

Overview of Hungary's economy

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Hungary's economic results I

- **Financial consolidation**

- The **budget deficit** has been successfully kept **below 3%** of GDP from 2012 (< 2% in 2015 and 2016)
- 2013: **excessive deficit procedure (EDP)** was **abrogated** by the EU
- GDP growth constituted 4.0% in 2017 , 4.8% in 3rd quarter of 2018
- Inflation rate is record low: 2.4%** in 2017 (**-0.1%** in 2015, **0.4%** in 2016)

- **Labour market tendencies**

- Employment reached a historic peak**, it has been rising steadily since 2010
- Average unemployment rate** dropped from **11.8% in 2010** to **4.2% in 2017** (3.8% in September 2018)

Hungary's economic results II

- **R&D and Innovation**

- Promotion of **R&D** and **technology-intensive investments**
- Medium-term strategic goal: bring the ratio of R&D spending relative to GDP to 1.8% by 2020, and above 3% by 2030

- **Tax system**

- Gradual move from a system based on income taxes to a system based on consumption taxes
- **15% flat-rate personal income tax**
- **Uniform 9% corporate tax rate since 1st January 2017 – lowest rate in the EU!**
- **19.5% social contribution tax since 1st January 2018 (15% planned by 2022)**

- **Business environment**

- **79 strategic cooperation agreements** between the Government and major investor companies

