

# IMPROVING PRODUCTIVITY IN HUNGARY

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Great work, and very important recommendations!

- ① Taxation and the transparency of the budget
- ② Further improving labor allocation
- ③ Strategy on environmental protection

The tax system is distortive

- ① Some taxes are too low (PIT, corporate income tax)
- ② Hungary has the highest VAT in OECD (27 %)
- ③ There are too many exceptions and additional taxes

Very high governmental consumption

- ① Central government is much larger than 10 years ago
- ② Very high budget on state PR
- ③ The professional sport subsidies are the highest in EU (2.1% of GDP)

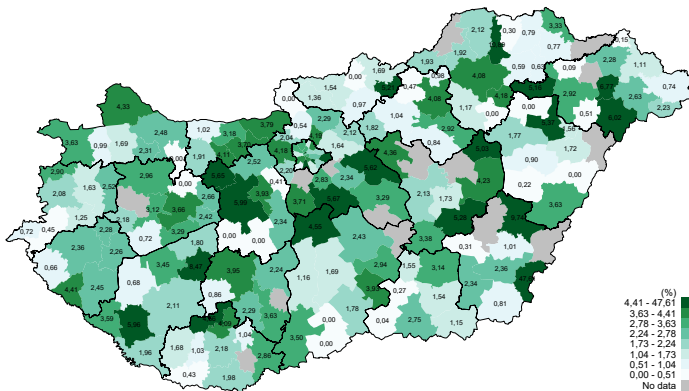
The structure of governmental spending is distortive

- ① The spending of the budget is not salient
  - ① We do not know how much was spent on COVID relief
  - ② The exact prices of the largest investment expenditure items are not made public (Paks2, Belgrad-Budapest train development)
- ② The government wants to bolster FDI
  - ① Too much subsidies to multinationals
  - ② Only ad hoc policies to support MME-s

# Further improving labor allocation

The within country migration is underestimated

- 1 The address registration is not precise - people move without changing address
- 2 More targeted policies are needed to support commuting



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**The employment level increased more than the quality of workforce**

- ① The educational system increases inequality
  - To early tracking, large segregation, low quality schools at poor neighborhoods
- ② Hungary has very high college wage premium (~70 percent)
- ③ VET graduates work as machine operators
  - The German VET spends 50 percent more on general training than the Hungarian (literacy, numeracy)

## Hungary has no long term strategy on sustainable growth

- Environmental policies are separated to different ministries
- Policies are ad hoc

Under current circumstances we cannot efficiently decrease CO2 emission

- The government only subsidizes solar energy
- It is impossible to build wind turbines
- We still not closed down the lignite fueled Matra power plant

Huge effort is needed to **thermal insulation of houses**

- It would decrease poverty and boost the economy at the same time