

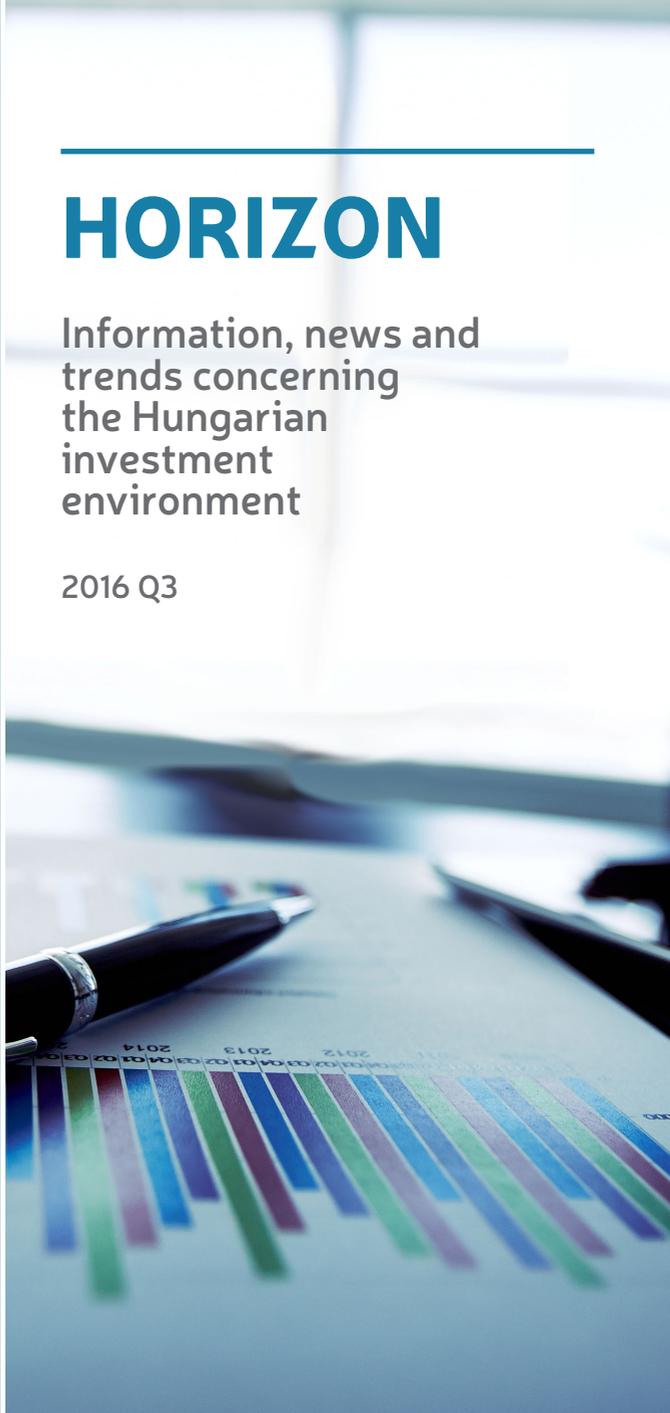


---

# HORIZON

Information, news and trends concerning the Hungarian investment environment

2016 Q3



hipa

HUNGARIAN INVESTMENT PROMOTION AGENCY



## HORIZON

Information, news and trends concerning the Hungarian investment environment

2016 Q3



# CONTENTS



1. Economic growth	9
2. Development of business activity indices	12
3. Public debt and budget	14
4. Inflation	15
5. Economic investment projects	16
6. Processing industry	17
7. Foreign trade	18
8. Employment	21
9. Unemployment	22
10. Wages and salaries	24
11. Labour costs and minimum wage	25
12. Education and qualifications	26



## SUMMARY



- The output of the Hungarian economy increased by 1.9% in H1 2016.
- The business and consumer confidence index also improved slightly in September.
- The government reduced the 2016 general government deficit target to 1.7%.
- The inflation rate is expected to rise above 2% next year.
- In the second half of this year, economic investment projects are expected to increase.
- In 2015, the weight of the processing industry increased to 24.6% in the total added value of the economy.
- In the first seven months of 2016, the value of Hungarian exports grew to EUR 53.7 billion, while imports increased to EUR 47.66 billion.
- In June to August 2016, the average number of employees was 4 386 000, which is 3.2% higher than a year before.
- In June to August 2016, the unemployment rate decreased by 1.7% to 4.9% compared to the same period in 2015.
- In January to July 2016, gross average earnings increased by 5.9% compared to the same period in the previous year.
- 18%, 16% and 13% of those admitted in higher education training launched in September 2016 within the general admission procedure may begin their studies in economic, engineering and teacher education, respectively.



# 1 ECONOMIC GROWTH



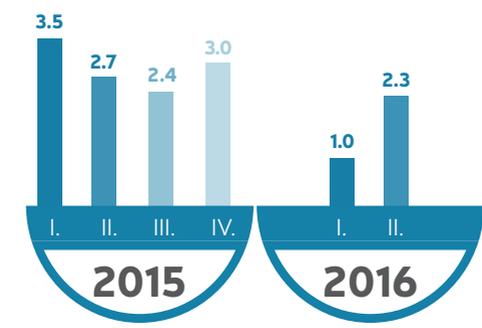
The gross domestic product (GDP) was 2.6% higher in Q2 2016 in Hungary than in the same period in the previous year. Market-based services, industry and agriculture contributed primarily to this growth. According to the figures adjusted seasonally and with the calendar effect, the output of the economy increased by 1.8% compared to the same quarter in 2015 and by 1.0% compared to the previous quarter. The output of the Hungarian economy increased by 1.9% in H1 2016.<sup>1</sup>

On the production side, the added value of industry increased by 3.9%, including a 3.7% increase in the processing industry, compared to the same period in the previous year. Within the processing industry, the added values of most of the sectors, including road vehicle manufacturing, increased. Of the major sectors, added values increased the most in the sector group of the manufacture of computers, electronic and optical products. The output of the construction industry decreased by 24%. By contrast, the added value of agriculture increased by 13%. The gross added value of services increased by 3.3%; within that, the 7.7% increase in the added value of trade, accommodation and food & beverage service activities can be pointed out.

## INCREASE OF THE HUNGARIAN GDP

(in percentage, year over year)

Source: Hungarian Central Statistics Office (HCSO)<sup>2</sup> note: after eliminating the calendar effect



In connection with the consumption side, the actual consumption of households increased by 4.6% compared to the same period in 2015. The gross accumulation of fixed assets dropped by 20%, which was essentially triggered by the completion of development projects financed from European Union funds.

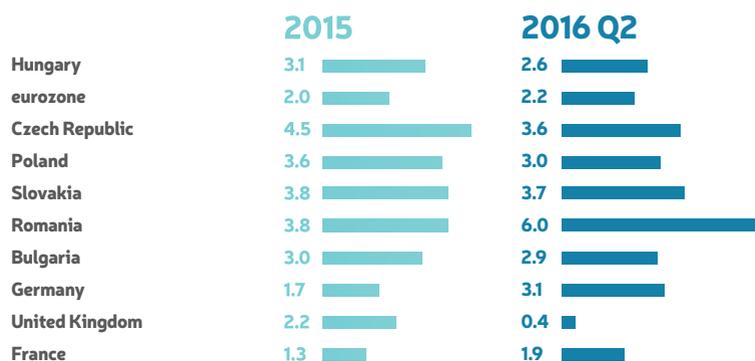
Eastern and Central Europe continues to be Europe's economic zone showing the fastest growth. The average growth of the region was higher than in the previous quarter, and its output is

<sup>1</sup> <http://www.ksh.hu/gyorstajekoztatok/#/en/document/gdpl606>  
<sup>2</sup> [https://www.ksh.hu/docs/eng/xstadat/xstadat\\_infra/e\\_qpt001.html](https://www.ksh.hu/docs/eng/xstadat/xstadat_infra/e_qpt001.html)

still considered to be favourable in comparison to whole Europe. In Q2 2016, the economy of each of the Visegrád countries grew by more than 2.5% compared to the same period in the previous year. The central banks of the Eastern and Central European countries maintained loose monetary conditions.<sup>3</sup>

On the basis of the second preliminary data from the national accounts, Hungary's gross domestic product (GDP) calculated at current prices was HUF 33 999 billion in 2015. Calculated at unchanged prices, it increased by 3.1% compared to 2014.<sup>4</sup> With regard to the growth of the European Union, this represents above-average growth.

