

Hungary

This annex refers to the release of monitoring note of 5 February 2021

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard¹

Implied rating of core variable scorecard (CVS)		bbb+
Reserve currency adjustment		0
Weight	Qualitative scorecard (QS) for long-term local currency ratings	
20%	Growth potential of the economy	Strong
	Monetary policy framework	Neutral
	Macro-economic stability and sustainability	Neutral
20%	Fiscal policy framework	Neutral
	Debt sustainability	Neutral
	Debt profile and market access	Neutral
20%	Current account resilience	Neutral
	External debt structure	Strong
	Resilience to short-term shocks	Weak
20%	Banking sector performance	Neutral
	Banking sector oversight	Neutral
	Financial imbalances	Neutral
20%	Environmental risks	Neutral
	Social risks	Weak
	Institutional and political risks	Weak
QS adjustment (notches)		0
Additional considerations (notches)		0
Final rating		BBB+ STA

Annex II: Selected indicators

Source: Macrobond, IMF, Hungarian National Bank, Scope Ratings GmbH

	2017	2018	2019	2020E	2021F	2022F
GDP per capita (USD, '000s)	14.4	16.1	16.5	15.4	17.6	19.0
Real GDP, % change	4.3	5.1	4.9	-6.1	3.9	4.0
CPI, % change	2.4	2.8	3.4	3.7	3.4	3.0
General government balance, % of GDP	-2.5	-2.1	-2.0	-8.3	-3.9	-2.3
General government debt, % of GDP	72.9	70.2	66.3	77.4	75.9	73.2
Current account balance, % of GDP	2.3	0.0	-0.8	-1.6	-0.9	-0.6
Gross external debt, % of GDP	74.9	71.5	66.4	-	-	-

Annex III: Economic development and default indicators

IMF Development Classification²

5y USD CDS spread (bps) as of 4 February 2021

EMDE

64

¹ The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on www.scooperatings.com

² AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Hungary	February 2021	Assessment	Analytical rationale
Peers*	Cyprus, Italy, Portugal, Romania, Spain		
Domestic economic risk	Growth potential	Strong	Robust growth dynamics; high growth potential underpinned by EU fiscal support
	Monetary policy framework	Neutral	Credible central bank; thin local currency bond market limits effectiveness of monetary policy
	Macro-economic stability & sustainability	Neutral	Competitive export base; reliance on external markets
Public finance risk	Fiscal policy framework	Neutral	Prudent fiscal policies; limited fiscal space
	Debt sustainability	Neutral	Elevated debt burden; long-term debt trajectory supported by declining cost of debt service
	Debt profile & market access	Neutral	Improving debt profile and investor base
External economic risk	Current account resilience	Neutral	Stable current account receipts with a manufacturing sector highly integrated in global supply chains
	External debt structure	Strong	External liabilities mostly consist of direct investment and equity rather than debt-creating flows
	Resilience to short-term shocks	Weak	High refinancing needs; reliance on external demand and foreign direct investment
Financial stability risk	Banking sector performance	Neutral	High capitalisation levels; declining profitability from a worsening operating environment
	Banking sector oversight	Neutral	Effective supervisory control; timely and comprehensive regulatory measures
	Financial imbalances	Neutral	Pre-crisis recovery of real estate prices and macroprudential measures underpin financial stability
ESG risks	Environmental risks	Neutral	Low vulnerability to transition risks and natural disasters risk; poor in natural resources
	Social risks	Weak	Substantial employment gaps; high regional inequalities; below-average performance on education
	Institutional and political risks	Weak	Ongoing institutional challenges and tensions with the EU; polarised political environment

* Peers related to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard.