Abstracts of the Articles

Economic Analyses in Spring 2019

As to the Spring diagnose of the International Monetary Fund, the „activity in emerging and developing Europe in 2019 is expected to weaken more than previously anticipated, despite generally buoyant and higher-than-expected growth in several central and eastern European countries, before recovering in 2020”. [1] The Hungarian economy has really produced bouyant and higher-than-expected growth in 2018, reaching a 14-yers old peak. The GDP grew almost 5 percent, over performing all forecasts, including that of the Hungarian government. The IMF has somewhat improved its earlier forecast for Hungary, predicting a 3,6 economic growth for 2019 and 2,7 percent for 2020. The Hungarian government keeps suggesting that the growth would not shrink below 4 percent until 2022, the next elections. Budget stimuli, monetary easing and the rapid utilization of the EU funds are the main factors behind the enforced, procyclical economic growth. Some Hungarian think-tanks are a bit more optimistic than the IMF, but in line up with its forecasts they also perceive some slowdown. *Külgazdaság* has been publishing the analyses and the forecasts of the economic research institutions since 2001, we follow this tradition in this issue.

IImpact of industry 4.0 technologies on the engines of development and catch-up in Hungary – Some lessons for economic policy

ANDREA SZALAVETZ – SAROLTA SOMOS

The paper investigates whether digitalisation transforms the traditional FDI-based engines of development in Hungary. We contrast the findings of the engineering literature discussing the specifics of digital technologies in manufacturing, combined with those of the economics and management literature discussing the economic impact of digitalisation with the results of in-depth interviews conducted at nine manufacturing companies operating in Hungary and with additional secondary

[1] IMF World Economic Outlook. Growth Slowdown, Precarious Recovery, page 12.

evidence describing corporate experiences with digital technologies. The results of the surveyed success stories suggest that a) the diffusion of digital technologies has started in the Hungarian manufacturing industry, and also at domestic-owned digital pioneers; b) investments in digital technologies have had straightforward beneficial effects: corporate performance improved, the knowledge-intensity of their activities increased, and the surveyed firms could upgrade their activities; c) the negative effects of digitalization discussed in the literature (technological unemployment, production reshoring) have not materialised yet. However, the authors argue that the micro-level experience of some digitalisation forerunners cannot be generalised: optimistic macro-level conclusions are unfounded. Moreover, some weak signals of our corporate interviews substantiate what is predicted in the literature. These weak signals indicate that digitalisation will, indeed, transform the engines of growth and catching up, disrupting the FDI-based development trajectory Hungary has so far followed. The paper calls for economic policy making more efforts to improve Hungary's locational advantages.

The prospective development of the German economy and its contribution to the sustainable growth of the European Union

LOSONCZ MIKLÓS – NAGY I. GYULA

Although the short-term development trends of the German economy deteriorated in late 2018 and early 2019, they still seem to be rather favourable. Nevertheless, they disguise severe internal and external disequilibria in terms of current account and general government surpluses, tensions in the labour market and deep-rooted structural problems in terms of excessive savings and insufficient investments, over-industrialisation etc. that are analysed in this paper. The authors argue that with unchanged economic policy priorities Germany's growth trajectory would be vulnerable in the short-term and unsustainable in the long-run. Considering the significant labour shortage, growing wages, the exhaustion of internal devaluation and intensifying global and regional risks, Germany's potential GDP growth rate is much lower than the actual one. Nevertheless, this does not mean that the economy would get into crises or into a situation similar to Southern Europe, but simply that deterioration could occur compared to the present state of affairs on the one hand, and relative to that of countries that are similar to Germany in size and development level. The continuation of the present trends would have adverse impact not only

on the German economy, but on sustainable growth in the Economic and Monetary Union or even the whole EU as well. Based on extensive German and other literary sources, the authors identify the major requirements of a turn in economic policy priorities and tools.