful stabilisation, which, however, was executed in a rather condemnable manner, are in clash with the requirements of crisis management. It is extremely difficult to say how those two aspect might be reconciled – indeed, they cannot – or at least how it is possible to find an economic policy that best – or at least the least

badly – fits these two aspects at the same time, i.e. what sort of crisis management is possible to undertake at this obviously flawed point of departure. That question cannot be discussed in the present article, whose database ends with the closure of the period when stabilisation was a priority, i.e. in Q3 2008. Still, it is not possible to finish this article without referring to that issue.

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Table A/1

**GROSS DOMESTIC PRODUCT, EXPORT AND IMPORT, AND DOMESTIC CONSUMPTION,
1995–2008**

(HUF million at current prices)

Year	Gross domestic product	Export	Import	Export/import surplus	Domestic consumption	Export ^a	Import ^a	Domestic consumption ^a
1995	5,614,042	2,505,219	2,507,924	-2,705	5,616,747	44.6	44.7	100.1
1996	6,893,934	3,341,846	3,309,976	31,871	6,862,063	48.5	48.0	99.5
1997	8,540,669	4,709,179	4,621,816	87,363	8,453,306	55.1	54.1	99.0
1998	10,087,434	6,247,038	6,392,030	-144,991	10,232,425	61.9	63.4	101.4
1999	11,393,499	7,329,030	7,638,966	-309,936	11,703,435	64.3	67.1	102.7
2000	13,150,766	9,820,299	10,327,273	-506,974	13,679,267	74.7	78.5	104.0
2000	13,531,831	9,749,989	10,240,259	-490,270	14,022,101	72.1	75.7	103.6
2001	15,272,621	10,856,071	11,044,177	-188,105	15,460,726	71.1	72.3	101.2
2002	17,148,410	10,820,458	11,156,985	-336,527	17,484,937	63.1	65.1	102.0
2003	18,914,890	11,496,600	12,234,678	-738,078	19,652,968	60.8	64.7	103.9
2004	20,695,365	13,080,474	13,767,915	-687,441	21,382,806	63.2	66.5	103.3
2005	21,997,374	14,511,000	14,916,936	-405,936	22,403,310	66.0	67.8	101.8
2006	23,785,244	18,329,729	18,494,898	-165,169	23,950,414	77.1	77.8	100.7
2007	25,419,164	20,400,905	20,017,143	383,762	25,035,402	80.3	78.7	98.5
07 ^b	18,492,389	14,926,712	14,630,152	296,560	18,195,829	80.7	79.1	98.4
08 ^b	19,439,525	16,342,108	15,965,349	376,758	19,062,566	84.1	82.1	98.1

^a As a percentage of the gross domestic product

^b Q1–Q3

Source: 1995–2000: National accounts of Hungary, 2005–2006; Hungarian Central Statistical Office, Budapest, 2008, Tables 1.3 and 1.7, pages 17, and 24–25

2000–2004: Hungarian Central Statistical Office, Information database, and Gross domestic product, 2008 Q3, Hungarian Central Statistical Office, Budapest, 9 December 2008, Table 6, pages 16–17

2005–2007: Gross domestic product, 2007 (Preliminary figures) Budapest, September 2008, Table 5, pages 14–15, and Gross domestic product, 2008 Q3, Hungarian Central Statistical Office, Budapest, 9 December 2008, Table 6, pages 16–17

2007–2008 Q1–Q3: Gross domestic product, 2008 Q3. Hungarian Central Statistical Office, Budapest, 9 December 2008, Table 6, pages 16–17.

Table A/2

DOMESTIC CONSUMPTION OF THE GROSS DOMESTIC PRODUCT, 1995–2008

(HUF million at current prices)

Year	Cons. exp. of househ. nonprofit institutions	Consumption expenditures of the government	Total consumpt. expendit.	Gross fixed capital formation	Changes in invent. and other non-specif consump.	Total gross capital formation	Domestic consumpt.
1995	3,025,300	1,322,658	4,347,958	1,125,389	43,400	1,268,789	5,616,747
1996	3,586,054	1,517,924	5,103,978	1,475,538	282,548	1,758,086	6,862,063
1997	4,310,416	1,873,413	6,183,829	1,898,917	370,560	2,269,477	8,453,306
1998	5,134,869	2,186,902	7,321,771	2,384,615	526,039	2,910,654	10,232,425
1999	5,976,044	2,454,835	8,430,879	2,724,532	548,025	3,272,557	11,703,435
2000	..	..	9,608,289	3,099,131	971,846	4,070,978	13,679,267
2000	7,067,105	2,833,627	9,900,732	3,107,068	1,014,302	4,121,370	14,022,101
2001	8,118,341	3,237,208	11,355,549	3,510,338	594,840	4,105,178	15,460,726
2002	9,327,544	3,800,969	13,128,513	3,944,460	411,964	4,356,424	17,484,937
2003	10,515,276	4,388,484	14,903,759	4,163,540	585,669	4,749,209	19,652,968
2004	11,294,507	4,636,633	15,931,140	4,649,365	802,301	5,451,666	21,382,806
2005	12,124,751	4,958,031	17,082,782	5,173,549	146,979	5,320,528	22,403,310
2006	12,748,107	5,425,796	18,173,903	5,130,811	645,701	5,776,511	23,950,413
2007	13,645,373	5,369,683	19,015,057	5,343,740	676,605	6,020,346	25,035,402
07 ^a	10,056,203	3,878,085	13,934,288	3,493,670	767,871	4,261,542	18,195,829
08 ^a	10,725,681	4,158,504	14,874,185	3,468,796	719,783	4,188,380	19,062,566

^a Q1–Q3

Source: 1995–2000: National accounts of Hungary, 2005–2006, Hungarian Central Statistical Office, Budapest, 2008, Table 1.7, pages 24–25

2000–2004: Hungarian Central Statistical Office, Information database, and Gross domestic product, 2008 Q3, Hungarian Central Statistical Office, Budapest, 9 December 2008, Table 6, pages 16–17

2005–2007: Gross domestic product 2007, (Preliminary figures) Budapest, September 2008, Table 5, pages 14–15, and Gross domestic product, 2008 Q3, Hungarian Central Statistical Office, Budapest, 9 December 2008, Table 6, pages 16–17

2007–2008 Q1–Q3: Gross domestic product, 2008 Q3, Hungarian Central Statistical Office, Budapest, 9 December 2008, Table 6, pages 16–17

Table A/3

DOMESTIC CONSUMPTION OF THE GROSS DOMESTIC PRODUCT AS A PERCENTAGE OF THE GROSS DOMESTIC PRODUCT, 1995–2008

(per cent)