#### GDP GROWTH FIGURES OF A FEW EU MEMBER STATES AND THE EUROZONE (%)



Source: Eurostat<sup>5</sup>

In Q2 2016, growth in the eurozone slowed down compared to the previous quarter, but the growth rate was still 2.2%. Germany's economy grew by 3.1% compared to the same period in the previous year, to which mostly domestic consumption and net exports contributed, while investment projects reduced the growth rate compared to the previous quarter. After the British referendum in June, the FED and the ECB decided to leave the monetary conditions unchanged, while the decision-makers of the Bank of England decided on comprehensive monetary easing.

The economic growth rate decreased in the United States in Q2 2016 compared to the same period in the previous year. Shrinking investment played a key role in the slowdown, and government consumption also decreased. The Japanese economy grew slightly compared to the previous quarter, which can be mainly attributed to an increase in residential consumption and government spending. Of the emerging countries with a large economic weight, China's economy grew by 6.7% in Q2 2016 year on year. However, industrial output and the growth rate of retail sales slowed down somewhat.<sup>6</sup>

According to the forecast of the Central Bank of Hungary, the dynamic growth of the domestic economy continues in H2 2016. Mostly domestic demand contributes to growth, which is fed by substantial increase in residential consumption. At the beginning of 2016, a significant decrease in EU funds substantially curbed investment projects. At the same time, in line with government

measures, public investment is expected to rise in the second half of the year. The favourable agricultural output will substantially increase the GDP growth rate this year.<sup>7</sup>

Salary increases in the public sector and targeted VAT cuts, most of which will take effect next January, will also favour consumption growth. The growth of household consumption expenditure is supported by basic income processes improving as a result of a high wage outflow and low inflation. The increase in investment projects is facilitated by lending picking up as a result of the Growth Support Programme as well as an increase in the proportion of EU funds that may be drawn down by companies for the purpose of economic development to an extent greater than previously. From 2017, the newly announced automotive development projects will also contribute to an increase in corporate investment projects, which will cause another substantial increase in industrial output again as of 2018. In addition to the direct surplus output in vehicle manufacturing, the development projects also increase economic performance through secondary effects, i.e. simultaneously with the picking up of demand, the supplier network (rubber and metal industry and electronics) closely associated with the sector expands and the added value of related market services also increases.<sup>8</sup> As expected by the Central Bank of Hungary, economic growth will be 2.8% this year, which will increase to 3.0% next year.<sup>9</sup>

<sup>3</sup> <https://www.mnb.hu/letoltes/eng-ir-digitalis-verzio-kpr-tol.pdf>

<sup>4</sup> <https://www.mnb.hu/letoltes/eng-ir-digitalis-verzio-kpr-tol.pdf>

<sup>5</sup> <http://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=teina011&language=en>

