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Macroeconomics Indicators and Consumption

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My study examines some of the connections between consumption and the macro-economy in order to explore the essential changes in and about consumption. My research provides an overview of the 25 years following the political transformation, but special attention is paid to the decades preceding the period. My analysis shows how GDP, consumption, purchasing power and retail turnover have resumed their former places among the indicators describing the performance of the Hungarian economy. The conclusion of the study on the basis of the reviewed data sets and trends is that catching up and restoring our previous – regional – leading position will be a decade-long task.

Keywords: consumption, macroeconomics

Authoritative economic sources almost uniformly claim that an objective analysis of the “Great Political Changes” along economic indicators does not necessarily coincide with the image we have of the market economy – and its undisputable results (Kornai, 2006; Tomka, 2011; Mihályi, 2014). The last 25 years are undisputable from a sociological and socio-psychological point of view since despite social tensions, the fortune of the most people have changed for the better. Both the macro-economic and geopolitical circumstances as well as the micro levels of the society pushed for landslide changes. During this period, it was not only suspicious interpretations of what was said at party congresses how the processes in the real economy trickled down to people’s everyday lives.

Unemployment, inflation, consumption, that is, the terms known in market economies have become part of consumers’ thinking, and often determined not only their consumption-buying decisions but their directions as well. If there is confidence in an economy, the propensity to buy is higher, if long-term prospects seem better, savings will also develop in a different way. People gradually got used to following the news about the economy. I do not think I am very much mistaken claiming that economic topics have become common talk, or even determine it.

However, scholars need to examine whether the political changes were successful in the field of consumption through the filter of objectivity. Do our impressions that there are more and more things surrounding us and our buying decisions may be realised actually anywhere and anytime coincide with the statistical data? That is, has our consumption become more modern in international comparison, and how much has the crisis – starting to spread in the Hungarian economy already in 2007 – changed it?

Martin-Lagos López (2011) places this problem in the focus of her scrutiny, the three-pillar model of which is the following:

1. In the course of modernisation, an approach or convergence takes place among the countries, which eventually leads to similar consumption patterns, and where the less developed approach the level of the developed.
2. With the development of society, inequality decreases, and (the opportunity of the) access to goods is ensured for more and more people.
3. Individuality increases when the social roles are realised, and behaviour more and more displays random patterns, that is, consumption cannot be linearly deuced from social status.

My study contributes to this examination by including a wide range of sources describing consumption and the processes describing retail trade.

There Is Always a Past

Although the events taking place in Hungary and the other countries undergoing the political transformation from 1989 on are paradigmatic and less parametric in nature, the results, that is, the established regime bears the marks of the past. The consumption trends present for decades did not change overnight, households' spending structure has been changing continuously yet very slowly. What in my opinion was of great significance happened as a social interaction around consumption. This provided the framework, the infrastructural conditions such as the modernisation of retail trade from the '90s on. But this also meant the transformation of the macro-economic framework in which quite quick changes took place. Privatisation, fundamental changes in the orientation of foreign trade (and the spread of "western products" with it), the legal system governing the economy all lead to a revaluation of (private) consumption. Namely, consumption was no longer only a political tool, its task and objective was no longer to seemingly keep the social differences in balance, or supress the political tension resulting from the system.

The model in which and how the western perception incorporated consumption was out of the question till the end of the '80s. As Paul Auerbach and Merlin Stone explained, the fifties led to the acceptance of consumers, while the sixties were the beginning of consumerism (Auerbach & Stone, 1991). Consumption became the dominant notion in the seventies, only to make it possible for green thoughts and sustainability to manifest in the eighties. It is not necessary to examine the data for long to discover the differences between the consumption of the communist and the western groups of countries. The only thing where researchers found similarities was perhaps the free time consumption of the 60-80's. Ilona Kovács provides a typical description of the two decades preceding the market economy, where she created groups on the basis of the level of development and consumption structure (Kovács, 1987):

Grouping of the Countries (by 9 spend areas) on the Basis of the Similarities in their Consumption Structure.

	1.	2.	3.	4.	5.
	Countries in the Cluster				
1970	Hungary	Italy Spain Greece Portugal	France Norway Finland Switzerland Japan Belgium West Germany Austria	Denmark Sweden United Kingdom	Netherlands United States
1977	Hungary	Italy Spain Greece Portugal	France Norway Finland Switzerland Japan Belgium	United Kingdom Austria United States	Netherlands Denmark Sweden West Germany
1983	Greece Portugal	Italy Spain Hungary	France Norway Belgium West Germany Netherlands	United Kingdom Austria United States Finland Japan	Switzerland Denmark Sweden

Source: Kovács Ilona: A fejlettségi szint és a fogyasztási szerkezet

Hungary was in a group of its own of the countries organised in five clusters both at the beginning and end of the first decade, then it was placed in a group with two South European markets, the Spanish and Italian economies in the middle of the eighties. This type of representation of consumption types perhaps faded the sharp contours that distinguished the different countries. The proportion of expenditure on house maintenance was higher in the USA than that on food products already in the sixties. It was pushed back to place four in the 1970's, and place six by 1983 within the structure of spending.