Year	Cons. exp. of househ. nonprofit institutions	Consumption expenditures of the government	Total consumpt. expendit.	Gross fixed capital formation	Changes in invent. and other non-specif consump.	Total gross capital formation	Domestic consumpt.
1995	53.9	23.6	77.4	20.0	2.6	22.6	100.0
1996	52.0	22.0	74.0	21.4	4.1	25.5	99.5
1997	50.5	21.9	72.4	22.2	4.3	26.6	99.0
1998	50.9	21.7	72.6	23.6	5.2	28.9	101.4
1999	52.5	21.5	74.0	23.9	4.8	28.7	102.7
2000	..	..	73.1	23.6	7.4	31.0	104.0
2000	52.2	20.9	73.2	23.0	7.5	30.5	103.6
2001	53.2	21.2	74.4	23.0	3.9	26.9	101.2
2002	54.4	22.2	76.6	23.0	2.4	25.4	102.0
2003	55.6	23.2	78.8	22.0	3.1	25.1	103.9
2004	54.6	22.4	77.0	22.5	3.9	26.3	103.3
2005	55.1	22.5	77.7	23.5	0.7	24.2	101.8
2006	53.6	22.8	76.4	21.6	2.7	24.3	100.7
2007	53.7	21.1	74.8	21.0	2.7	23.7	98.5
07 ^a	54.4	21.0	75.4	19.0	4.2	23.0	98.4
08 ^a	55.1	21.4	76.5	17.8	3.7	21.5	98.1

^a Q1-Q3

Source: calculated from Tables 1 and 2

Table A/4

HOUSEHOLD AND COLLECTIVE CONSUMPTION, 1995–2008

(HUF million at current prices, %)

Year	Household consumption	Collective consumption	Total consumption	Household consumption	Collective consumption	Total consumption	Household consumption	Collective consumption
	HUF million, at current prices			As a percentage of the GDP			As a % of consumption	
1995	3,730,258	617,700	4,347,958	66.4	11.0	77.4	85.8	14.2
1996	4,400,359	703,619	5,103,978	63.8	10.2	74.0	86.2	13.8
1997	5,283,032	900,797	6,183,829	61.9	10.5	72.4	85.4	14.6
1998	6,297,192	1,024,579	7,321,771	62.4	10.2	72.6	86.0	14.0
1999	7,274,153	1,156,726	8,430,879	63.8	10.2	74.0	86.3	13.7
2000	8,334,942	1,273,347	9,608,289	63.4	9.7	73.1	86.7	13.3
2000	8,535,198	1,365,534	9,900,732	63.1	10.1	73.2	86.2	13.8
2001	9,801,830	1,553,719	11,355,549	64.2	10.2	74.4	86.3	13.7
2002	11,348,175	1,780,338	13,128,513	66.2	10.4	76.6	86.4	13.6
2003	12,919,745	1,984,014	14,903,759	68.3	10.5	78.8	86.7	13.3
2004	13,863,078	2,068,062	15,931,140	67.0	10.0	77.0	87.0	13.0
2005	14,910,691	2,172,091	17,082,782	67.8	9.9	77.7	87.3	12.7
2006	15,744,403	2,429,501	18,173,903	66.2	10.2	76.4	86.6	13.4
2007	16,551,934	2,463,123	19,015,057	65.1	9.7	74.8	87.0	13.0
07 ^a	12,173,355	1,760,933	13,934,288	65.8	9.5	75.4	87.4	12.6
08 ^a	13,019,141	1,855,055	14,874,185	67.0	9.5	76.5	87.5	12.5

^a Q1–Q3

Source: 1995–2000: National accounts of Hungary, 2005–2006, Hungarian Central Statistical Office, Budapest, 2008, Table 1.7, pages 24–25

2000–2004: Hungarian Central Statistical Office, Information database, and Gross domestic product, 2008 Q3, Hungarian Central Statistical Office, Budapest, 9 December 2008, Table 6, pages 16–17

2005–2007: Gross domestic product, 2007, (Preliminary figures) Budapest, September 2008, Table 5, pages 14–15, and Gross domestic product, 2008 Q3. Hungarian Central Statistical Office, Budapest, 9 December 2008, Table 6, pages 16–17. Certain figures pertaining to 2007 adjusted according to the subsequent source.

2007–2008 Q1–Q3: Gross domestic product, 2008 Q2, Hungarian Central Statistical Office, Budapest, September 2008 Tables 5 and 6, pages 16–17, and Gross domestic product, 2008 Q3, Hungarian Central Statistical Office, Budapest, 9 December 2008, Table 6, pages 16–17

Table A/5

FINANCING HOUSEHOLD CONSUMPTION, 1995–2008

(HUF million at current prices)

Year	Cash social benefits	Other current income transfers	Consumption financed from primary income ^a	Consumption expendit. of household	Cons. exp. of nonprofit institutions	In-kind social transfers from the government	Household consumption
1995	910,459	485,354	1,571,259	2,967,072	58,228	704,958	3,730,258
1996	992,604	439,101	2,077,894	3,509,599	76,455	814,305	4,400,359
1997	1,158,386	544,595	2,516,166	4,219,147	91,269	972,616	5,283,032
1998	1,405,781	545,595	3,057,209	5,008,585	126,284	1,162,323	6,297,192
1999	1,583,399	570,139	3,675,104	5,828,642	147,402	1,298,109	7,274,153
2000	1,748,658	623,153	4,355,345	6,727,156	..	..	8,334,942
2000	1,755,180	605,554	4,514,040	6,874,774	192,331	1,468,093	8,535,198
2001	1,982,249	829,986	5,089,386	7,901,621	216,720	1,683,489	9,801,830
2002	2,356,536	843,335	5,878,929	9,078,800	248,744	2,020,631	11,348,175
2003	2,693,533	847,092	6,691,618	10,232,243	283,033	2,404,470	12,919,745
2004	2,979,116	156,683	7,829,963	10,965,762	328,745	2,568,571	13,863,078
2005	3,328,491	217,014	8,218,463	11,763,968	360,783	2,785,940	14,910,691
2006	3,691,957	231,335	8,461,109	12,384,401	363,706	2,996,296	15,744,403
2007	..	..	..	13,263,709	381,665	2,906,560	16,551,934
07 ^b	..	..	..	9,778,145	278,059	2,117,152	12,173,355
08 ^b	..	..	..	10,423,530	291,962	2,303,449	13,019,141

^a Calculated value of consumption financed from primary resources = purchased household consumption minus cash social transfers, minus other current income transfers, net

^b Q1–Q3

Source: 1995–2006, Columns 1–2: National accounts of Hungary, 2005–2006, 2004–2005, 2003–2004, 2002–2003, 2001–2002, 2000–2001, 1998–2000, 1998–1999, 1995–1997, Hungarian Central Statistical Office, Budapest, 2008, 2007, 2006, 2005, 2004, 2003, 2002, 2001, 1999, 5.2. – Table 5.4, pages 110–113., 108–109, 104v105, 102–103, 102–103, 94–95, 116–117 and 120–121

1995–2007, columns 4 and 7: Hungarian Central Statistical Office, Information Database, and Gross domestic product, 2008 Q3, Hungarian Central Statistical Office, Budapest, 9 December 2008, Table 6, pages 16–17

2007–2008 Q1–Q3: Gross domestic product, 2008 Q3, Hungarian Central Statistical Office, Budapest, 9 December 2008, Table 6, pages 16–17

Table A/6

FINANCING OF HOUSEHOLD CONSUMPTION AS A PERCENTAGE OF HOUSEHOLD CONSUMPTION, 1995–2008

(per cent)

