

## Hungary

This annex refers to the release of monitoring note of 16 July 2021

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard<sup>1</sup>

<b>Implied rating of core variable scorecard (CVS)</b>		<b>a-</b>
<b>Reserve currency adjustment</b>		<b>0</b>
<b>Weight</b>	<b>Qualitative scorecard (QS) for long-term local currency ratings</b>	
20%	Growth potential of the economy	Neutral
	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
<b>QS adjustment (notches)</b>		<b>-1</b>
<b>Additional considerations (notches)</b>		<b>0</b>
<b>Final rating</b>		<b>BBB+ STA</b>

## Annex II: Selected indicators

	2017	2018	2019	2020E	2021F	2022F
<b>GDP per capita (USD '000s)</b>	14.6	16.4	16.7	15.8	18.1	20.0
<b>Real GDP, % change</b>	4.3	5.4	4.6	-5.0	4.5	5.5
<b>Unemployment rate, %</b>	4.0	3.6	3.3	4.1	4.1	3.6
<b>HICP, % change</b>	2.4	2.8	3.4	3.3	3.5	3.3
<b>Policy rate, %, EOP*</b>	0.90	0.90	0.90	0.60	0.90	0.9
<b>Fiscal balance, % of GDP</b>	-2.4	-2.1	-2.0	-8.1	-7.0	-4.7
<b>Government debt, % of GDP, EOP</b>	72.2	69.1	65.3	80.4	80.0	79.0
<b>Current account balance, % of GDP</b>	2.0	0.3	-0.5	-0.1	-0.4	-0.3

Yearly averages except where stated otherwise; \*Shown for the MNB base rate

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

## Annex III: Economic development and default indicators

IMF Development Classification<sup>2</sup>

5y USD CDS spread (bps) as of 15 July 2021

EMDE

56

<sup>1</sup> The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on [www.scooperatings.com](http://www.scooperatings.com)

<sup>2</sup> AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Hungary	July 2021	Assessment	Analytical rationale
Peers*	Bulgaria, Slovakia, Romania, Cyprus, Portugal, Spain		
Domestic economic risk	Growth potential	Neutral	Robust growth dynamics; labour shortages and low savings
	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.