Despite all the efforts and undisputable growth, Hungary was unable to match the results of the western economies either as regards GDP growth or consumption. It is a fact that in a purely financial sense the distance further increased in the field of social well-being. Kornai's comparison with the western countries over the communist decades surely shows that Hungary did not manage to decrease the many-decade-long disadvantage (Kornai, 1992).

Consumption 1.0 – Truth in Retrospect

Country	*Average annual increase rate of per capita real consumption (%)*
Communist Countries	
Czechoslovakia	1,6
Poland	2,9
Hungary	2,6
Soviet Union	3,7
Western Countries	
United States	2,3
United Kingdom	2,1
France	3,9
Japan	6,5
Italy	3,8

Source: János Kornai: The Socialist System – The political economy of Communism (1992)

The statistics of the period did not show Hungarian private consumption (it is discussed together with community consumption), but knowing that the fifties-seventies in Hungary were characterised by forced investments, consumption had a lesser role in the use of the gross domestic product.

The use of gross domestic product in Hungary and Western Europe, 1921-1980 (ratios as percentage of GDP/NNP)

Hungary	*1921-1930*	*1931-1940*	*1951-1960*	*1961-1970*	*1971-1980*
Private consumption					
Public consumption	88,8	92,2	80,2	71,9	68,4
Aggregation	11,2	7,8	20,3	29,0	35,2
Balance of external trade			-0,5	-0,8	-3,6

Germany/West-Germany	*1921-1930*	*1931-1940*	*1951-1960*	*1961-1970*	*1971-1980*
Private consumption	72,6	67,5	58,6	56,1	56,3
Public consumption	11,2	17,3	13,7	15,4	19,7
Aggregation	17,0	14,8	24,7	26,4	20,8
Balance of external trade	-0,8	0,5	3,0	2,1	3,2

Austria	*1921-1930*	*1931-1940*	*1951-1960*	*1961-1970*	*1971-1980*
Private consumption	81,8	83,9	62,6	58,9	55,8
Public consumption	10,2	13,2	13,2	13,8	17,4
Aggregation	15,4	5,3	24,6	27,7	26,4
Balance of external trade	-7,4	-2,3	-0,3	-0,4	0,4

Ireland	*1921-1930*	*1931-1940*	*1951-1960*	*1961-1970*	*1971-1980*
Private consumption			78,3	72,0	65,0
Public consumption			12,4	13,3	17,7
Aggregation			16,3	21,5	25,9
Balance of external trade			-0,7	-6,7	-8,6

Source: Tomka Béla: Gazdasági növekedés, fogyasztás és életminőség (2011)

As a result, the economic period before the political transformation was not favourable for private consumption, the boundaries were set by the political framework and the current priorities.

What have we achieved?

As I indicated at the beginning of this article, we need to use more caution when evaluating the successes of the last quarter of a century. One year after the accession to the Union, that is, ten years ago, authors Hlouskova and Wagner made a brave forecast for our region and the Baltic States (Hlouskova & Wagner, 2005). According to the calculations made at the time, we could have fully caught up with the most developed group of countries excluding Luxemburg, the EU-14, in nearly half a century. We could have reached a somewhat lower level (80%), which is still like a dream for all of us, in three decades, and sixteen years would have been needed to reach the two-third level of their economic development. As I will prove later, this perhaps then infuriating forecast was not much mistaken in the case of Hungary, although I think it was too pessimistic in the case of other countries (such as Slovakia and Poland).

Convergence times to Western Europe

Country	*EU 14 = 100%*	*EU 14 = 80%*
	(years)	
Czech Republic	38	21
Estonia	60	45
Hungary	46	31
Latvia	74	59
Lithuania	68	52
Poland	72	55
Slovakia	48	33
Slovenia	30	9
CEE 8	55	38

Notes: EU 14 means all old members, excluding Luxemburg. The results are based on the assumption of a real per capita GDP growth rate of 1,74 percent in the EU 14.
Source: Wagner és Hlouskova (2005:367).

Although it is a short period historically, periods of different character may be distinguished (Encyclopaedia of Consumer Culture, 2011):

The Encyclopaedia of Consumer Culture (2011) divides the last 25 years into the following periods: 1. 1988-1991: the years of severing ties with the old regime and the first private enterprises, and opening possibilities for travelling. 2: 1991-1994: radical reforms, rapid marketization of the economy, slow improvement of standard of living and inflow of western brands – these characterise the early ‘90s. 3: 1995-1998: stabilisation of the economy, appearance of a certain level of maturity in the consumption culture and post-materialistic values – only a few of the characteristics that describe the middle-end of the ‘90s. 4: 1999-2004: these years passed in the spirit of joining the European Union for eight Central Eastern European and Eastern European countries, standard of living and consumption improved rapidly, retail trade entered its period of modernisation in most countries. 5: 2005-2008: the period following the enlargement of the EU, when consumption further increased, lifestyle and self-realisation became conspicuous, and there was a powerful real estate boom in the economy. 6: 2008- economic recession started from 2008, consumers emphasise sustainability, and debates about young people and children’s consumption become prominent.

