HUNGARY

Hungary’s economic freedom score is 64.1, making its economy the 54th freest in the 2023 Index. Its score has decreased by 2.8 points. Hungary is ranked 31st out of 44 countries in the Europe region, and its overall score is well above the world average.

Reforms have been implemented in many areas of Hungary’s economy to sustain a vibrant private sector and market openness. The relatively sound judicial framework that sustains the rule of law and provides protection for property rights has contributed to Hungary’s stability and long-term competitiveness. Fiscal consolidation is needed to curb the growing debt burden.

BACKGROUND: Hungary emerged from 45 years of Communist rule to become fully independent in 1990. It joined NATO in 1999 and the European Union in 2004. Prime Minister Viktor Orbán won reelection to a fourth term in April 2022, and his center-right Fidesz-Hungarian Civic Alliance again won two-thirds of the seats in parliament despite a united opposition. The EU continues to withhold relief funds because of rule-of-law, media, and judicial independence concerns. Despite pressure, Hungary has retained its ties to China and Russia. The government’s nationalist and populist approach to economic management has set Hungary somewhat apart from its neighbors.
The overall rule of law is relatively well respected in Hungary. The country’s property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.

The transparent regulatory framework allows dynamic business formation and flexible and efficient operations. Labor regulations are fairly stringent and include rigid restrictions on work hours. The most recent available inflation rate is 5.1 percent.

The top individual and corporate tax rates are, respectively, 15 percent and 9 percent. The tax burden equals 35.7 percent of GDP. Three-year government spending and budget balance averages are, respectively, 48.4 percent and -5.6 percent of GDP. Public debt equals 76.8 percent of GDP.

The trade-weighted average tariff rate (common among EU members) is 3.2 percent; more than 600 EU-mandated nontariff measures are in force. The investment framework is efficient but lacks transparency. The government has largely withdrawn from banking, and the financial sector offers a range of services.