Year	Cash social transfers	Other current income transfers	Consumpt. financed from primary resources ^a	Consumption expenditures of households	Cons. exp. of non-profit institutions	In-kind social transfers from the government
1995	24.4	13.0	42.1	79.5	1.6	18.9
1996	22.6	10.0	47.2	79.8	1.7	18.5
1997	21.9	10.3	47.6	79.8	1.7	18.4
1998	22.3	8.7	48.5	79.5	2.0	18.5
1999	21.8	7.8	50.5	80.1	2.0	17.9
2000	21.0	7.4	52.3	80.7	..	..
2000	20.5	7.1	52.9	80.5	2.2	17.2
2001	20.2	8.5	51.9	80.6	2.2	17.2
2002	20.8	7.4	51.8	80.0	2.2	17.8
2003	20.8	6.5	51.8	79.2	2.2	18.6
2004	21.5	1.1	56.5	79.1	2.4	18.5
2005	22.3	1.5	55.1	79.9	2.4	18.7
2006	23.4	1.5	53.7	78.6	2.3	19.0
2007	..	..	..	80.1	2.3	17.6
07 ^b	..	..	..	80.3	2.3	17.4
08 ^b	..	..	..	80.1	2.2	17.7

^a Calculated value of consumption financed from primary resources = purchased household consumption minus cash social transfers, minus other current income transfers, net

^b Q1–Q3

Source: calculated from Table A/5

Table A/7

THE GROSS DOMESTIC PRODUCT AND THE GROSS NATIONAL INCOME, 1995–2005

(HUF million at current prices)

Year	Gross domestic product	Balance of labour income	Property income from abroad	Property income paid to abroad	Balance of property incomes	Balance of EU transfers	Gross national income
1995	5,614,042	1,401	105,086	318,849	-213,763	–	5,401,680
1996	6,893,934	11,355	178,148	486,204	-308,056	–	6,597,233
1997	8,540,669	22,677	247,747	765,216	-517,469	–	8,045,877
1998	10,087,434	28,084	226,808	874,747	-647,939	–	9,467,579
1999	11,393,499	24,203	168,736	861,352	-692,616	–	10,725,086
2000	13,150,766	42,366	263,183	1,016,908	-753,725	–	12,439,407
2000	13,531,831	137,313	280,013	1,012,445	-732,432	–	12,936,712
2001	15,272,671	150,788	271,754	1,138,686	-866,932	–	14,556,477
2002	17,148,410	115,445	252,578	1,234,675	-982,097	–	16,281,758
2003	18,914,890	155,279	253,040	1,254,019	-1,000,979	–	18,069,208
2004	20,695,365	187,204	331,189	1,617,229	-1,286,040	42,234	19,638,763
2005	21,997,374	207,673	351,845	1,808,010	-1,456,165	77,004	20,825,886
2006	23,785,244	240,497	1,270,385	3,012,401	-1,742,016	118,298	22,402,023
2007	25,419,164	252,030	1,639,318	3,747,381	-2,108,063	111,072	23,674,203

Source: 1995–2000: National accounts of Hungary 2005–2006, Hungarian Central Statistical Office, Budapest, 2008, Table 1.3, page 17

1995–2007: Gross domestic product 2007 (Preliminary figures) Hungarian Central Statistical Office, Budapest, September 2008, Table 7, page 20

Q1–Q3 of 2007–2008: Gross domestic product, 2008 Q3, Hungarian Central Statistical Office, Budapest, 9 December 2008, Table 6, pages 16–17

Table A/8

DOMESTIC CONSUMPTION SURPLUS OVER THE GROSS NATIONAL INCOME AND FINANCING OF THE SURPLUS, 1995–2005

(HUF million at current prices)

Year	Gross national income	Domestic consumption	Domestic consumption surplus ^a	Balance of reinvested capital gains	Balance of EU transfers ^b	Other sources of financing ^c
1995	5,401,680	5,616,747	215,067	-27,050	–	242,117
1996	6,597,233	6,862,063	264,830	78,210	–	186,620
1997	8,045,877	8,453,306	407,429	245,160	–	162,269
1998	9,467,579	10,232,425	764,846	252,470	–	512,376
1999	10,725,086	11,703,435	978,349	273,420	–	704,929
2000	12,439,407	13,679,267	1,239,860	280,760	–	959,100
2000	12,936,712	14,022,101	1,085,389	280,787	–	804,602
2001	14,556,477	15,460,726	904,249	385,621	–	518,628
2002	16,281,758	17,484,937	1,203,179	456,145	–	747,034
2003	18,069,208	19,652,968	1,583,760	443,975	–	1,139,785
2004	19,638,763	21,382,806	1,744,043	456,441	42,234	1,245,368
2005	20,825,886	22,403,310	1,577,424	448,307	77,004	1,052,113
2006	22,402,023	23,950,413	1,548,390	393,940	118,298	1,036,152
2007	23,674,203	25,035,402	1,361,199	509,156	111,072	740,971

^a Domestic consumption surplus over the gross national income

^b Balance of taxes paid to the EU and subsidies received from the EU

^c Other sources of financing domestic consumption exceeding the national income = domestic consumption surplus minus reinvested capital gains, minus the balance of taxes paid to the EU and subsidies received from the EU

Source: 1995–2000: National accounts of Hungary, 2005–2006, Hungarian Central Statistical Office, Budapest, 2008, Table 1.3, page 17

1995–2007: Gross domestic product 2007, (Preliminary data) Hungarian Central Statistical Office, Budapest, September 2008, Table 7, page 20

Table A/9

INDICES PERTAINING TO THE DOMESTIC CONSUMPTION SURPLUS OVER THE GROSS NATIONAL INCOME AND TO THE FINANCING OF THIS SURPLUS, 1995–2005

(per cent)

Year	Domestic consump. surplus ^a	Balance of reinv capital gains	Balance of EU transfers ^b	Other sources of financing ^c	Domestic consump. surplus ^a	Balance of reinv capital gains	Balance of EU transfers ^b	Pther source of financing ^c
1995	4.0	-0.5	-	4.5	100.0	-12.6	-	112.6
1996	4.0	1.2	-	2.8	100.0	29.5	-	70.5
1997	5.1	3.0	-	2.0	100.0	60.2	-	39.8
1998	8.1	2.7	-	5.4	100.0	33.0	-	67.0
1999	9.1	2.5	-	6.6	100.0	27.9	-	72.1
2000	10.0	2.3	-	7.7	100.0	22.6	-	77.4
2000	9.5	2.2	-	7.3	100.0	25.9	-	74.1
2001	6.9	2.7	-	4.2	100.0	42.6	-	57.4
2002	7.9	2.8	-	5.1	100.0	37.9	-	62.0
2003	9.4	2.5	-	6.9	100.0	28.0	-	72.0
2004	9.3	2.4	0.2	6.7	100.0	26.2	2.4	71.4
2005	7.4	2.0	0.4	5.0	100.0	28.4	4.9	66.7
2006	7.1	1.8	0.5	4.8	100.0	25.4	7.6	67.0
2007	5.7	2.2	0.5	3.1	100.0	37.4	8.2	54.4

^a Domestic consumption surplus over the gross national income

^b Balance of taxes paid to the EU and subsidies received from the EU

^c Other sources of financing domestic consumption exceeding the national income = domestic consumption surplus minus reinvested capital gains, minus the balance of taxes paid to the EU and subsidies received from the EU

Source: Calculated from Table A/8

Table A/10

**THE VOLUME INDICES OF THE GROSS DOMESTIC PRODUCT, EXPORT AND IMPORT,
AND DOMESTIC CONSUMPTION, 1995–2008**

(incides)