This can be interpreted in a way that the transition had actually finished by the end of the last decade, and today we are not talking about transitional societies. The nineties started with difficulties in most of the ex-communist countries, and, for example, life expectancy decreased in Hungary, which was a direct continuation of the period preceding 1989, as the renowned economist, Jeffrey D. Sachs (1996) pointed out. He also mentioned that it was only the Czech Republic, Slovakia and Poland of the Eastern European countries which did not have three-digit inflation. Using the indicators of the European Bank for Reconstruction and Development, Sachs created the IRP (Index of Reform Progress), according to which (then, in his 1996 analysis) Hungary, along with the Czech Republic, was considered a leading reform market.

The overall analysis of Péter Mihályi does not only put the ex-communist countries under scrutiny, but provides an overview of the other regions of the world as well (Mihályi, 2014). The reason for it is that he included all the countries that used to be under communist leadership (perhaps it is not of secondary importance to mention that today only Cuba and North Korea are led by Marxist-Leninist parties):

Growth of GDP in 38 post-socialist countries and developed capitalist markets, 1989-2013.

CEE		*Baltics*		*Ex-Yugoslavia*		*Asia*		*Africa*	
Albania	2,3	Estonia	1,9	Bosnia and Hercegovina	2,2	China	6,6	Mozambique	2,7
Poland	2,0	Latvia	1,4	Slovenia	1,4	Vietnam	3,5	Angola	2,0
Slovakia	1,8	Lit-huania	1,3	Croatia	1,0	Cambodia	3,1	Ethiopia	1,9
Bulgaria	1,6			Macedonia	1,0	Laos**	2,4	Congo	1,1
Czech Republic	1,5			Serbia and Montenegro	0,27	Afghanistan**	1,9	Zimbabwe	0,9
Romania	1,3					Mongolia**	0,9		
Hungary	1,2								

Former Soviet Union				Developed capitalist countries			
European part		*Inner-Asia*		*Rapid growth*		*Slow growth*	
Belarus	2,0	Uzbekistan	1,7	Ireland	2,1	United States	1,4
Armenia	1,8	Kazakhstan	1,7	Norway	1,6	Japan	1,3
Russia	1,2	Azerbaijan	1,7	Sweden	1,5	Greece	1,2
Ukraine	0,8	Turkmenistan	1,6	Austria	1,5	Switzerland	1,2
Georgia	0,8	Kyrgyzstan	0,9	United Kingdom	1,5	Italy	1,1

** 2013/1990.*

*** In some countries, the most recent year of data Maddison's own estimate of the database and the World Bank publications and other resources.*

Source: based on The Conference Board Total Economy Database.

According to it, it was not only the consumption where catching up on the West was unsuccessful, but we have to admit that on the basis of other indexes of the macro-economy, the differences between Hungary and Austria, which is considered a reference market, have not diminished in the 25 years.

Kornai takes 1989 as a reference point and compares the GDP values measured in different years to it (Kornai, 2006). Hungary had decreased by 3 percentage points by 1990 (that is, within a year), but Poland, for example, suffered a 12% fall. By 1995, the Polish had virtually climbed back to their 1989 level, while Hungary was only at 86% of the base year. By 2003, a year before the joint enlargement of the EU, the Hungarian figure was 16%, the Polish by more than a third above the value measured initially (1989). The average GDP growth of the Central European and Baltic States was 121% in 2003, while that of the most developed fifteen markets in the Union was 132% compared to 1989.

The previously quoted Martín-Lagos López processed the related data of EUROSTAT for 1998 and 2005. She distinguishes five groups of countries using complex statistical methodology and also discusses in her analysis which expenditure groups distinguish the different clusters. She examined 12 main expenditure groups, which coincide with the COICOP classification (Classification of Individual Consumption According to Purpose).

It was mostly food consumption that explained their placement in the different groups (that is, it had the strongest differentiating effect), as well as expenditure on hotels and restaurants and home maintenance.

