

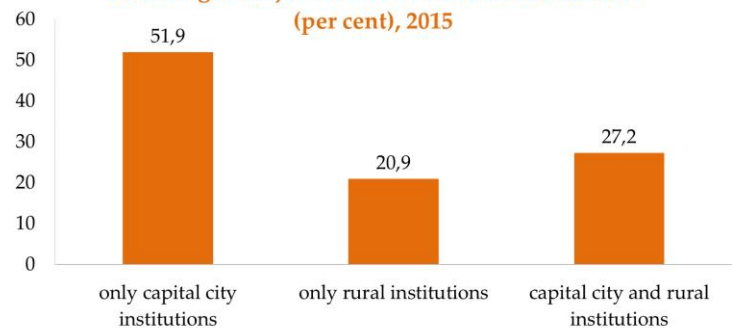
Only few of the Hungarian high school students intend to attend undergraduate programmes abroad, although their numbers show a growing trend in recent years. This is what IEER research examining the intentions of continuing education reveals, in addition to the fact that the Hungarian school system is unable to overcome the disadvantages caused by family background, that is, promote social mobility. Based on the 2013 National Skills Assessment the best national high schools receive only a very small proportion of students whose father has a low level of education or low labour market status. Our results also suggest that at the postsecondary level the education system reinforces existing inequalities. This can be concluded from the fact that the ratio of students who apply to the prestigious universities in Budapest is significantly lower in the lagging northern and lowland regions (even in the best high schools of these areas) than in the region of Central Hungary. The study was based on 770 responses conducted among the graduate students of thirty Hungarian public high schools, which were the best within their region according to the 2013 National Skills Assessment.

The vast majority of the participating students (91%, 702 persons) want to continue their studies after graduation. Their semi-annual grade point average is 4.40 while for others it was only 3.78. Economics, engineering, pedagogy and teacher training courses are the most popular degree programmes among applicants; medical courses are also under consideration by many. This year, for the majority of respondents (52%) the first three places applied to were colleges or universities in Budapest only, 21% applied to solely rural higher education institutions, while 22% applied to institutions both in the capital and in the rural areas

Our results show that only 5% of students of the best secondary schools in Hungary submitted an application to foreign higher education institutions. They typically have good academic achievements and their fathers have higher education degrees, work in a managerial position, are white collar, or even an entrepreneur. Most of them applied to tuition-free institutions and in the long run many of them want to stay abroad. The most popular destination is the United Kingdom.

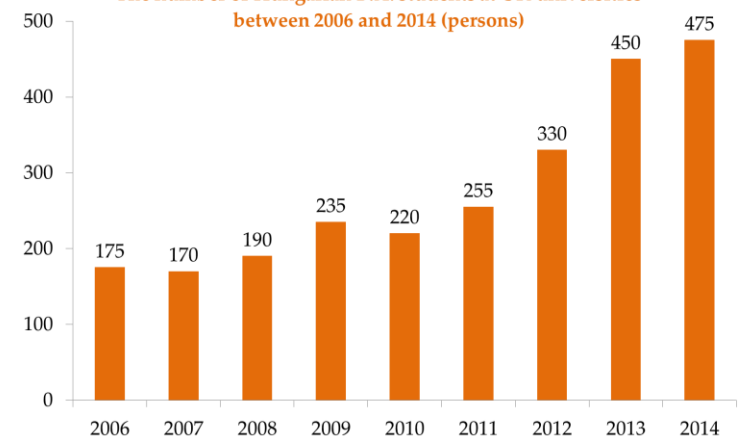
The fact that there are no masses of Hungarian students doing their undergraduate studies abroad is also supported by Austrian and British statistics. Accordingly, the number of undergraduates from Hungary was around 500-500 persons in both countries in 2013 and 2014 (in the case of Austria it was for both bachelor and five-year programmes), which is a very low figure considering that 79 thousand high school students graduated in 2014 and 106 thousand persons applied to the Hungarian higher education institutions. In Hungary Austria and the United Kingdom are among the top three of the most popular destinations in terms of further education migration, so our assessment should be considered a suitable approximation for a better understanding of the total number of Hungarian undergraduates abroad.