Strategic cooperation agreements

Canada



Power to Perform

USA



Mexico



UK



France



Germany



Denmark



Austria



Switzerland



Israel



India



Norway



Sweden




Hungary



China










Hong Kong



Finland



Japan

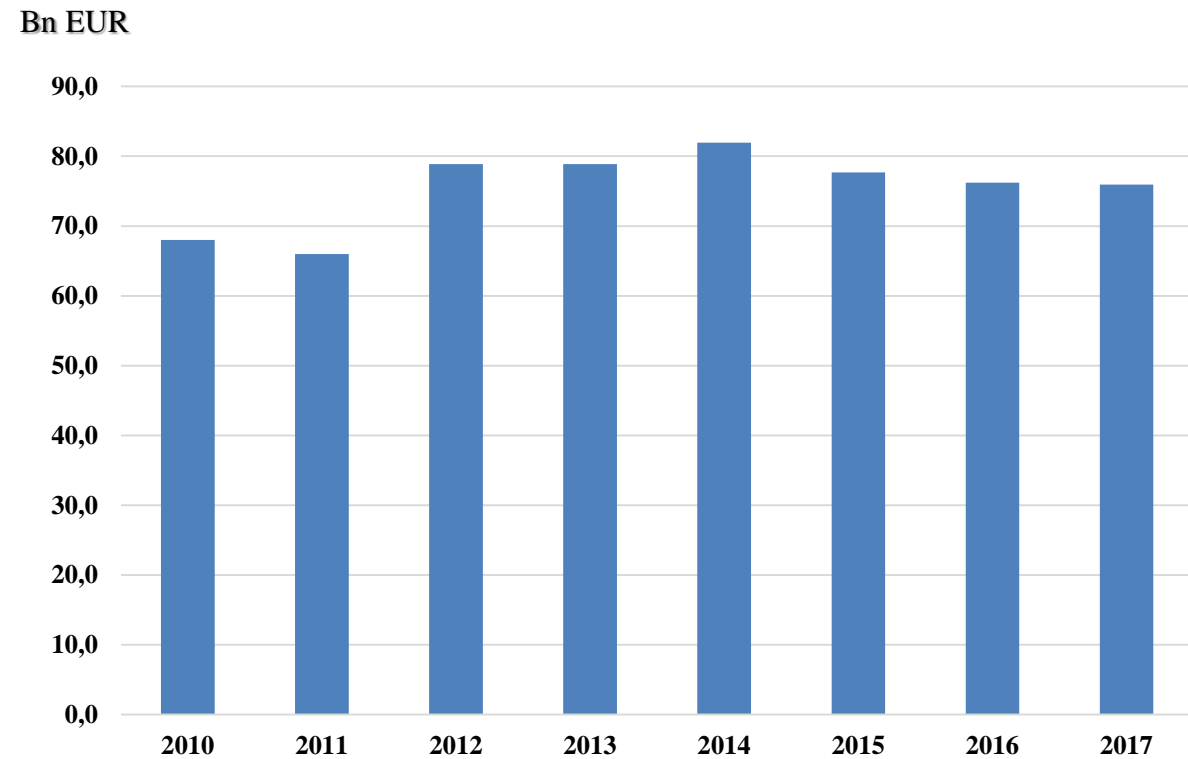


South Korea

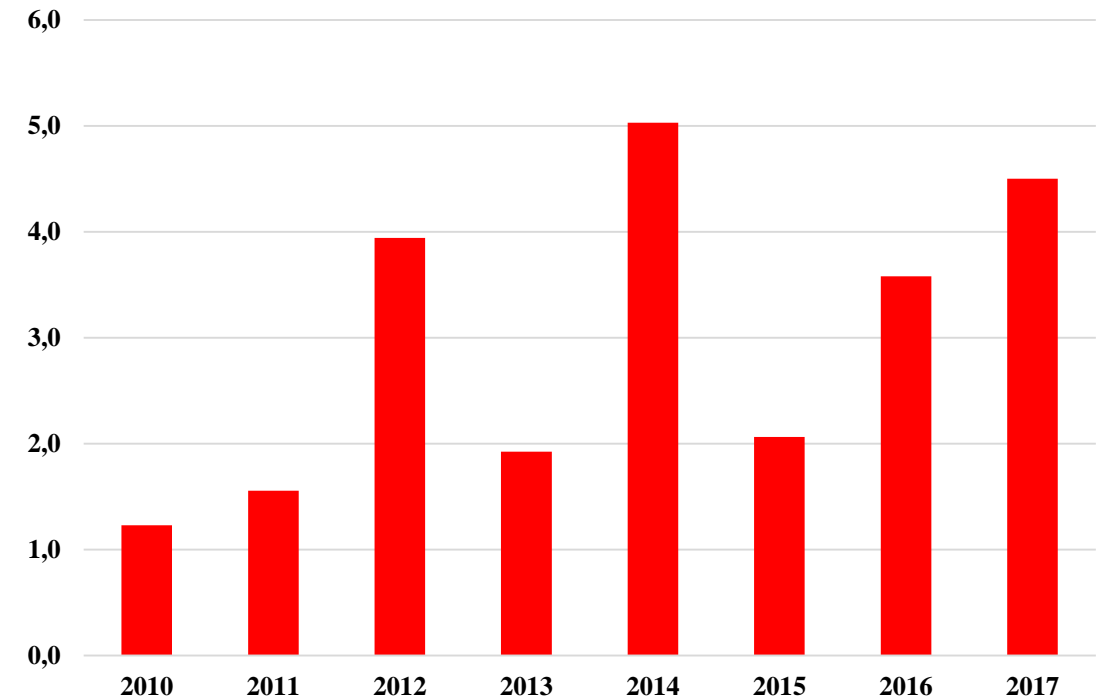


Foreign Direct Investment (FDI)

FDI stock in Hungary (2010-2017)



FDI flow in Hungary (2010-2017)

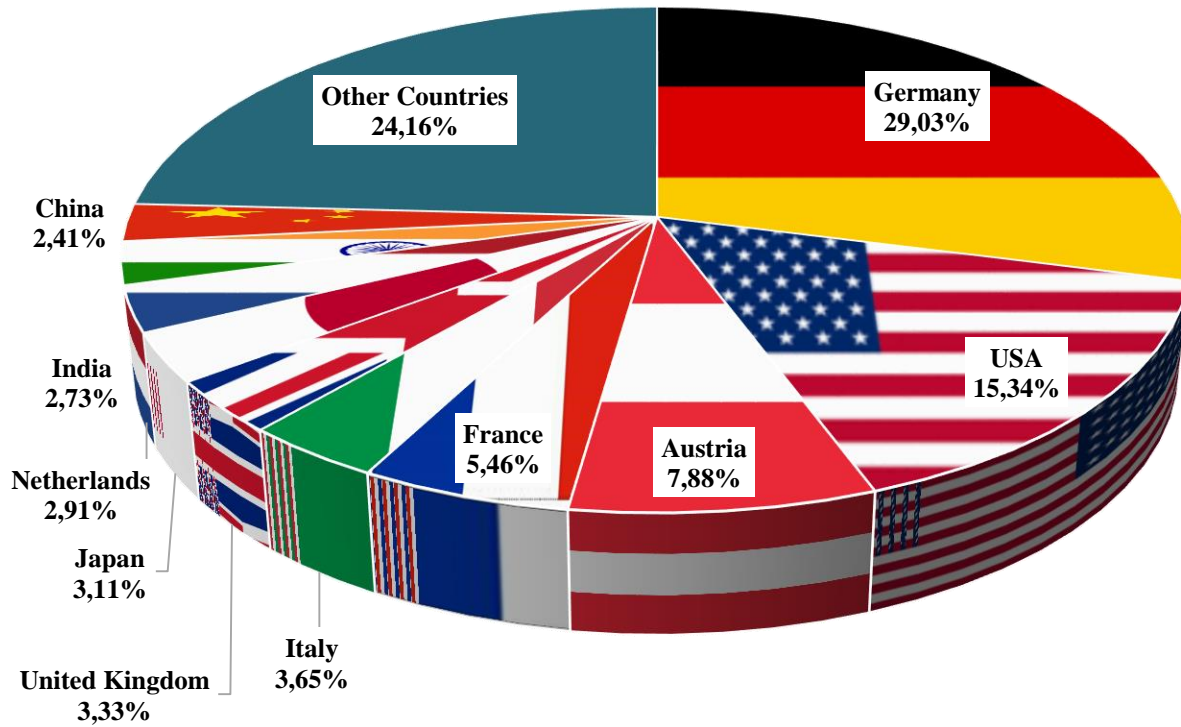


	2010	2011	2012	2013	2014	2015	2016	2017
Annual inward FDI flow (bn EUR)	1,23	1,56	3,94	1,93	5,03	2,07	3,58	4,50
FDI stock, end of year (bn EUR)	68,00	66,01	78,89	78,87	81,94	77,68	76,22	75,93