	Food and non-alcoholic beverages	Alcoholic beverages, tobacco and narcotics	Housing, water, electricity and other fuels	Furnishing, household equipment and routine maintenance of the house	Trans-portation	Rec-reation and culture	Educatio n	Res-taurant and hotels	Miscella-neous
Ward Method: average per cent 1998									
Belgium, France, Germany, The Netherlands, Finland, Sweden and Denmark	12,80	4,00	24,56	6,03	13,27	10,34	0,57	5,54	11,33
Italy, Slovenia, Austria, Luxembourg and The United Kingdom	13,32	4,82	19,16	7,34	4,74	9,64	,80	9,32	9,30
Cyprus, Portugal, Malta, Ireland, Spain and Greece	15,30	4,25	14,16	6,95	12,90	7,57	1,50	15,18	8,33
Estonia, Hungary, Poland, The Czech Republic and Slovakia	22,18	7,60	20,46	5,56	10,52	8,82	0,86	5,70	7,50
Romania, Latvia, Lithuania and Bulgaria	32,62	5,90	21,05	3,60	11,12	4,85	0,90	5,77	3,22
Total	18,13	5,15	19,97	6,03	12,63	8,50	0,92	8,45	8,38
Dif. max. and min.	19,82	3,60	5,40	3,74	8,53	5,49	0,93	9,64	8,11

	Food and non-alcoholic beverages	Alcoholic beverages, tobacco and narcotics	Housing, water, electricity and other fuels	Furnishing, household equipment and routine maintenance of the house	Trans-portation	Rec-reation and culture	Edu-cation	Res-taurant and hotels	Miscella-neous
Ward Method: average per cent 2005									
Belgium, France, Germany, The Netherlands, Finland, Sweden and Denmark	12,04	3,65	24,81	5,88		10,20	0,57	5,43	11,76
Italy, Slovenia, Austria, Luxembourg and The United Kingdom	8,53	3,93	19,97	6,70		10,67	1,07	13,23	10,73
Cyprus, Portugal, Malta, Ireland, Spain and Greece	15,50	3,92	14,08	6,62		8,34	1,84	14,14	9,72
Estonia, Hungary, Poland, The Czech Republic and Slovakia	16,16	6,77	21,19	6,04		8,60	1,00	6,47	9,07
Romania, Latvia, Lithuania and Bulgaria	25,05	5,42	19,15	4,50		5,85	1,57	5,65	4,22
Total	15,44	4,92	20,37	5,95		8,79	1,14	8,25	9,35
Dif. max. and min.	16,52	3,12	5,66	2,20		4,82	1,27	8,71	7,54

Source: Elaborated by author from Eurostat Database

Hungary's position is perhaps not a surprise in this classification. While the difference in the expenditure on food is conspicuous compared to the countries that follow Hungary on the list (16.6 vs. 25.05% in 2005), it is alcoholic beverages, tobacco and narcotics as well as household equipment and routine maintenance that mostly distinguishes us from the countries in a higher position on the list (the latter was 21.19 vs. 14.08% in 2005). Energy expenditures are presumably lower there, because with the exception of Ireland, they are countries in the Mediterranean region, where they naturally spend less on them.

It is actually only Slovenia of the post-communist countries that is included here, which is a proof to Engel's law. Since Slovenia has always been the most developed in the region, expenditure on food products is the lowest there, while the proportion of hotel and restaurant services is well above the average, and recreational expenditure is also outstanding. This means that considering the structure of consumption and its level of modernisation, there was still a sharp line between the members of the two former political systems.

Related Figures of Purchasing Power and Retail Trade

This conjunction of data is nice. However, when the income available for households is compared to their expenditure on consumption, we have to tread carefully. The changes taking place in households' income (whether it is a rise or a fall) always appear delayed in the expenditures. The data of the chart below suggest that the behaviour that decreasing income growth results in decreasing consumption seems consistent.

Hand in hands

Volume indices of Gross Income of the households

	2004	2005	2006	2007	2008	2009	2010	2011
Total income	102,6	103,4	101,4	95,0	98,3	96,3	96,9	102,3
Consumption of residential households	102,0	102,6	101,9	99,0	99,8	94,4	96,7	100,4

Source: K&H

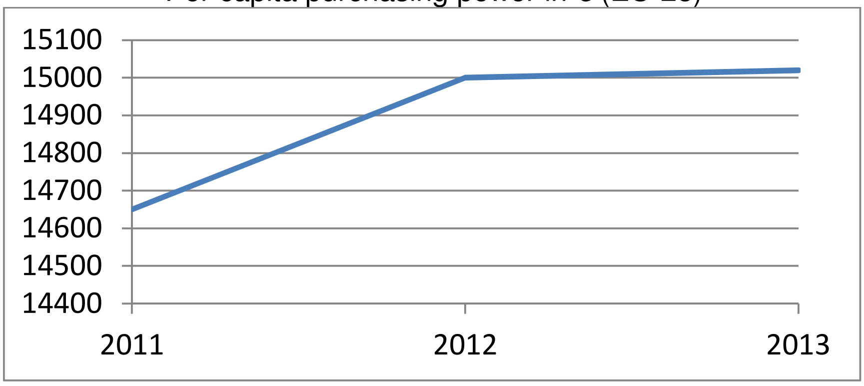
Where is Hungary positioned as regards consumption in the international landscape? Within the group of new member states (ten Eastern European countries) Hungary slipped back from third in 1995 to fourth in 2010 as regards GDP, however to seventh as regards consumption. When the so-called old cohesion fund countries are included in the group – such as Greece, Spain, Portugal and Ireland – the actual consumption and the relative position of the GDP compared to the EU average further differentiates the situation.

