Flash Economics

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What is the economic performance of populist governments in Europe?

We are interested in the economic situation of Italy (governed by Giorgia Meloni since October 2022), Hungary (led by Viktor Orbán since 2010), and Slovakia (led by Robert Fico since October 2023).

Giorgia Meloni has confirmed Italy's pro-European commitment and has allowed significant immigration; however, her stance on societal issues (abortion, attitudes towards the LGBT+ community, relations with the press and the media) and her closeness to Donald Trump reveal the essentially populist nature of the Italian Prime Minister.

Viktor Orbán seeks to defend "European cultural values"; he pursues a pro-Russian, anti-immigration policy, promotes the idea of the "nation-state" against that of European integration, and criticizes liberalism.

Robert Fico is openly pro-Russian, anti-immigration, anti-Ukrainian, anti-European, and conspiracist.

These three leaders can be considered populists, and we examine the economic performance of their countries since they came to power.

These three countries suffer from underinvestment, stagnant productivity, industrial difficulties, weak growth, and, in the case of Hungary and Slovakia, a high public deficit and strong inflation. One can compare the economic performance of Italy with that of Spain, and the performance of Hungary and Slovakia with that of Poland, to illustrate that having a populist government has not improved the economic performance of these countries.

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Italy: in reality, a severely weakened economy

When we look at GDP growth (Chart 1A) and productivity growth (Chart 1B), as well as the evolution of manufacturing output (Chart 1C), we see that Italy, since Giorgia Meloni, **has not improved its fundamental economic situation**.

Chart 1A
Italy: Real GDP (Y/Y as %)

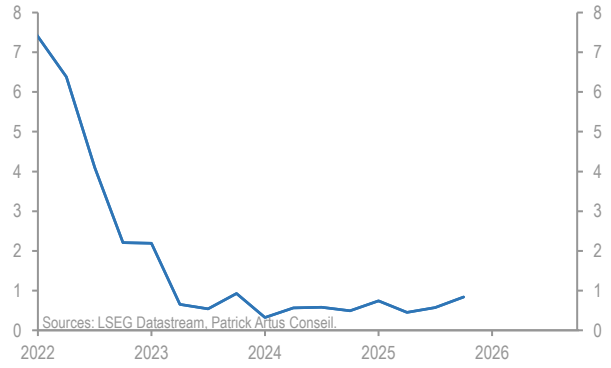
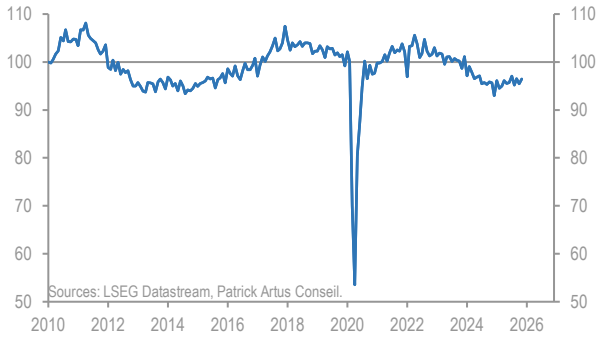


Chart 1B
Italy: Real labour productivity per hour worked
(2010.Q1 = 100)



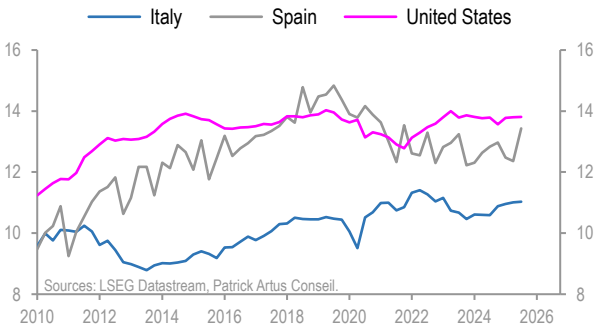
Chart 1C
Italy: Manufacturing production (2010.M1 = 100)



The causes of this economic weakness are diverse:

- **Underinvestment (Chart 1D)**;

Chart 1D
Investment of corporations
(in value terms, as % of nominal GDP)



- **Low skills of the workforce** (Table 1);