Year	Gross domestic product	Export	Import	Total final consumption	Gross capital formation	Domestic consumption
2006/05 ^a	104.1	118.6	114.8	102.4	99.9	101.8
2007/06 ^a	101.1	115.9	113.1	98.2	101.6	99.0
2007/05 ^b	105.2	137.5	129.8	100.6	101.5	100.8
2008/07 ^c	100.2	93.1	94.9	103.4	94.4	101.7
2008/05 ^d	105.4	128.0	123.2	104.0	95.8	102.5

^a Figure contained in the original source

^b Product of the figures contained in rows 1 and 2

^c Quotient of the mean of value of the Q1–Q3 2008 and Q1–Q3 2007 figures

^d Product of the figures contained in rows 3 and 4

Source: Gross domestic product, 2008 Q3, Hungarian Central Statistical Office, Quick Guide, Budapest, 9 December 2008, Table 8, pages 20–21

Table A/11

**THE VOLUME INDICES OF THE MAJOR CONSTITUENTS OF DOMESTIC CONSUMPTION,
1995–2008**

(incides)

Year	Consumption expenditures of households	In-kind social transfers from government	In-kind social transfers from nonprofit institutions	Total household consumption	Collective consumption	Gross fixed capital formation
2006/05 ^a	101.9	103.1	94.0	101.9	105.8	93.8
2007/06 ^a	100.7	88.2	97.3	98.2	97.8	101.5
2007/05 ^b	102.6	90.9	91.5	100.1	103.5	95.2
2008/07 ^c	99.9	118.5	99.6	103.1	105.0	96.8
2008/05 ^d	102.5	107.7	91.1	103.2	108.7	92.2

^a Figure contained in the original source

^b Product of the figures presented in rows 1 and 2

^c Quotient of the mean of value of the Q1–Q3 2008 and Q1–Q3 2007 figures

^d Product of the values contained in rows 3 and 4

Source: Gross domestic product, Q3 of 2008, Hungarian Central Statistical Office, Quick Guide, Budapest, 9 December 2008, Table 8, pages 20–21

Table K/1/a

INCOME DISTRIBUTION BY THE GOVERNMENT 1996–2001

(HUF million at current prices)

	1996	1997	1998	1999	2000	2001
GDP	6,893,934	8,540,669	10,087,434	11,393,499	13,531,831	15,272,621
GNI	6,597,233	8,045,877	9,467,579	10,725,086	12,936,712	14,556,477
ME ^a	0	0	0	0	1,652	-7,389
TIA ^b	1,177,449	1,328,385	1,591,562	1,855,417	2,176,542	2,343,309
Tm ^c	138,306	158,444	160,916	220,217	219,113	261,507
TIATmE ^d	1,039,143	1,169,941	1,430,646	1,635,200	1,957,429	2,081,802
KmOBK ^e	146,610	226,818	142,555	125,992	165,340	166,023
KmF ^f	679,910	837,955	785,790	840,898	725,201	708,348
TJE ^g	-533,300	-611,137	-643,235	-714,906	-559,861	-542,325
EJE ^h	505,843	558,804	787,411	920,294	1,399,220	1,532,088
FJVA ⁱ	646,964	776,833	915,591	1,084,794	1,287,888	1,530,861
TBHK ^j	973,688	1,224,573	1,426,532	1,519,360	1,749,057	1,971,090
PbTJ ^k	956,642	1,097,887	1,354,563	1,521,132	1,681,173	1,916,420
THPbTJE ^l	17,046	126,686	71,969	-1,772	67,884	154,670
EFTk ^m	107,426	83,464	80,504	75,350	86,720	95,227
EFTF ⁿ	93,270	83,494	147,806	178,889	212,072	248,675
EFTe ^o	14,156	-30	-67,302	-103,539	-125,352	-153,448
RÁJ ^p	1,184,009	1,462,293	1,707,669	1,899,777	2,629,640	2,964,171

^a Operating surplus

^b Taxes on production and imports

^c Subsidies

^d Balance of taxes on production and imports, and of subsidies

^e Interest, revenue, dividends from corporations and rents

^f Interest, paid

^g Balance of property incomes

^h Balance of primary incomes

ⁱ Current taxes on income, wealth, etc

^j Social contributions, received

^k Social benefits, other than social transfers in kind

^l Balance of social contributions, received, and social benefits, other than social transfers in kind

^m Other currents transfer (received)

ⁿ Other currents transfer (paid)

^o Balance of other currents transfers

^p Disposable income

Source: Row 1: Table A/1

Row 2: Table A/7

The other rows:

1996–2003: Report on the deficit and debt of the government sector, Detailed figures of the government sector (1997–2006), Hungarian Central Statistical Office, Press releases, 20 October 2007, website, downloaded on 4 December 2008

2004–2007: Gross domestic product, 2007, (Preliminary figures) Hungarian Central Statistical Office, Budapest, September 2008, Table 6, pages 16–19

Table K/1/b

INCOME DISTRIBUTION BY THE GOVERNMENT, 2002–2007

(HUF million, at current prices)

	2002	2003	2004	2005	2006	2007
GDP	17,148,410	18,914,890	20,695,365	21,997,374	23,785,244	25,419,164
GNI	16,281,758	18,069,208	19,638,763	20,825,886	22,402,023	23,674,203
ME ^a	-13,861	-582	-13,497	-2,964	833	-1,363
TIA ^b	2,568,343	2,956,747	3,330,555	3,414,632	3,560,629	3,975,617
Tm ^c	298,781	277,896	329,894	297,976	340,035	358,679
TIATmE ^d	2,269,562	2,678,851	3,000,661	3,116,656	3,220,594	3,616,938
KmOBK ^e	129,349	131,667	237,842	178,741	248,674	230,663
KmF ^f	689,776	760,264	902,967	910,595	940,886	1,028,312
TJE ^g	-560,427	-628,597	-665,125	-731,854	-692,212	-797,649
EJE ^h	1,695,274	2,049,672	2,322,039	2,381,838	2,529,215	2,817,926
FJVA ⁱ	1,730,069	1,789,058	1,860,401	1,984,221	2,217,854	2,584,754
TBHK ^j	2,213,403	2,383,200	2,559,260	2,781,064	2,996,916	3,465,398
PbTJ ^k	2,281,406	2,617,104	2,884,307	3,203,503	3,554,442	3,872,379
THPbTJE ^l	-68,003	-233,904	-325,047	-422,439	-557,526	-406,981
EFTrk ^m	97,704	101,951	162,961	177,533	179,629	158,572
EFTFn ⁿ	331,005	341,411	462,196	539,336	640,691	668,584
EFTRE ^o	-233,301	-239,460	-299,235	-361,803	-461,062	-510,012
RÁJ ^p	3,124,039	3,365,366	3,558,158	3,581,817	3,728,481	4,485,687

^a Operating surplus

^b Taxes on production and imports

^c Subsidies

^d Balance of taxes on production and imports, and of subsidies

^e Interest, revenue, dividends from corporations and rents

^f Interest, paid

^g Balance of property incomes

^h Balance of primary incomes

ⁱ Current taxes on income, wealth, etc

^j Social contributions, received

^k Social benefits, other than social transfers in kind

^l Balance of social contributions, received, and social benefits, other than social transfers in kind

^m Other currents transfer (received)