The relative GDP size of Ireland was nine percentage points higher than consumption in the mid-1990's, while by the end of the mid-2000's the difference was up to 30-40 percentage points. This means that – although they could have afforded it on the basis of their gross domestic product – they consumed less than they "produced." At the same time, consumption in Greece successively exceeded the possibilities their GDP afforded them by 7-9 percentage points, ergo they continuously "overconsumed." Since its accession to the EU, Hungary has shown an about 5 percentage points better GDP position. As the household consumption data of the last years show – and of course those of the GDP where the fall was less during the crisis years (that is, compared to consumption) – the trends of the difference did not change, however, its extent surely increased during the discussed period.

Purchasing power is closer to consumption than GDP. The latter may show an upward trend even when people's standard of living and income do not grow, or only to a lesser extent. Several states rich in raw materials proved this, ones where the political system is also often different from that of a democratic model.

The European purchasing power was €7,600 billion in the 28 member states in 2013, which is €15,017 per person per year. Although the rise in 2013 is considered modest at 0.6%, there are significant differences by country.

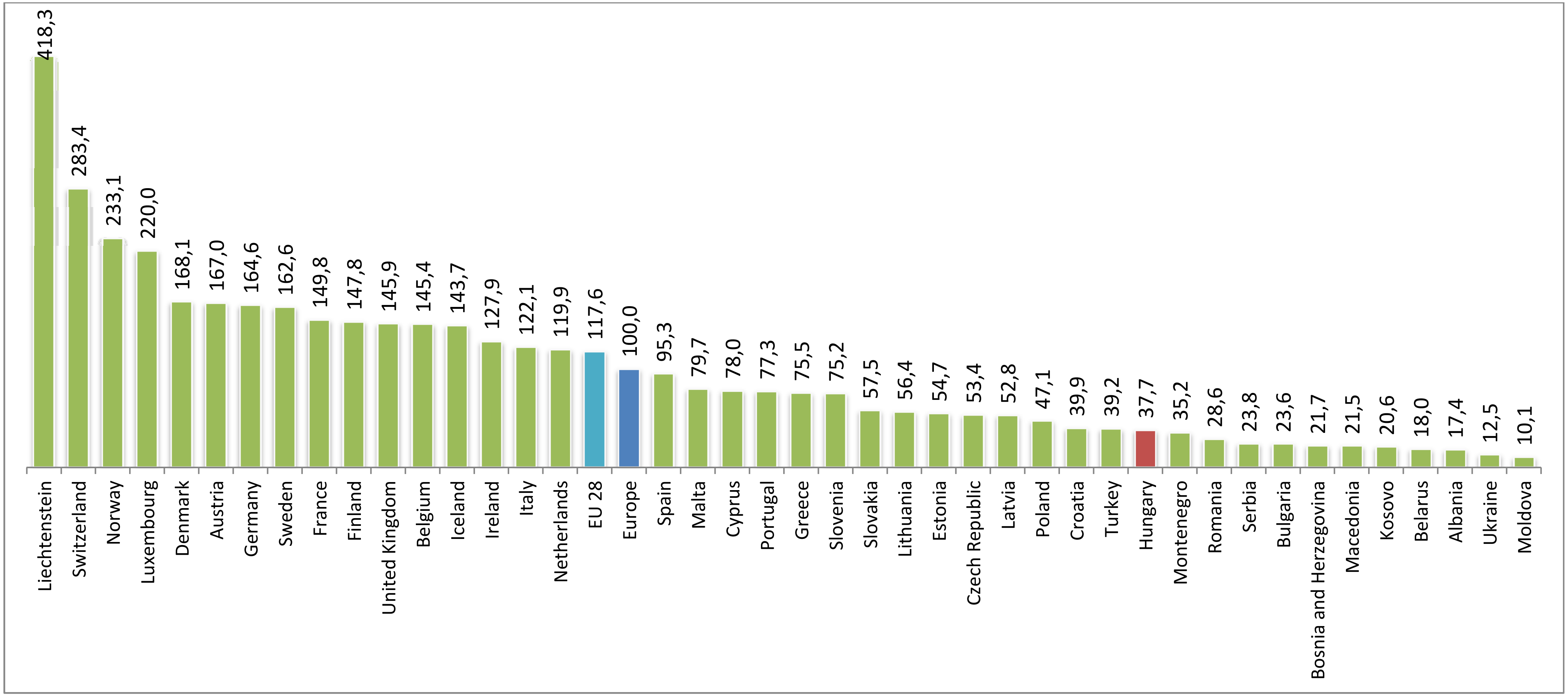
Per capita purchasing power in € (EU-28)