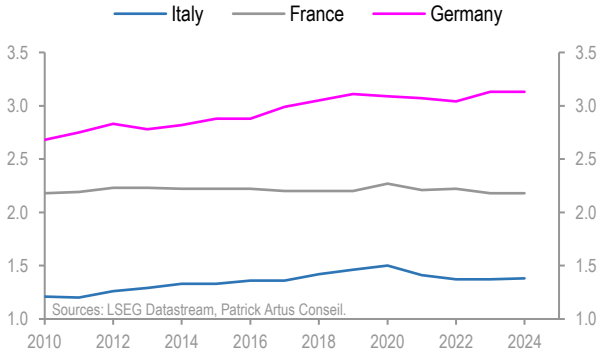
Table 1: Results of the OECD PIAAC survey (by decreasing score from the 2023 survey, overall score*)

Country	2016	2023
Finland	285	289
Sweden	279	281
Netherlands	282	276
Germany	271	267
England (UK)	267	266
France	258	253
Spain	249	246
Italy	249	240

*In 2016, average score in numeracy and literacy
Source: OECD

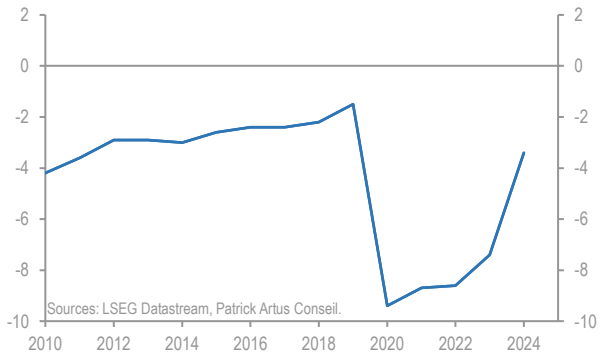
- **Low research and development expenditure** (**Chart 1E**).

Chart 1E
Total R&D spending (as % of nominal GDP)



The only real success of the Meloni government has been the improvement of the **budgetary situation** (**Chart 1F**), achieved through the reduction of the "super-bonus" on real estate investments, the lowering of high pensions, the withdrawal of energy subsidies, the elimination of tax loopholes, as well as measures to attract very wealthy foreigners.

Chart 1F
Italy: Fiscal deficit (as % of nominal GDP)



Hungary: inflation and weak growth

Hungary's growth has been weak since 2023 (**Charts 2A/B**), **and inflation is high** (**Chart 2C**). These two characteristics of the Hungarian economy can be linked to **the decline in the investment rate** (**Chart 2D**) and the stagnation of labour productivity since 2022 (**Chart 2E**).

Chart 2A
Hungary: Real GDP (Y/Y as %)



Chart 2B
Hungary: Real GDP (Y/Y as %)

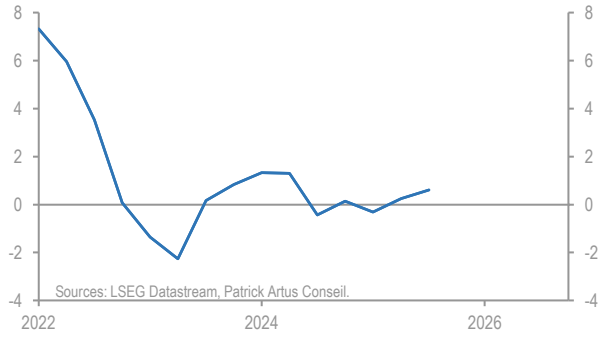


Chart 2C
Hungary: Inflation (HICP, Y/Y as %)



Chart 2D
Hungary: Investment of corporations (in value terms, as % of nominal GDP)

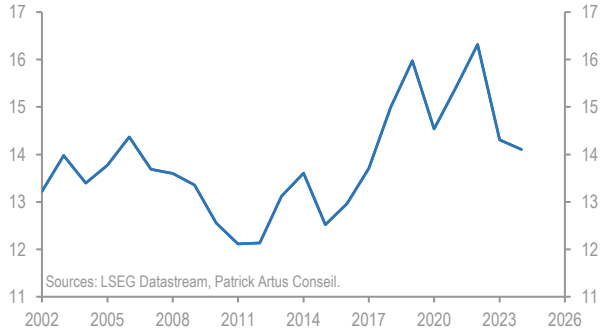
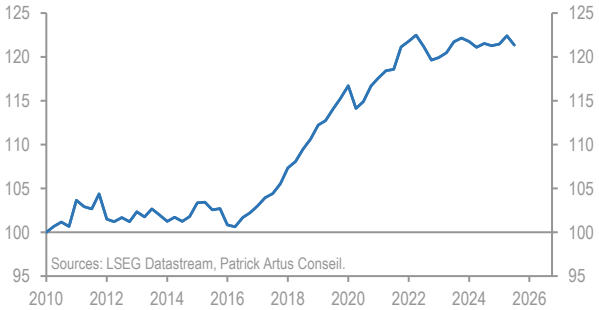


Chart 2E
Hungary: Real labour productivity per hour worked (2010.Q1 = 100)



Hungary also suffers from weak competition (in energy, transport, and telecommunications) and public integrity issues. Finally, the public deficit remains very high (**Chart 2F**), as do interest rates (**Chart 2G**), due to persistent inflation.