ⁿ Other currents transfer (paid)

^o Balance of other currents transfers

^p Disposable income

Source: See Table, K/1/a

THE USE OF INCOME AND CAPITAL ACCOUNTS OF THE GOVERNMENT, 1996–2001

(HUF million, at current prices)

	1996	1997	1998	1999	2000	2001
GDP	6,893,934	8,540,669	10,087,434	11,393,499	13,531,831	15,272,621
GNI	6,597,233	8,045,877	9,467,579	10,725,086	12,936,712	14,556,477
RÁJ ^a	1,184,009	1,462,293	1,707,669	1,899,777	2,629,640	2,964,171
TbJ/EFK ^b	812,758	993,185	1,171,436	1,320,329	1,468,093	1,683,489
KFK ^c	715,667	924,320	1,030,622	1,156,632	1,365,534	1,553,719
VFK ^d	1,528,425	1,917,505	2,202,058	2,476,961	2,833,627	3,237,208
S/VFTK ^e	-344,416	-455,212	-494,389	-577,184	-203,987	-273,037
TTrK ^f	32,525	31,476	41,357	47,297	56,608	72,332
TTrF ^g	212,533	265,645	485,286	342,194	377,631	448,061
TTrE ^h	-180,008	-234,169	-443,929	-294,897	-321,023	-375,729
NVVi	-524,424	-689,381	-938,318	-872,081	-525,010	-648,766
BÁEF ^j	118,562	226,445	342,149	335,469	433,223	565,929
KV ^k	-862	-1,316	-592	512	333	1,550
NTNPEFI ^l	0	-2,478	-10,867	-90,191	-18,679	-16,889
BTF ^m	117,700	222,651	330,690	245,790	414,877	550,590
D ⁿ	317,372	378,564	443,025	490,254	540,207	576,146
NTF ^o	-199,672	-155,913	-112,335	-244,464	-125,330	-25,556
TRP	3,304,199	3,927,804	4,504,580	5,061,142	5,895,058	6,592,401
TE ^r	3,628,951	4,461,272	5,330,563	5,688,759	6,294,738	7,218,611
NHNy/HF ^s	-324,752	-533,468	-825,983	-627,617	-392,332	-618,230

- ^a Disposable income
- ^b Social transfers in kind = Individual consumption expenditure
- ^c Collective consumption expenditure
- ^d Final consumption expenditure
- ^e Saving (+) or excess consumption expenditure (-)
- ^f Capital transfer (received)
- ^g Capital transfer (paid)
- ^h Balance of capital transfers.
- ⁱ Changes in net worth due to saving and capital transfers
- ^j Gross fixed capital formation
- ^k Changes in inventories.
- ^l Acquisition less disposals of non-produced non financial assets
- ^m Gross capital formation
- ⁿ Consumption of fixed capital
- ^o Net capital formation
- ^p Total revenue
- ^r Total expenditure
- ^s Net lending (+) or net borrowing (-)

Source: See Table 2/1/a

Table K/2/b

THE USE OF INCOME AND CAPITAL ACCOUNTS OF THE GOVERNMENT, 2001–2007

(HUF million, at current prices)

	2002	2003	2004	2005	2006	2007
GDP	17,148,410	18,914,890	20,695,365	21,997,374	23,785,244	25,419,164
GNI	16,281,758	18,069,208	19,638,763	20,825,886	22,402,023	23,674,203
RÁJ ^a	3,124,039	3,365,366	3,558,158	3,581,817	3,728,481	4,485,687
TbJ/EFK ^b	2,020,631	2,404,470	2,568,571	2,785,940	2,996,296	2,907,559
KFK ^c	1,780,338	1,984,014	2,068,062	2,172,091	2,429,500	2,462,124
VFK ^d	3,800,969	4,388,484	4,636,633	4,958,031	5,425,796	5,369,683
S/VFTK ^e	-676,930	-1,023,118	-1,078,475	-1,376,214	-1,697,315	-883,996
TTrk ^f	83,745	82,042	94,610	155,456	226,590	251,487
TTr ^g	706,044	425,958	327,584	325,582	461,909	491,979
TTrE ^h	-622,299	-343,916	-232,974	-170,126	-235,319	-240,492
NV ⁱ	-1,299,229	-1,367,034	-1,311,449	-1,546,340	-1,932,634	-1,124,488
BÁEF ^j	844,514	657,882	733,655	873,037	1,049,938	903,412
KV ^k	2,697	283	-284	4,260	-592	503
NTNPEF ^l	-16,047	-35,349	-70,401	-24,690	-26,866	6,943
BTF ^m	831,164	622,816	662,970	852,607	1,022,480	910,858
D ⁿ	593,451	631,298	657,761	679,105	735,819	779,626
NTF ^o	237,713	-8,482	5,209	173,502	286,661	131,232
TRP	7,276,834	7,941,569	8,808,722	9,297,600	10,132,875	11,410,507
TE ^p	8,813,796	9,300,121	10,125,380	11,015,942	12,352,171	12,642,246
NHNy/HF ^s	-1,536,942	-1,358,552	-1,320,358	-1,717,676	-2,207,193	-1,260,757

- ^a Disposable income
- ^b Social transfers in kind = Individual consumption expenditure
- ^c Collective consumption expenditure
- ^d Final consumption expenditure
- ^e Saving (+) or excess consumption expenditure (-)
- ^f Capital transfer (received)
- ^g Capital transfer (paid)
- ^h Balance of capital transfers.
- ⁱ Changes in net worth due to saving and capital transfers
- ^j Gross fixed capital formation
- ^k Changes in inventories.
- ^l Acquisition less disposals of non-produced non financial assets
- ^m Gross capital formation
- ⁿ Consumption of fixed capital
- ^o Net capital formation
- ^p Total revenue
- ^r Total expenditure
- ^s Net lending (+) or net borrowing (-)

Source: See Table K/1/a

Table K/3/a

INCOME DISTRIBUTION BY THE GOVERNMENT AS A PERCENTAGE OF THE GDP, 1996–2001
(per cent)

	1996	1997	1998	1999	2000	2001
GNI	94.9	95.5	94.9	94.7	94.2	93.1
ME ^a	-0.1	0.0	-0.1	0.0	0.0	0.0
TIA ^b	15.0	15.6	16.1	15.5	15.0	15.6
Tm ^c	1.7	1.5	1.6	1.4	1.4	1.4
TIATmE ^d	13.2	14.2	14.5	14.2	13.5	14.2
KmOBK ^e	0.8	0.7	1.1	0.8	1.0	0.9
KmF ^f	4.0	4.0	4.4	4.1	4.0	4.0
TJE ^g	-3.3	-3.3	-3.2	-3.3	-2.9	-3.1
EJE ^h	9.9	10.8	11.2	10.8	10.6	11.1
FJVA ⁱ	10.1	9.5	9.0	9.0	9.3	10.2
TBHK ^j	12.9	12.6	12.4	12.6	12.6	13.6
PbTJ ^k	13.3	13.8	13.9	14.6	14.9	15.2
THPbTJE ^l	-0.4	-1.2	-1.6	-1.9	-2.3	-1.6
EFT ^m	0.6	0.5	0.8	0.8	0.8	0.6
EFT ⁿ	1.9	1.8	2.2	2.5	2.7	2.6
EFT ^o	-1.4	-1.3	-1.4	-1.6	-1.9	-2.0
RÁJ ^p	18.2	17.8	17.2	16.3	15.7	17.6