Source: GfK

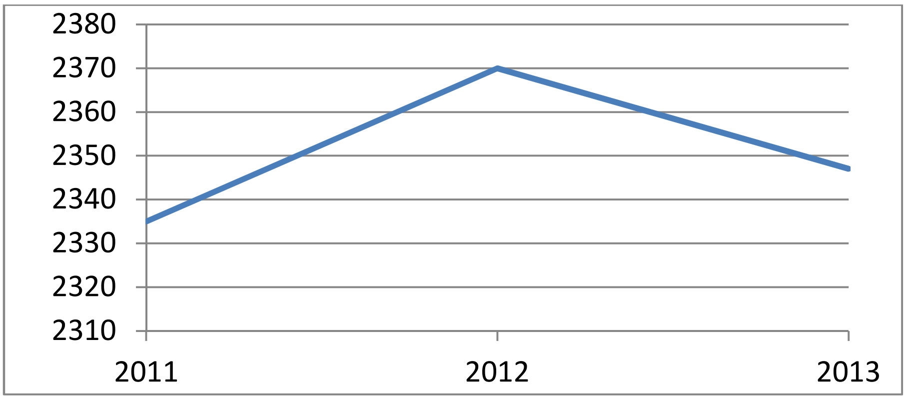
Romania, the Scandinavian countries and the Baltic States have shown impressive development, but Greece, Cyprus as well as the Czech Republic and Slovenia have suffered during this period. The structural problems of the former absolute "winner" Slovenia have undermined its previously solid position, and the last five years were those of the Baltics and Slovakia. Hungary, unfortunately, has fallen behind in the race of the European countries. Slovakia has increased the gap by 20, Poland by ten, and it will probably take long years or a decade to visibly decrease this distance. When before the accession to the Union, GfK experts forecasted that Hungary would be close to the two-thirds of the average of the Union by the mid-2010's, that forecast in fact seemed believable. Now we know we have got very far from it.

Purchasing Power in the European Countries*. Purchasing Power Index per capita, Europe=100



It was seen above that the purchasing power increased, and the question is: have retail trade followed it? The aggregate retail turnover of the thirty-two biggest European countries was €3,100 billion in 2013, which shows a fall compared to the previous year [this is for the so-called stationary trade]. When the data are narrowed down to twenty-eight member states, the picture is not more favourable either:

Retail turnover in bill. € (EU-28)



Source: GfK

The nearly one percentage fall is not dramatic, but its direction is sending a message. If these indexes keep moving in opposite directions in the coming years, what the players of the business world fear may come true: consumers' preferences may change and they may cut down on their purchases. If it is so, it will no longer only be an interesting set of statistical data, but will have long-term consequences as well.

I have chosen a few countries for a nearly 20-year-long comparison. The per capita – USD – consumer expenditure have increased by about 360% in Hungary since 1989. This is an impressive figure if we do not consider the fact that the rise in the index was many times higher in Slovakia and Poland. Hungary started with a considerable advantage, and ended up with at least the same disadvantage in the race. The consolidated Austrian market "only" doubled its value, but its specific index is almost four times higher than the Hungarian value.

Consumer expenditure 1990/1995/2003-2011
USS per capita/% growth

	1990	1995	2003	2004	2005	2006	2007	2008	2009	2010	2011	%growth 1990-2011
Austria	13,495.0	16,307.4	17,533.5	19,982.7	20,841.4	21,738.9	24,418.5	26,888.2	25,524.9	25,337.4	26,434.3	95.9
Czech Republic	1,683.3	2,929.6	4,922.1	5,763.8	6,498.9	7,328.9	8,687.3	10,905.1	9,673.3	9,703.1	9,824.0	483.6
Germany	12.755.8	16,244.6	16,354.6	18,300.6	18,671.0	19,383.2	21,427.5	23,418.6	22,297.9	21,870.9	22,691.7	77.9
Hungary	1,551.4	2,532.9	4,709.3	5,540.1	5.987.3	6,041.0	7,414.9	8,285.1	6,874.7	6,831.8	7,116.8	358.7
Poland	766.8	2,217.3	3,699.6	4,243.1	4,997.9	5,552.6	6,697.8	8,491.9	6,856.1	7,502.0	8,052.3	950.1
Slovakia	1,319.3	2,530.2	4,794.5	5,904.0	6,429.1	7,224.4	8,614.8	10,216.0	9,703.0	9,256.6	9,605.3	628.1
United States	15,076.6	18,407.6	26,172,0	27,576.6	29,118.6	30,355.5	31,610.7	32,131.3	31,364.9	32,298.6	33,829.6	124.4

World Retail Data and Statistics (2012), Euromonitor International, London

Retail trade significantly suffered during the crisis years. The recession of the Hungarian economy going on since 2007 resulted in an almost 20% fall in the turnover of the sector. The table above suggests that consumer spending also decreased at the same time.