Chart 2F
Hungary: Fiscal deficit (as % of nominal GDP)

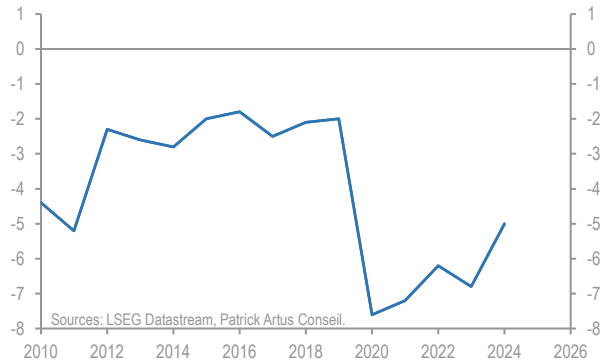
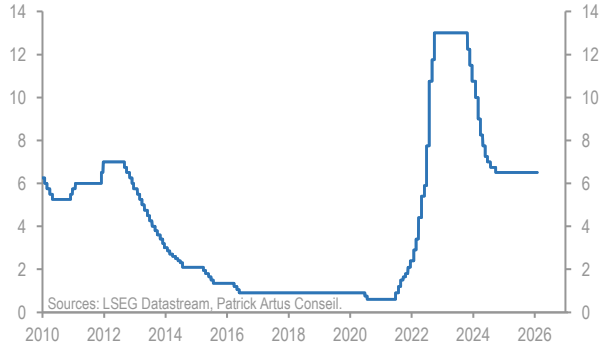


Chart 2G
Hungary: Central banks' key interest rate (as %)



The high level of public deficit is due in particular to measures consistent with Hungary's ideological orientation: public sector wage increases, income tax exemptions for mothers from the third child onwards and family tax benefits, support for housing, and more.

Moreover, Hungary is hampered by Germany's economic weakness and by its productive specialisation: automobiles, chemicals, textiles, iron, and steel.

Overall, Hungary faces numerous economic difficulties: underinvestment leading to inflation, economic policies resulting in a high public deficit, stagnant productivity, and weak competition policies.

Slovakia: weak growth, inflation, budgetary difficulties

Slovakia has experienced weak growth since mid-2023 (**Charts 3A/B**), due to fiscal consolidation efforts, despite growth support from European funds, increased military spending, and the weakness of industry (**Chart 3C**), particularly the automotive sector. Productivity (**Chart 3d**) has stagnated since 2021, and the investment rate is declining.

Chart 3A
Slovakia: Real GDP (Y/Y as %)

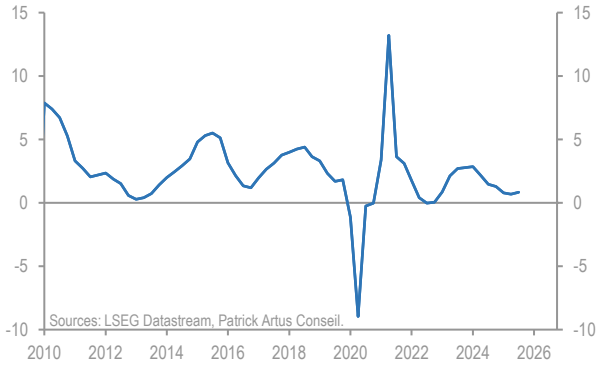


Chart 3B
Slovakia: Real GDP (Y/Y as %)

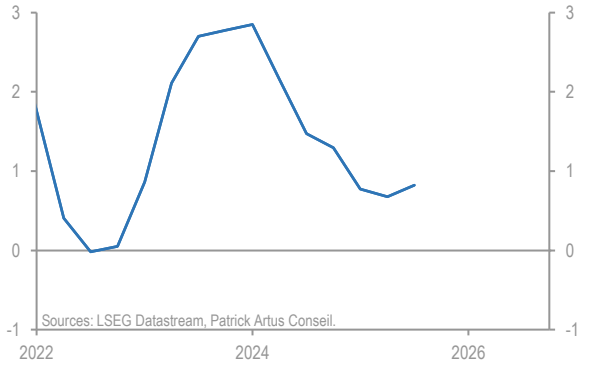


Chart 3C
Slovakia: Manufacturing production (2010.M1 = 100)

