Hungary's economic freedom score is 65.0, making its economy the 64th freest in the 2019 Index. Its overall score has decreased by 1.7 points, with declines in scores for judicial effectiveness, monetary freedom, and labor freedom overwhelming increases in fiscal health and government spending. Hungary is ranked 31st among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

Hungary made important reforms to transition from a centrally planned to a market-driven economy, but the government has become more interventionist in recent years. The government plans to use sectoral taxes to manage the budget deficit and public debt to avoid renewed European Union sanctions under the EU’s excessive-deficit procedure. Systemic economic challenges include pervasive corruption, labor shortages driven by demographic declines and migration, widespread poverty in rural areas, vulnerabilities to changes in demand for exports, and a heavy reliance on imports of Russian energy.

**ECONOMIC FREEDOM SCORE**

![Graph showing economic freedom score](image)

**HUNGARY**

**BACKGROUND:** Once part of the Austro-Hungarian Empire, Hungary emerged from 45 years of Communist rule to become fully independent in 1990. It joined NATO in 1999 and became a member of the European Union in 2004. Prime Minister Viktor Orbán, in office since 2010, won reelection to a third term in April 2018 elections. His center-right Fidesz-Hungarian Civic Alliance won two-thirds of the seats in parliament. Orbán’s government has clashed repeatedly with the EU, particularly over migration issues. Economic growth is led by exports, domestic demand, and the construction industry. Unemployment is low. The government’s more nationalist and populist approach to economic management has set the country somewhat apart from its neighbors.
Hungary maintains a reliable land registry, and citizens have the right to own property and establish private businesses. Limits on the Constitutional Court constitute a growing threat to judicial independence. Cronyism plagues the public sector, and the government is often accused of granting privileges to certain economic allies. State institutions are reluctant to prosecute cases that involve high-level political officials.

The personal income tax rate is a flat 15 percent. The top corporate tax rate is 19 percent. The overall tax burden equals 39.4 percent of total domestic income. Over the past three years, government spending has amounted to 47.7 percent of the country’s output (GDP), and budget deficits have averaged 1.8 percent of GDP. Public debt is equivalent to 69.9 percent of GDP.

The regulatory framework allows business formation and operation to be efficient and dynamic. Bankruptcy proceedings are relatively straightforward. Labor regulations lack flexibility. Most prices are set by the market, but the government administers prices on tobacco and pharmaceuticals; surcharges in the state-run mobile payment system; and fees on the connections to district heating systems, telecoms, and electric companies.

The combined value of exports and imports is equal to 172.4 percent of GDP. The average applied tariff rate is 2.0 percent. Hungary implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. There is no general screening of foreign investment. About 77 percent of adult Hungarians have access to an account with a formal banking institution.