Retail sales: 2006-2011
Number/as stated

	2006	2007	2008	2009	2010	2011	Number per million inhabitants	%growth 2006-2011
Austria	68.10	75.57	82.21	78.18	74.93	78.63	9,355.79	-4.14
Czech Republic	28.31	33.66	41.17	36.50	36.19	39.78	3,793.28	-4.67
Germany	469.74	522.43	574.02	549.17	530.34	553.10	6,793.12	-0.66
Hungary	29.58	35.27	38.58	32.76	30.99	30.76	3,080.15	-19.35
Poland	78.99	93.40	112.47	90.52	95.49	99.05	2,593.77	2.56
Slovakia	12.60	15.50	17.93	15.56	15.04	15.94	2,933.58	1.89
United States	2,549.17	2,607.68	2,604.66	2,560.72	2,600.70	2,659.46	8,526.44	-5.63

World Retail Data and Statistics (2012), Euromonitor International, London

The correlation between the two indexes is not as close as logic would dictate. The 2006-2011 data of Retail Sales as a Proportion of Consumer Expenditure show that retail spending accounts for only somewhat more than forty per cent of total consumer spending. It is about one third in Austria and the Czech Republic, and 28% in Germany.

Hungary	48.59	47.25	46.35	47.50	45.30	41.66

World Retail Data and Statistics (2012), Euromonitor International, London

The Hungarian figures are special as regards retail trade's proportion in GDP as well. It had a 22% share in 2011, while the similar figure on the developed Austrian and German markets was only around fifteen per cent, and 17.6% in the USA, which is so sensitive to retail trade indexes.

Consumption, retail trade and the GDP data all pointed in the same direction during the discussed period. It has been clearly shown that Hungary has lost the leading position it had at the beginning of the '90s in almost every aspect. In addition, Hungary has fallen behind and its disadvantage has further increased not only compared to the old reference countries, but also to the ones that were not (or only to a limited extent) considered competitors.

Conclusions

As regards the future prospects of consumption, Hungary's rate is below that of the growth of the Central Eastern European markets considered the reference markets on the one hand, and the expected GDP growth on the other hand.

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Real Growth of the GDP, Domestic Demand, Export and Private Consumption, 2012-15
(percent)

	Real GDP Growth				Real Domestic Demand Growth				Real Export Growth (goods and services)				Real Private Consumption Growth			
	2012	2013	2014	2015	2012	2013	2014	2015	2012	2013	2014	2015	2012	2013	2014	2015
Baltics[1]	4,3	3,2	2,5	3,1	1,4	2,5	3,6	4,2	10,3	5,5	2,9	4,1	4,7	4,8	3,6	3,7
Estonia	4,7	1,6	1,2	2,5	4,6	1,0	4,6	3,4	8,3	2,6	0,7	2,4	5,1	3,8	3,9	3,7
Latvia	5,2	4,1	2,7	3,2	2,4	2,4	2,3	4,4	9,4	1,0	2,0	2,9	5,8	5,4	2,9	3,9
Lithuania	3,7	3,3	3,0	3,3	-0,7	3,2	4,0	4,3	11,8	9,5	4,5	5,6	3,9	4,8	3,8	3,6
Central and Eastern Europe[1]	0,7	0,9	2,9	2,9	-0,6	-0,2	3,6	3,4	4,1	3,8	5,2	5,2	-0,1	0,3	2,1	2,9
Czech Republic	-1,0	-0,9	2,5	2,5	-2,9	-0,8	1,8	2,9	4,5	0,2	7,2	5,0	-2,1	0,1	1,3	2,5
Hungary	-1,7	1,1	2,8	2,3	-3,5	0,8	3,8	2,5	1,7	5,3	6,3	5,3	-1,7	0,0	1,3	1,5
Poland	2,0	1,6	3,2	3,3	0,0	-0,1	4,5	4,2	3,9	4,6	4,1	5,1	1,3	0,8	2,6	3,5
Slovakia	1,8	0,9	2,4	2,7	-4,5	-0,9	2,3	2,1	9,9	4,5	6,3	6,4	-0,2	-0,1	2,4	2,4
Slovenia	-2,6	-1,0	1,4	1,4	-5,6	-2,1	0,4	1,4	0,3	2,6	5,0	3,5	-3,0	-3,9	0,8	2,0
South Eastern Europe[1]	0,1	2,3	1,7	2,1	0,8	-1,0	1,1	2,1	-1,0	11,1	8,0	5,8	1,3	0,2	2,8	2,3
Bulgaria	0,6	0,9	1,4	2,0	3,1	-0,8	1,0	2,4	-0,4	8,9	5,2	6,0	3,7	-2,3	0,8	2,0
Croatia	-2,2	-0,9	-0,8	0,5	-3,3	-2,8	-1,8	-0,7	0,3	3,8	1,6	4,4	-3,0	-1,3	-1,5	1,0
Romania	0,6	3,5	2,4	2,5	1,0	-0,7	1,7	2,6	-1,5	13,5	10,3	6,0	1,5	1,3	4,3	2,8
South Eastern-Europe, non EU[1]	-0,6	2,3	1,0	2,4	-1,1	-1,2	1,8	1,7	-0,2	11,0	5,5	7,3	-2,2	0,1	-0,5	0,6
Albania	1,1	0,4	2,1	3,3	-3,5	0,1	1,9	5,0	-2,8	6,7	6,5	6,8	-2,2	1,0	-1,2	3,8
Bosnia and Hercegovina	-1,2	2,1	0,7	3,5	-2,0	-0,7	6,0	0,4	-2,8	8,3	-0,4	11,7	-2,1	-0,8	5,4	-0,1
Kosovo	2,8	3,4	2,7	3,3	-1,2	1,7	2,7	4,4	0,5	2,5	1,9	2,6	2,7	2,0	2,7	2,6
Macedonia	-0,4	2,9	3,4	3,6	2,0	-0,8	3,4	3,7	0,0	4,5	9,9	9,4	-3,0	4,2	3,5	3,4
Montenegro	-2,5	3,5	2,3	3,4	-0,7	0,5	5,6	9,6	-0,9	0,1	-2,1	3,6	-5,4	3,6	5,9	5,5
Serbia	-1,5	2,5	-0,5	1,0	-0,9	-2,2	-0,9	-0,4	1,8	16,6	7,1	5,3	-1,8	-1,5	-4,7	-1,5
European CIS countries[1]	3,0	1,2	-0,3	0,6	5,3	1,4	-2,7	-0,6	1,0	2,1	-2,1	1,3	8,0	5,1	1,0	0,4
Belarus	1,7	0,9	0,9	1,5	2,6	8,9	1,0	2,0	11,2	-16,0	1,0	1,3	10,7	12,1	1,7	2,5
Moldova	0,7	8,9	1,8	3,5	0,6	4,5	2,9	2,8	1,7	10,7	-0,3	3,8	1,0	6,5	1,7	3,4
Russia	3,4	1,3	0,2	0,5	5,6	1,2	-2,0	-0,8	1,4	4,2	-1,2	1,2	7,8	4,5	1,6	0,3
Ukraine	0,3	0,0	-6,5	1,0	3,9	0,4	-11,4	-0,3	-7,2	-8,8	-12,2	2,0	8,8	7,9	-5,6	0,8