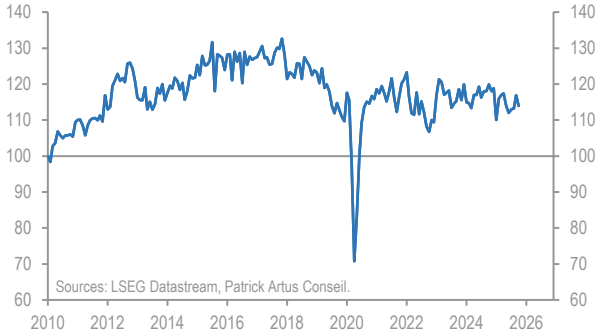
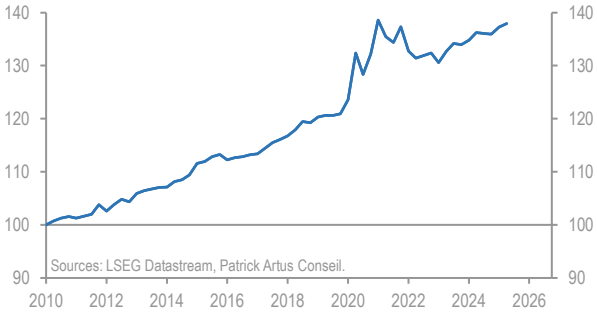


Chart 3D
Slovakia: Real labour productivity per hour worked (2010.Q1 = 100)



Inflation remains high (**Chart 3F**), driven by wage increases and the reduction of energy acquisition subsidies. In 2025, **fiscal consolidation measures** were introduced (higher VAT rates, a financial transactions tax, increased corporate tax), and further measures are planned for 2026 (higher income tax, public sector wage freeze), but **the public deficit will remain high** (**Chart 3G**).

Chart 3E
Slovakia: Investment of corporations
(in value terms, as % of nominal GDP)

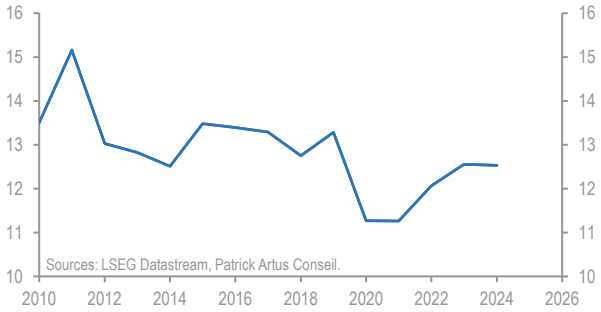
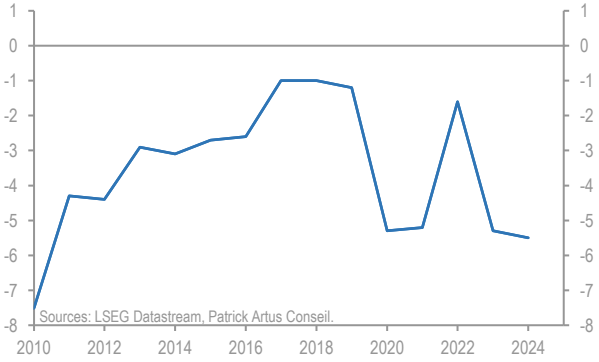


Chart 3F
Slovakia: Inflation (HICP, Y/Y as %)



Chart 3G
Slovakia: Fiscal deficit (as % of nominal GDP)



Finally, the level of corruption is high, and the state seeks to take control of the media and eliminate NGOs critical of the government.

Summary: the citizens of populist countries suffer

Italy, Hungary, and Slovakia can be considered countries with populist governments. In Italy, Giorgia Meloni's government remains pro-European and accepts significant immigration, but holds reactionary positions on social issues and attempts to control the media.

Hungary and Slovakia have similar stances regarding relations with Russia, the Trump administration, and Europe; their governments reject immigration and liberalism, and corruption is widespread.

It is striking that the economies of these three countries suffer from similar ills:

- Weak growth and stagnant productivity;
- Industrial difficulties;
- The need for fiscal consolidation that is unfavourable to businesses and households.

"Illiberalism" is not compensated by a flourishing economy.

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