Distribution of higher education institutions in Hungary applied to by high-school students according to major urban and/or rural institutions (per cent), 2015



Source: IEER (N=685)

The number of Hungarian B.A. students at UK universities between 2006 and 2014 (persons)



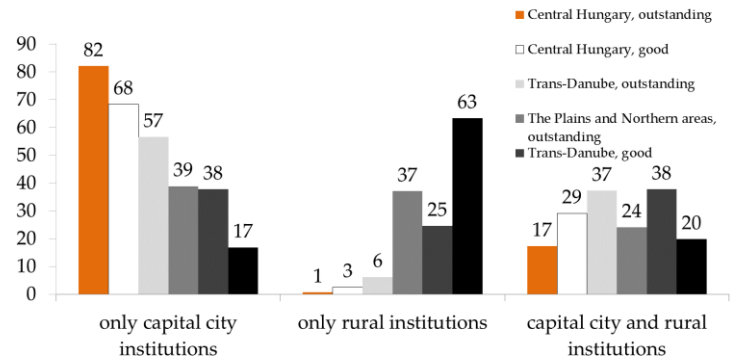
Data source: <http://www.ucas.com/data-analysis/data-resources>

However, what must also be taken into account is that according to the statistics of these two countries the number of Hungarian students at their colleges and universities is on the rise in recent years. Since the migration process is self-reinforcing, we should not rule out the fact that in the near future the number of Hungarian undergraduates abroad will significantly increase.

Our results suggest that the education system reinforces social inequalities on several levels. On the one hand, it was found during the examination of students attending the nation's top high schools that only a small proportion of the most disadvantaged groups in terms of family background can reach the best national high schools. Among these secondary schools there are almost no students whose father has only a primary level of education (8 grades), and only one in ten have a low labour market status.

On the other hand, our results show that the regional inequalities of present-day Hungary affect discernibly the high school graduates' decisions about applying to universities. A very small proportion of children from the marginalized northern and lowland regions applies exclusively to universities in Budapest while most of the students from the Central Hungary region opt for the most prestigious universities in Budapest. Such decisions will lead to considerable differences between these young people coming from the different regions concerning their labour market position and earnings during their subsequent life.

Plans for further education by high school students wishing to continue their studies according to school type (percent), 2014



Source: GVI (N=685)

Macroeconomic trends: Euro zone contradictions in light of the Greek crisis

In the past few months Greece has been the focus of interest again for policymakers, researchers and the general public. Greece is at the centre of the controversy, but the Greeks are not alone within the euro zone of countries struggling with a debt crisis. Cyprus, Ireland, Portugal and Spain have all been affected by sovereign debt, and these countries could only implement the appropriate EU budget regulations through a rescue package; moreover, Belgium, France and Italy are also threatened by a debt crisis. The ECB plays an important role in upholding and maintaining the stability of the monetary union, but further reforms may be needed.

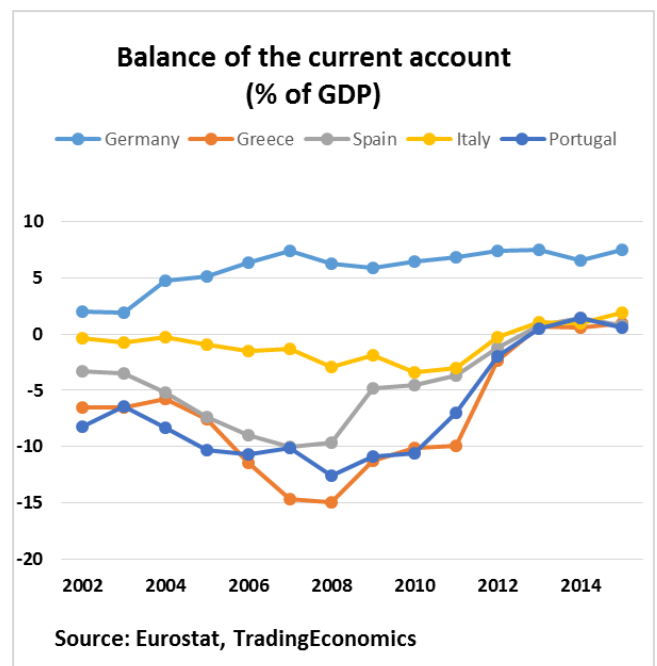
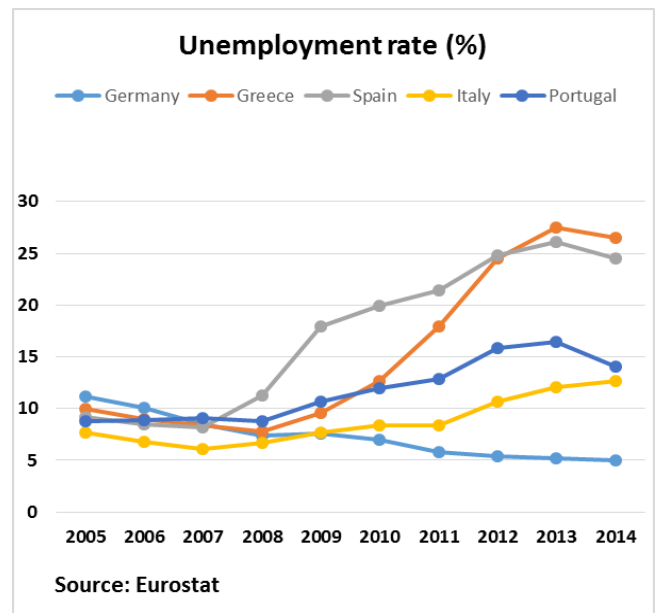
While Greece struggles to sign an agreement on its further membership in the euro zone, decision-makers within the single-currency are working on answering a much more important question: how to remedy mistakes that have so closely led to a break-up of the euro zone?