Turkey	2,1	4,0	3,0	3,0	-1,8	6,3	1,4	3,4	16,3	0,1	7,7	4,4	-0,5	4,6	1,1	2,2
CESEE[1, 2]	2,1	1,8	1,2	1,7	2,1	1,8	-0,2	1,3	4,3	3,0	2,2	3,2	4,1	3,6	1,4	1,5
Emerging Europe[1,3]	2,3	1,9	1,1	1,7	2,5	1,9	-0,3	1,2	4,2	3,1	1,9	3,1	4,5	3,8	1,3	1,4
New EU member states[1,4]	0,8	1,4	2,6	2,7	-0,8	-0,3	3,0	3,1	3,3	5,7	5,7	5,2	0,6	0,6	2,3	3,8
Memorandum																
Euro area[1]	-0,7	-0,4	0,8	1,3	-2,2	-0,9	0,7	1,0	2,5	1,4	3,5	4,2	-1,3	-0,7	07	1,2
EU[1]	-0,3	0,2	1,4	1,8	-1,4	-0,4	1,4	1,6	2,3	2,1	3,3	4,3	-0,6	0,0	1,2	1,7

source: IMF, World Economic Outlook database.

1 Weighted average. Weighted by GDP valued at purchasing power parity..

2 Includes: Albania, Belarus, Bosnia and Hercegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey and Ukraine.

3 CESEE excluding: Czech Republic, Estonia, Latvia Slovakia and Slovenia.

4 Includes: Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

The IMF analysis forecasts that Hungary's growth in 2015 will be more modest than the average of the European Union, and will be below the growth expected in the benchmark countries. This means Hungary's position will further worsen, and at the same time sends a message about the priorities of Hungary's economic policy as well.

The stimulation of households' consumption and the economic policy related to it has shown a rollercoaster ride trend in the last twenty-five years. When the shadows of recession appear in the economy, economic policy usually uses restrictive measures in connection to consumption, while during times of prosperity the sometimes quite lax rules of the free market dominate. As regards the events taking place in Hungary in the near past, this ambivalent attitude can also be seen there. One of the main objectives of the second Orbán cabinet was to achieve an over 7% economic growth, which is considered quite atypical in today's economy (this was included in the 2010 election programme of Fidesz). One of its foundations was a boost to private consumption. In the following years the emphasis was placed on industrial production based on the exports, and consumption was left out of the priorities. Today the opinions urging a boost to private consumption are more and more marked again, but it is not clear for the time being how important it will be to the economic policy of the coming years to increase consumers' spending potential and guide their preferences. In any case, it is also true of consumption that it is not enough to be fast if you want to catch up, you have to be twice as fast as your competitors. The only question now is: when will we switch to a higher gear?

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