<sup>6</sup> <https://www.mnb.hu/letoltes/eng-ir-digitalis-verzio-kpr-tol.pdf>

<sup>7</sup> <https://www.mnb.hu/letoltes/eng-ir-digitalis-verzio-kpr-tol.pdf>

<sup>8</sup> <https://www.mnb.hu/letoltes/eng-ir-digitalis-verzio-kpr-tol.pdf>

<sup>9</sup> <https://www.mnb.hu/letoltes/eng-ir-digitalis-verzio-kpr-tol.pdf>

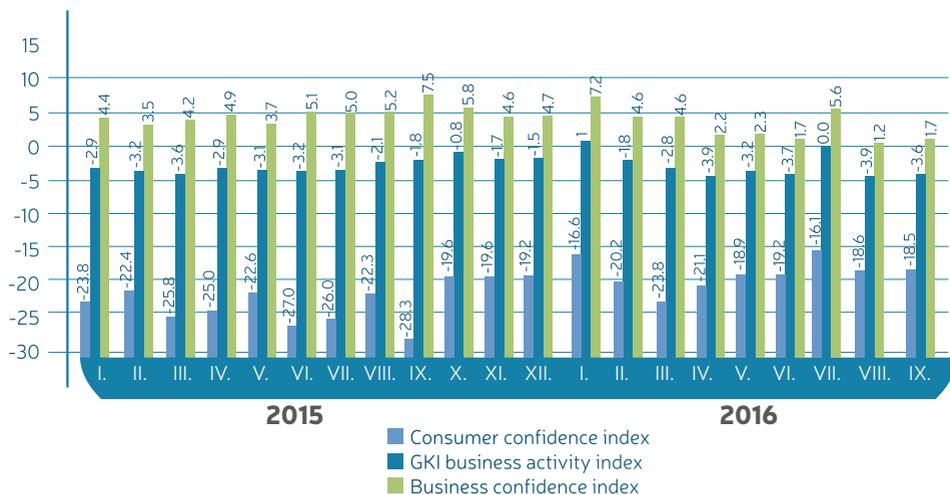
## 2 DEVELOPMENT OF BUSINESS ACTIVITY INDICES



The GKI business activity index has essentially been moving in a narrow range (between -5 and 0) for years. The September 2016 value is in the lower range. Both the business and consumer confidence indices improved slightly compared to the previous month.

Within the business sector, the industrial confidence index decreased in September, the construction and trade ones increased, but the services one did not change. In industry, the assessment of the output of the past and next three months and inventories became more favourable. After a significant decrease in the previous two months, the trade confidence index increased slightly, but even so it could not rise back to the relatively narrow range characterising more than two years ending with June. The services confidence index did not change in September compared to August.

DEVELOPMENT OF THE GKI-ERSTE BUSINESS ACTIVITY INDICES



Source: GKI<sup>10</sup>

The intention to employ became stronger in every sector other than industry and, at the same time, the population's fear of unemployment increased slightly. In the construction industry, the propensity of employment reached its semi-annual peak, but improvement can also be felt in the case of services. The efforts to increase prices show a similar picture: only the industry's plan to increase prices became weaker, that of other sectors, mainly trade, became stronger.

The consumer confidence index did not change in September, the population assessed their expected financial situation to be better, but their expected saving ability to be worse than in the previous month.



<sup>10</sup> [http://www.gki.hu/wp-content/uploads/2016/09/GKI\\_konj\\_1609\\_eng.pdf](http://www.gki.hu/wp-content/uploads/2016/09/GKI_konj_1609_eng.pdf)

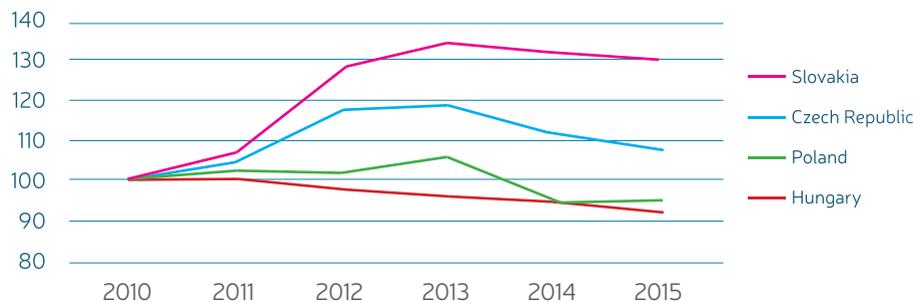
### 3 PUBLIC DEBT AND BUDGET

According to the revised figures published in September, the 2015 deficit of the government sector was HUF 533.9 billion, i.e. 1.6% of the GDP, which is significantly more favourable than the 2.0% value published in April. According to the figures of the Central Bank of Hungary, the gross public debt was HUF 25 402 billion, i.e. 74.7% of the GDP, at the end of 2015.<sup>11</sup>