Disparities between regions of the euro zone continued to grow, for which the introduction of the single currency did not help: in some countries the unemployment rate is at record lows, while in other countries it reached record heights.

The founding fathers of the euro assumed that inflation, real wages and the budgets of the southern member states will converge in time with that of the northern ones. This convergence happened in one respect: capital flowed across borders and interest rates within the marginalized areas of the single currency zone fell to German levels. The lending boom created a bubble in the property markets of Ireland and Spain and huge budget deficits in Greece and Portugal. These economic events drained real wages in these indebted countries, while Germany was able to make its labour market more flexible and kept wages low.

In response to the financial crisis and recession countries often resorted to a combination of low interest rates, currency devaluation and fiscal stimulus. The common currency had ruled out all three options. The countries in crisis have not been able to devalue and were barely able to secure a loan because lenders feared that they would not get their money back (these problems were addressed in the case of countries with their own currencies). Furthermore, they could not take advantage of a low credit base rate environment offered by the European Central Bank as investors fled from banks in the crisis states. Instead they had to implement budgetary austerity and a painful "internal devaluation" in the form of a downward pressure on prices and wages while in Germany there was a similar quantum leap in competitiveness.

In order to reverse these processes the ECB acted by reducing foreign currency-denominated government debt



with the aim to restart the risk appetite for lending in crisis countries.

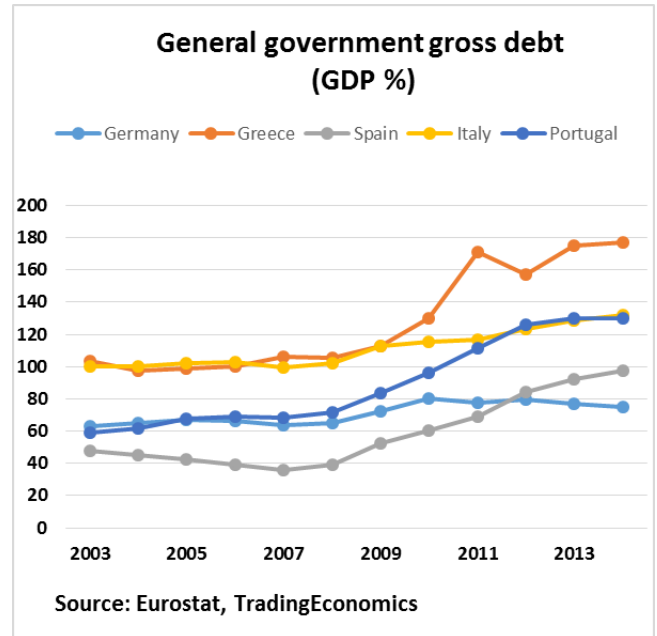
The ECB plays an important role in the survival of the monetary union. However, for the creation of real stability, further reforms may be needed in order to reduce the competitive differences between northern and southern member states. The key issue is the ability of southern member states to tolerate many years of high unemployment and low wages for the future returns of such reforms.