^a Operating surplus

^b Taxes on production and imports

^c Subsidies

^d Balance of taxes on production and imports, and of subsidies

^e Interest, revenue, dividends from corporations and rents

^f Interest, paid

^g Balance of property incomes

^h Balance of primary incomes

ⁱ Current taxes on income, wealth, etc

^j Social contributions, received

^k Social benefits, other than social transfers in kind

^l Balance of social contributions, received, and social benefits, other than social transfers in kind

^m Other currents transfer (received)

ⁿ Other currents transfer (paid)

^o Balance of other currents transfers

^p Disposable income

Source: Calculated from Table A K/1/a

Table K/3/b

INCOME DISTRIBUTION BY THE GOVERNMENT AS A PERCENTAGE OF THE GDP, 2002–2007

(per cent)

	2002	2003	2004	2005	2006	2007
GNI	94.9	95.5	94.9	94.7	94.2	93.1
ME ^a	-0.1	0.0	-0.1	0.0	0.0	0.0
TIA ^b	15.0	15.6	16.1	15.5	15.0	15.6
Tm ^c	1.7	1.5	1.6	1.4	1.4	1.4
TIATmE ^d	13.2	14.2	14.5	14.2	13.5	14.2
KmOBK ^e	0.8	0.7	1.1	0.8	1.0	0.9
KmF ^f	4.0	4.0	4.4	4.1	4.0	4.0
TJE ^g	-3.3	-3.3	-3.2	-3.3	-2.9	-3.1
EJE ^h	9.9	10.8	11.2	10.8	10.6	11.1
FJVA ⁱ	10.1	9.5	9.0	9.0	9.3	10.2
TBHK ^j	12.9	12.6	12.4	12.6	12.6	13.6
PbTJ ^k	13.3	13.8	13.9	14.6	14.9	15.2
THPbTJE ^l	-0.4	-1.2	-1.6	-1.9	-2.3	-1.6
EFTrk ^m	0.6	0.5	0.8	0.8	0.8	0.6
EFTFn ⁿ	1.9	1.8	2.2	2.5	2.7	2.6
EFTRE ^o	-1.4	-1.3	-1.4	-1.6	-1.9	-2.0
RÁJ ^p	18.2	17.8	17.2	16.3	15.7	17.6

^a Operating surplus

^b Taxes on production and imports

^c Subsidies

^d Balance of taxes on production and imports, and of subsidies

^e Interest, revenue, dividends from corporations and rents

^f Interest, paid

^g Balance of property incomes

^h Balance of primary incomes

ⁱ Current taxes on income, wealth, etc

^j Social contributions, received

^k Social benefits, other than social transfers in kind

^l Balance of social contributions, received, and social benefits, other than social transfers in kind

^m Other currents transfer (received)

ⁿ Other currents transfer (paid)

^o Balance of other currents transfers

^p Disposable income

Source: Calculated from Table K/1/b

**THE USE OF INCOME AND THE CAPITAL ACCOUNTS OF THE GOVERNMENT
AS A PERCENTAGE OF THE GDP, 1996–2001**

(per cent)

	1996	1997	1998	1999	2000	2001
GNI	95.7	94.2	93.9	94.1	95.6	95.3
RÁJ ^a	17.2	17.1	16.9	16.7	19.4	19.4
TbJ/EFK ^b	11.8	11.6	11.6	11.6	10.8	11.0
KFK ^c	10.4	10.8	10.2	10.2	10.1	10.2
VFK ^d	22.2	22.5	21.8	21.7	20.9	21.2
S/VFTK ^e	-5.0	-5.3	-4.9	-5.1	-1.5	-1.8
TTrK ^f	0.5	0.4	0.4	0.4	0.4	0.5
TTrF ^g	3.1	3.1	4.8	3.0	2.8	2.9
TTrE ^h	-2.6	-2.7	-4.4	-2.6	-2.4	-2.5
NV ⁱ	-7.6	-8.1	-9.3	-7.7	-3.9	-4.2
BÁEF ^j	1.7	2.7	3.4	2.9	3.2	3.7
KV ^k	0.0	0.0	0.0	0.0	0.0	0.0
NTNPEF ^l	0.0	0.0	-0.1	-0.8	-0.1	-0.1
BTF ^m	1.7	2.6	3.3	2.2	3.1	3.6
D ⁿ	4.6	4.4	4.4	4.3	4.0	3.8
NTF ^o	-2.9	-1.8	-1.1	-2.1	-0.9	-0.2
TR ^p	47.9	46.0	44.7	44.4	43.6	43.2
TE ^r	52.6	52.2	52.8	49.9	46.5	47.3
NHNy/HF ^s	-4.7	-6.2	-8.2	-5.5	-2.9	-4.0

- ^a Disposable income
- ^b Social transfers in kind = Individual consumption expenditure
- ^c Collective consumption expenditure
- ^d Final consumption expenditure
- ^e Saving (+) or excess consumption expenditure (-)
- ^f Capital transfer (received)
- ^g Capital transfer (paid)
- ^h Balance of capital transfers.
- ⁱ Changes in net worth due to saving and capital transfers
- ^j Gross fixed capital formation
- ^k Changes in inventories.
- ^l Acquisition less disposals of non-produced non financial assets
- ^m Gross capital formation
- ⁿ Consumption of fixed capital
- ^o Net capital formation
- ^p Total revenue
- ^r Total expenditure
- ^s Net lending (+) or net borrowing (-)

Source: Calculated from Table K/2/a

Table K/4/b

**THE USE OF INCOME AND THE CAPITAL ACCOUNTS OF THE GOVERNMENT
AS A PERCENTAGE OF THE GDP, 2001–2007**

(per cent)

	2002	2003	2004	2005	2006	2007
GNI	94.9	95.5	94.9	94.7	94.2	93.1
RÁJ ^a	18.2	17.8	17.2	16.3	15.7	17.6
TbJ/EFK ^b	11.8	12.7	12.4	12.7	12.6	11.4
KFK ^c	10.4	10.5	10.0	9.9	10.2	9.7
VFK ^d	22.2	23.2	22.4	22.5	22.8	21.1
S/VFTK ^e	-3.9	-5.4	-5.2	-6.3	-7.1	-3.5
TTrK ^f	0.5	0.4	0.5	0.7	1.0	1.0
TTrF ^g	4.1	2.3	1.6	1.5	1.9	1.9
TTrE ^h	-3.6	-1.8	-1.1	-0.8	-1.0	-0.9
NVVi	-7.6	-7.2	-6.3	-7.0	-8.1	-4.4
BÁEF ^j	4.9	3.5	3.5	4.0	4.4	3.6
KV ^k	0.0	0.0	0.0	0.0	0.0	0.0
NTNPEF ^l	-0.1	-0.2	-0.3	-0.1	-0.1	0.0
BTF ^m	4.8	3.3	3.2	3.9	4.3	3.6
D ⁿ	3.5	3.3	3.2	3.1	3.1	3.1
NTF ^o	1.4	0.0	0.0	0.8	1.2	0.5
TRP ^p	42.4	42.0	42.6	42.3	42.6	44.9
TE ^r	51.4	49.2	48.9	50.1	51.9	49.7
NHNy/HF ^s	-9.0	-7.2	-6.4	-7.8	-9.3	-5.0

^a Disposable income

^b Social transfers in kind = Individual consumption expenditure

^c Collective consumption expenditure

^d Final consumption expenditure

^e Saving (+) or excess consumption expenditure (-)

^f Capital transfer (received)

^g Capital transfer (paid)

^h Balance of capital transfers.