The deficit of the central subsystem of the general government reached HUF 2.4 billion at the end of September 2016. The central budget closed with a deficit of HUF 95.5 billion, while the social security funds and the separate state funds closed with surpluses amounting to HUF 21.3 billion and HUF 71.8 billion, respectively.<sup>12</sup> Accordingly, the deficit declined considerably compared to HUF 954.6 billion in the same period of 2015. In addition to higher revenues and lower expenditures, the difference between the data for the same periods of the two years is attributable to the fact that EU disbursements to beneficiaries from the budget reached the maximum in 2015, and the European Union is reimbursing the national budget for these amounts this year. In view of the favourable data, the government reduced this year's general government deficit target from the previous 2.0% to 1.7% of the GDP.<sup>13-1</sup> The central bank expects an even more favourable figure: accordingly, this year's deficit may be between 1.4–1.5% of the gross domestic product.<sup>13-2</sup>

Based on the forecast of the Central Bank of Hungary, the general government deficit may be 2.1% to 2.3% of the GDP in 2017, which is lower than the 2.4% figure stated in the 2017 Budget Act. Similarly to 2016, tax revenues related to wages and salaries are expected to increase significantly next year, resulting from a higher wage dynamics than previously expected and an increase in employment. Based on the forecast of the central bank, the public debt will drop to a level around 74.5% of the GDP this year and 73.5% by the end of 2017, i.e. the debt reduction achieved in the past years continues.<sup>14</sup>

#### GROSS PUBLIC DEBT AS A PERCENTAGE OF THE GDP (2010 = 100)



Source: Eurostat and HCSO

<sup>11</sup> <http://www.ksh.hu/docs/hun/xftp/idoszaki/gdpev/egdpevelo15.pdf>

<sup>12</sup> <http://www.kormany.hu/en/ministry-for-national-economy/news/full-year-fiscal-deficit-target-revised-lower-to-1-7-percent-of-gdp>

<sup>13-1</sup> <http://www.kormany.hu/en/ministry-for-national-economy/news/full-year-fiscal-deficit-target-revised-lower-to-1-7-percent-of-gdp>

<sup>13-2</sup> <https://www.mnb.hu/letoltes/eng-ir-digitalis-verzio-kpr-tol.pdf>

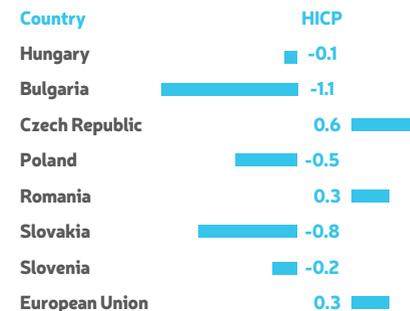
<sup>14</sup> <https://www.mnb.hu/letoltes/eng-ir-digitalis-verzio-kpr-tol.pdf>

### 4 INFLATION

Based on HCSO (Hungarian Central Statistical Office) data, in September 2016, consumer prices were 0.6% higher on average than a year earlier. On the whole, food prices increased by an average 0.8% compared to September 2015; the price of sugar rose by 22.2% and that of cooking oil by 5.8%, while the prices of pork and eggs declined by 10.8% and 3.3%, respectively. In the past one year, liquor and tobacco product prices were up by 2.0% on average, while services became 1.3% more expensive, and both wearing apparel and consumer durables prices increased by 0.2%. The price of household energy remained unchanged; of other goods, vehicle fuel prices were 3.9% lower than a year earlier.<sup>15</sup>

The harmonised index of consumer prices (HICP) used by Eurostat was 0.3% in the European Union and 0.2% in the eurozone in August 2016. The highest inflation was registered in Belgium, where its rate was 2.0%, while Croatia had the lowest inflation rate, where prices fell by 1.5%. The majority of the countries of the region are characterised by mild deflation. After Croatia prices fell in Bulgaria to the greatest extent (by 1.1%), while in the case of the Czech Republic and Romania the inflation rate was in the positive range (0.6% and 0.3%, respectively).<sup>16</sup>

#### HARMONISED INDEX OF CONSUMER PRICES IN THE CENTRAL AND EASTERN EUROPEAN COUNTRIES AND THE EUROPEAN UNION (AUGUST 2016)



Source: Eurostat

The latest inflation report of September 2016 of the Central Bank of Hungary expects an inflation rate of 0.4% this year and 2.3% next year. The domestic inflation rate may get close to the medium-term inflation target of the central bank (3%) only in mid-2018. Due to the effect of the rising trend in raw material prices, an increasing inflation rate can be forecasted in the short-term, which will be partly offset by low imported inflation from a moderate increase in our most important foreign trade partner, the eurozone, and a globally low cost environment. A gradual increase in core inflation filtered from indirect taxes is predicted by the Central Bank of Hungary, which may be 1.3% this year.<sup>17</sup>