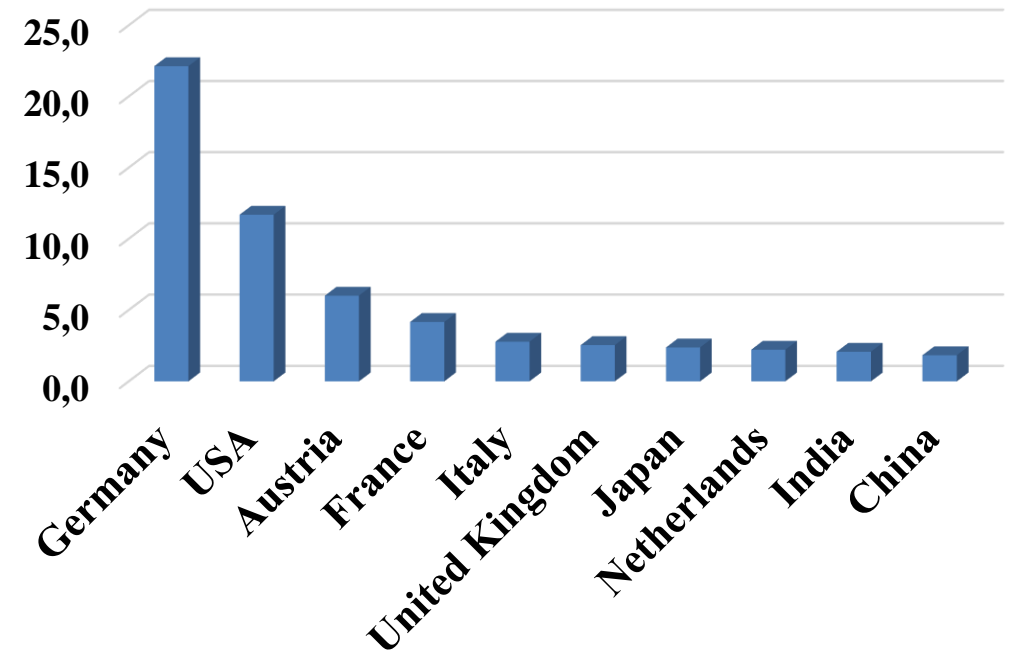
Major investors

by the *final* investors' country

Stock of FDI in Hungary by country of origin (2016)



Billion EUR FDI stock, 2016



Source: National Bank of Hungary

Hungarian-Finnish bilateral investment relations

- **Finnish FDI stock in Hungary in 2016: 70 M EUR**
- **Finland is the 36th most important investor in Hungary**
- **77 Finnish companies in Hungary in 2016 with 3 3000 employees**



The system of investment incentives



1) Favourable business environment (legal, human, infrastructure)

2) Investor-friendly institutional framework

- Possibility of „VIP” investment status (faster licencing procedures)

3) Financial incentives – investment subsidies

- VIP subsidies granted by the HU Government (for large investments)
 - until end of 2016, job creation was a general condition; subsidies could be based on investment amount or on the number of newly created jobs
 - a new element from 2017 waives the job creation criteria for technology-intensive investments as well as for R+D projects
- Tax allowances (development, R+D, social tax allowances)
- Subsidies for job creation, on-the-job training, vocational training facilities
- Wide range of EU support measures for investments (targeting SMEs)

Main investment decisions in 2017

Positive projects managed by HIPA (2016-2017)

Year	Number of Projects	Capital Investment (M EUR)	Number of Workplaces
2016	71	3243	17,647
2017	96	3512	17,021

Main investment decisions in 2017

Re-investments

Newcomers

Key investment trends



Strengthening automotive ecosystem



Increasing share of processed food in our exports



Increasing share of high value-add service activities



Hungary to become battery producing superpower



Best to Invest (2018)

MOST PROJECTS BY COUNTRY

global	
1. China	777
2. Germany	455
3. India	269
4. United Kingdom	227
5. Poland	140
6. Netherlands	137
7. Mexico	125
8. Hungary	74
9. Australia	73
10. Romania	70

Hungary Ranked No. 1 in Eastern Europe

Site Selection Magazine's prestigious award goes to Hungary in 2018



Eastern Europe & Central Asia

best to invest

1. Hungary
2. Poland
3. Romania
4. Czech Republic
5. Serbia
6. Russia
7. Slovakia
8. Lithuania
8. Ukraine
10. Bulgaria

best to invest per capita

1. Hungary
2. Slovakia
3. Lithuania
4. Serbia
5. Czech Republic
6. Slovenia
7. Macedonia
8. Romania
9. Latvia
10. Estonia

Thank you for your kind attention

Web: <http://www.kormany.hu/en/ministry-of-foreign-affairs-and-trade>

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