ⁱ Changes in net worth due to saving and capital transfers

^j Gross fixed capital formation

^k Changes in inventories.

^l Acquisition less disposals of non-produced non financial assets

^m Gross capital formation

ⁿ Consumption of fixed capital

^o Net capital formation

^p Total revenue

^r Total expenditure

^s Net lending (+) or net borrowing (-)

Source: Calculated from Table K/2/b

Table K/5/a

MAJOR FIGURES OF THE USE OF INCOME AND THE CAPITAL ACCOUNTS OF THE GOVERNMENT, 1996–2001

(HUF million, at current prices)

	1996	1997	1998	1999	2000	2001
GDP	6,893,934	8,540,669	10,087,434	11,393,499	13,531,831	15,272,621
GNI	6,597,233	8,045,877	9,467,579	10,725,086	12,936,712	14,556,477
RÁJ ^a	1,184,009	1,462,293	1,707,669	1,899,777	2,629,640	2,964,171
PbTJ ^b	956,642	1,097,887	1,354,563	1,521,132	1,681,173	1,916,420,
TbJ/EFK ^c	812,758	993,185	1,171,436	1,320,329	1,468,093	1,683,489,
PbTbTJ ^d	1,779,400	2,091,072	2,525,999	2,841,461	3,149,266	3,599,909
KFK ^e	715,667	924,320	1,030,622	1,156,632	1,365,534	1,553,719
VFK ^f	1,528,425	1,917,505	2,202,058	2,476,961	2,833,627	3,237,208
TJ&KFK ^g	2,594,067	3,015,392	3,556,621	3,998,093	4,514,800	5,153,628
S/VFTK ^h	-344,416	-455,212	-494,389	-577,184	-203,987	-273,037
TtE ⁱ	180,008	234,169	443,929	294,897	321,023	375,729,
BTF ^j	117,700	222,651	330,690	245,790	414,877	550,590,
NTF ^k	-199,672	-155,913	-112,335	-244,464	-125,330	-25,556,
TR ^l	3,304,199	3,927,804	4,504,580	5,061,142	5,895,058	6,592,401
TE ^m	3,628,951	4,461,272	5,330,563	5,688,759	6,294,738	7,218,611
NHNy/HF ⁿ	-324,752	-533,468	-825,983	-627,617	-392,332	-618,230

^a Disposable income

^b Social benefits, other than social transfers in kind

^c Social transfer in kind = Individual consumption expenditure

^d Sum of social benefits and social transfers in kind

^e Collective consumption expenditure

^f Final consumption expenditure

^g Sum of social benefits and social transfers in kind, as well as collective consumption expenditures

^h Net lending (+) or net borrowing (-)

ⁱ Balance of capital transfers

^j Gross capital formation

^k Net capital formation

^l Total revenue

^m Total expenditure

ⁿ Net lending (+) or net borrowing (-)

Source: Tables K/1/a and K/2/a

Table K/5/b

**MAJOR FIGURES OF THE USE OF INCOME AND THE CAPITAL ACCOUNTS
OF THE GOVERNMENT, 2002–2007**

(HUF million, at current prices)

	2002	2003	2004	2005	2006	2007
GDP	17,148,410	18,914,890	20,695,365	21,997,374	23,785,244	25,419,164
GNI	16,281,758	18,069,208	19,638,763	20,825,886	22,402,023	23,674,203
RÁJ ^a	3,124,039	3,365,366	3,558,158	3,581,817	3,728,481	4,485,687
PbTJ ^b	2,281,406	2,617,104	2,884,307	3,203,503	3,554,442	3,872,379
TbJ/EFK ^c	2,020,631	2,404,470	2,568,571	2,785,940	2,996,296	2,907,559
PbTbTJ ^d	4,302,037	5,021,574	5,452,878	5,989,443	6,550,738	6,779,938
KFK ^e	1,780,338	1,984,014	2,068,062	2,172,091	2,429,500	2,462,124
VFK ^f	3,800,969	4,388,484	4,636,633	4,958,031	5,425,796	5,369,683
TJ&KFK ^g	6,082,375	7,005,588	7,520,940	8,161,534	8,980,238	9,242,062
S/VFTK ^h	-676,930	-1,023,118	-1,078,475	-1,376,214	-1,697,315	-883,996
TTf ⁱ	-622,299	-343,916	-232,974	-170,126	-235,319	-240,492
BTF ^j	117,700	222,651	330,690	245,790	414,877	550,590
NTF ^k	237,713	-8,482	5,209	173,502	286,661	131,232
TR ^l	7,276,854	7,941,569	8,808,722	9,297,600	10,132,876	11,410,507
TE ^m	8,813,796	9,300,121	10,125,380	11,015,942	12,352,171	12,642,246
NHNy/HF ⁿ	-1,534,793	-1,358,552	-1,320,358	-1,717,676	-2,207,193	-1,260,757

^a Disposable income

^b Social benefits, other than social transfers in kind

^c Social transfer in kind = Individual consumption expenditure

^d Sum of social benefits and social transfers in kind

^e Collective consumption expenditure

^f Final consumption expenditure

^g Sum of social benefits and social transfers in kind, as well as collective consumption expenditures

^h Net lending (+) or net borrowing (-)

ⁱ Balance of capital transfers

^j Gross capital formation

^k Net capital formation

^l Total revenue

^m Total expenditure

ⁿ Net lending (+) or net borrowing (-)

Source: Tables K/1/b and K/2/b

Table K/6/a

MAJOR FIGURES OF THE USE OF INCOME AND THE CAPITAL ACCOUNTS OF THE GOVERNMENT AS A PERCENTAGE OF THE GDP, 1996–2001

(per cent)

	1996	1997	1998	1999	2000	2001
GNI	95.7	94.2	93.9	94.1	95.6	95.3
RÁJ ^a	17.2	17.1	16.9	16.7	19.4	19.4
PbTJ ^b	13.9	12.9	13.4	13.4	12.4	12.5
TbJ/EFK ^c	11.8	11.6	11.6	11.6	10.8	11.0
PbTbTJ ^d	25.8	24.5	25.0	24.9	23.3	23.6
KFK ^e	10.4	10.8	10.2	10.2	10.1	10.2
VFK ^f	22.2	22.5	21.8	21.7	20.9	21.2
TJ&KFK ^g	37.6	35.3	35.3	35.1	33.4	33.7
S/VFTK ^h	-5.0	-5.3	-4.9	-5.1	-1.5	-1.8
TTfE ⁱ	2.6	2.7	4.4	2.6	2.4	2.5
BTF ^j	1.7	2.6	3.3	2.2	3.1	3.6
NTF ^k	-2.9	-1.8	-1.1	-2.1	-0.9	-0.2
TR ^l	47.9	46.0	44.7	44.4	43.6	43.2
TE ^m	52.6	52.2	52.8	49.9	46.5	47.3
NHNy/HF ⁿ	-4.7	-6.2	-8.2	-5.5	-2.9	-4.0