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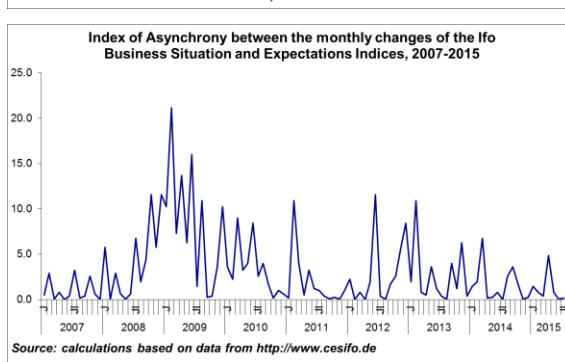
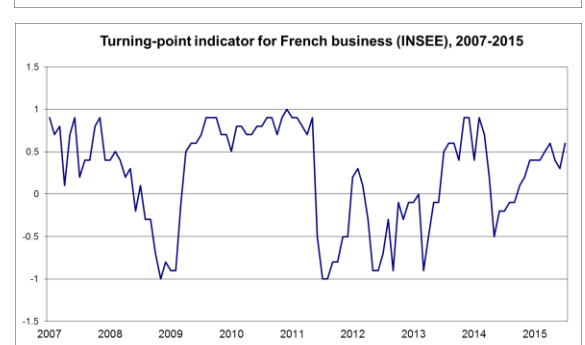
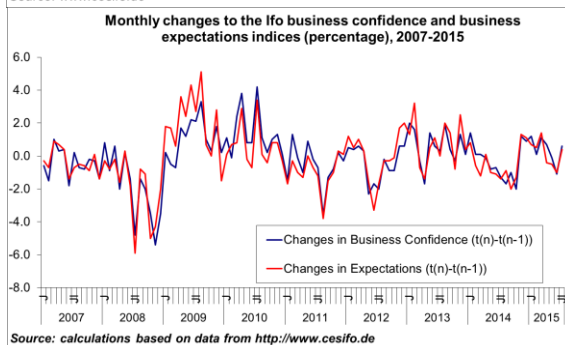
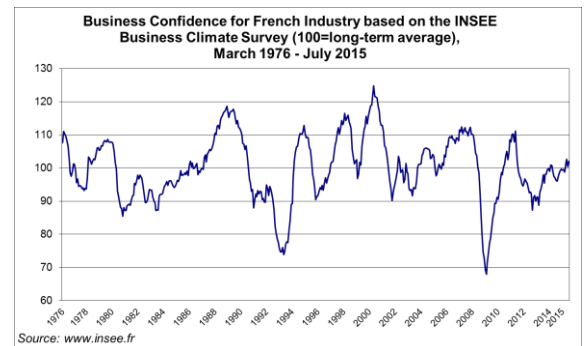
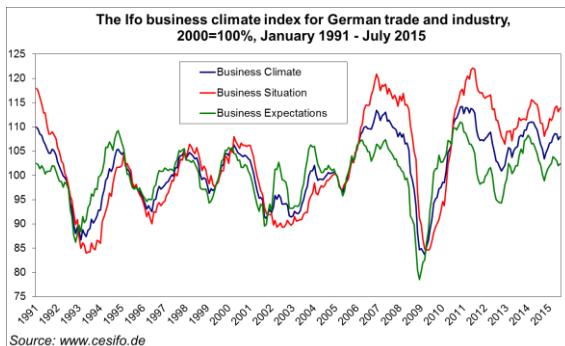
International trends

The Ifo Business Climate Index for German trade and industry rose to 108.0 points in July from 107.5 points last month. Assessments of the current business situation improved significantly after last month's setback. Business expectations were also somewhat more optimistic after declining for three consecutive months. The recent easing of the Greece situation contributed to stronger sentiment in the German economy. The gap between the current business situation and the expected developments, as calculated by the IEER Index of Asynchrony, slightly increased to 0.16 points in July from 0.04 points in June, but the business confidence index still shows almost no uncertainty.

(Source: Ifo, <http://www.cesifo-group.de>)

Results from the July survey by the French statistical office (INSEE) show that the business climate in industry in France has improved in July 2015: after a decrease of three points in June, the composite indicator which measures it has increased by two points and at 102, is now above its long-term average (100). The turning-point indicator has increased and is in the zone indicating a favourable economic outlook. In July, the balance of opinion on past activity, already above its long-term average, has slightly increased (+2 points) and stands. The one on personal production expectations has diminished (-3 points) while remaining close to its long-term average. A few more industrialists considered that general production expectations of the sector has improved, the balance of opinion being significantly above its mean level.

(Source: INSEE, <http://www.insee.fr>)



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 In case of publication please cite as follows:
 IEER Monthly Bulletin of Economic Trends,
 August / 2015, Budapest,
 2015-09-01