^a Disposable income

^b Social benefits, other than social transfers in kind

^c Social transfer in kind = Individual consumption expenditure

^d Sum of social benefits and social transfers in kind

^e Collective consumption expenditure

^f Final consumption expenditure

^g Sum of social benefits and social transfers in kind, as well as collective consumption expenditures

^h Net lending (+) or net borrowing (-)

ⁱ Balance of capital transfers

^j Gross capital formation

^k Net capital formation

^l Total revenue

^m Total expenditure

ⁿ Net lending (+) or net borrowing (-)

Source: Calculated from Table K/5/a

Table K/6/b

MAJOR FIGURES OF THE USE OF INCOME AND THE CAPITAL ACCOUNTS OF THE GOVERNMENT AS A PERCENTAGE OF THE GDP, 2002–2007

(per cent)

	2002	2003	2004	2005	2006	2007
GNI	94.9	95.5	94.9	94.7	94.2	93.1
RÁJ ^a	18.2	17.8	17.2	16.3	15.7	17.6
PbTJ ^b	13.3	13.8	13.9	14.6	14.9	15.2
TbJ/EFK ^c	11.8	12.7	12.4	12.7	12.6	11.4
PbTbTJ ^d	25.1	26.5	26.3	27.2	27.5	26.7
KFK ^e	10.4	10.5	10.0	9.9	10.2	9.7
VFK ^f	22.2	23.2	22.4	22.5	22.8	21.1
TJ&KFK ^g	35.5	37.0	36.3	37.1	37.8	36.4
S/VFTK ^h	-3.9	-5.4	-5.2	-6.3	-7.1	-3.5
TTfE ⁱ	-3.6	-1.8	-1.1	-0.8	-1.0	-0.9
BTF ^j	0.7	1.2	1.6	1.1	1.7	2.2
NTF ^k	1.4	0.0	0.0	0.8	1.2	0.5
TR ^l	42.4	42.0	42.6	42.3	42.6	44.9
TE ^m	51.4	49.2	48.9	50.1	51.9	49.7
NHNy/HF ⁿ	-9.0	-7.2	-6.4	-7.8	-9.3	-5.0

^a Disposable income

^b Social benefits, other than social transfers in kind

^c Social transfer in kind = Individual consumption expenditure

^d Sum of social benefits and social transfers in kind

^e Collective consumption expenditure

^f Final consumption expenditure

^g Sum of social benefits and social transfers in kind, as well as collective consumption expenditures

^h Net lending (+) or net borrowing (-)

ⁱ Balance of capital transfers

^j Gross capital formation

^k Net capital formation

^l Total revenue

^m Total expenditure

ⁿ Net lending (+) or net borrowing (-)

Source: Calculated from Table K/5/b

Table K/7

**DISTRIBUTION AND USE OF INCOME, AND THE CAPITAL ACCOUNTS OF THE GOVERNMENT,
2006–2008**

(HUF million, at current prices)

	2006	2007	2005 ^a	2006 ^a	2007 ^a	2008 ^a
GDP	23,785,244	25,419,164	..	..	..	..
GDPSzK ^b	23,814,700	25,480,700	16,256,500	17,717,100	18,980,400	19,824,400
TIA ^c	3,560,629	3,975,617	2,480,900	2,625,600	2,932,600	3,093,000
KmF ^d	940,886	1,028,312	676,700	693,400	771,100	802,400
FJVA ^e	2,217,854	2,584,754	1,401,700	1,505,800	1,845,400	2,055,300
TBHK ^f	2,996,916	3,465,398	2,013,200	2,109,300	2,516,200	2,700,600
PbTJ ^g	3,554,442	3,872,379	2,375,600	2,585,800	2,790,500	3,064,900
THPbTJE ^h	-557,526	-406,981	-362,400	-476,500	-274,300	-364,300
KFK ⁱ	2,429,500	2,462,124	1,620,458	1,757,414	1,760,933	1,855,055
VFK ^j	5,425,796	5,369,683	3,655,265	3,950,327	3,878,085	4,158,504
BÁEF ^k	1,049,938	903,412	572,000	706,700	610,700	452,600
TR ^l	10,132,875	11,410,507	6,654,000	7,222,000	8,294,100	8,937,000
TE ^m	12,352,171	12,642,246	7,970,700	8,867,400	9,059,300	9,346,800
NHNy/HT ⁿ	-2,207,193	-1,260,757	-1,316,700	-1,645,400	-765,200	-409,800

^a I–III. quarter

^b Gross domestic product, seasonally adjusted

^c Taxes on production and imports

^d Interest (paid)

^e Current taxes on income, wealth, etc

^f Social contributions, received

^g Social benefits, other than social transfers in kind

^h Balance of social contributions, received, and social benefits, other than social transfers in kind

ⁱ Collective consumption expenditure

^j Final consumption expenditure

^k Gross fixed capital formation

^l Total revenue

^m Total expenditure

ⁿ Net lending (+) or net borrowing (–)

Source: Columns 1–2: Tables K/1/b. and K/2/b

Columns 3–6: Figures of the government sector, 2008 Q3, Hungarian Central Statistical Office, Quick Guide, Budapest, 6 January 2009 and Gross domestic product, 2008 Q3, Hungarian Central Statistical Office, Quick Guide, Budapest, 9 December 2008, Table 6, pages 16–17

Table K/8

**DISTRIBUTION AND USE OF INCOME, AND THE CAPITAL ACCOUNTS OF THE GOVERNMENT
AS A PERCENTAGE OF THE GDP, 2006–2008**

(per cent)

	2006	2007	2005 ^a	2006 ^a	2007 ^a	2008 ^a
TIA ^a	15.0	15.6	15.3	14.8	15.5	15.6
KmF ^{cd}	4.0	4.0	4.2	3.9	4.1	4.0
FJVA ^e	9.3	10.2	8.6	8.5	9.7	10.4
TBHK ^f	12.6	13.6	12.4	11.9	13.3	13.6
PbTJ ^g	14.9	15.2	14.6	14.6	14.7	15.5
THPbTJE ^h	-2.3	-1.6	-2.2	-2.7	-1.4	-1.8
KFK ⁱ	10.2	9.7	9.9	9.9	9.3	9.4
VFK ^j	22.8	21.1	22.5	22.3	20.4	21.0
BÁEF ^k	4.4	3.6	3.5	4.0	3.2	2.3
TR ^l	42.6	44.9	40.9	40.7	43.7	45.1
TE ^m	51.9	49.7	49.0	50.1	47.7	47.1
NHNy/HT ⁿ	-9.3	-5.0	-8.1	-9.3	-4.0	-2.1

^a I–III. quarter

^b Gross domestic product, seasonally adjusted

^c Taxes on production and imports

^d Interest (paid)

^e Current taxes on income, wealth, etc

^f Social contributions, received

^g Social benefits, other than social transfers in kind

^h Balance of social contributions, received, and social benefits, other than social transfers in kind

ⁱ Collective consumption expenditure

^j Final consumption expenditure

^k Gross fixed capital formation

^l Total revenue

^m Total expenditure

ⁿ Net lending (+) or net borrowing (-)

^o Columns 1 and 2: as a percentage of the GDP, columns 3–6. as a percentage of the seasonally adjusted GDP

Source: Calculated from Table K/7