<sup>15</sup> <http://www.ksh.hu/gyorstajekoztatok/#/en/document/far1609>

<sup>16</sup> <http://ec.europa.eu/eurostat/documents/2995521/7639672/2-15092016-BP-EN.pdf/d57df836-165a-46fe-9fcf-0ac4c45752c43d>

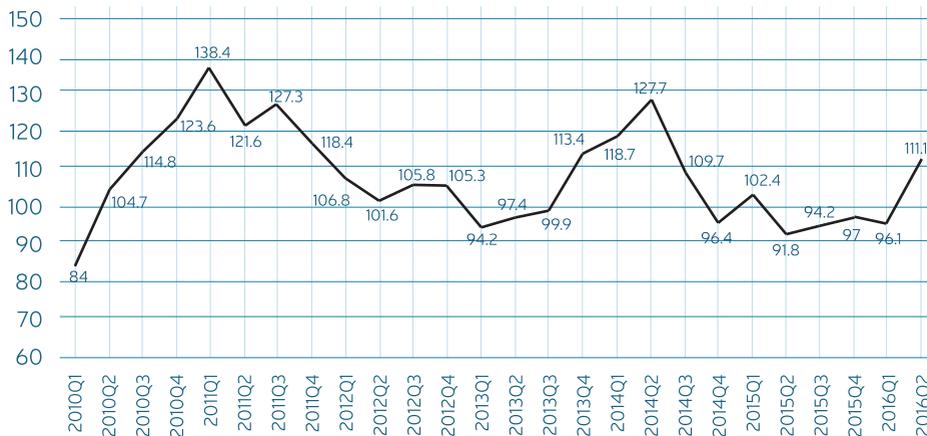
<sup>17</sup> <https://www.mnb.hu/letoltes/eng-ir-digitalis-verzio-kpr-tol.pdf>

## 5 ECONOMIC INVESTMENT PROJECTS

In 2015, the value of economic investment projects attained about HUF 5 760 billion in Hungary, which means, in terms of volume, a 3.8% increase compared to the 2014 level. In 2015, the role of projects also involving the procurement of new fixed assets and implemented from EU aid was key in the development of investment processes, which showed a dynamic increase despite of a high baseline. In 2015, of the nineteen economic branches, an increase in volume was recorded in nine. The most dynamic expansion took place in the economic branches of public administration, defence and compulsory social insurance (49%), in the development of which the procurement of new fixed assets by central budgetary agencies played an outstanding role in addition to border protection measures.<sup>18</sup>

In H1 2016, the value of the economic investment projects attained HUF 1 838.3 billion, which represents a 17.3% decrease in volume compared to the same period in 2015. The reduction was caused by the completion of the development projects financed from European Union funds, which affected the projects of central budgetary agencies to the greatest extent.<sup>19</sup> As expected by the Central Bank of Hungary, in line with the government's measures, public investments are expected to rise in H2 2016, but a major part of projects implemented from EU funds will be carried out from 2017. Starting next year, automotive development projects will also significantly stimulate corporate investment projects. The investment activities of the population are expected to gradually increase as a result of improving long-term expected earnings, the foreign exchange risk removed from the balance sheets and the government's housing programme.<sup>20</sup>

### VOLUME INDEX OF INVESTMENT PROJECTS IN THE PROCESSING INDUSTRY (COMPARED TO THE SAME PERIOD IN THE PREVIOUS YEAR)



Source: HCSO

<sup>18</sup> <http://www.ksh.hu/docs/hun/xftp/idoszaki/jelberuh/jelberuh15.pdf> (only in Hungarian)  
<sup>19</sup> <http://www.ksh.hu/gyorstajekoztatok/#/en/document/ber1606>  
<sup>20</sup> <https://www.mnb.hu/letoltes/eng-ir-digitalis-verzio-kpr-tol.pdf>

## 6 PROCESSING INDUSTRY

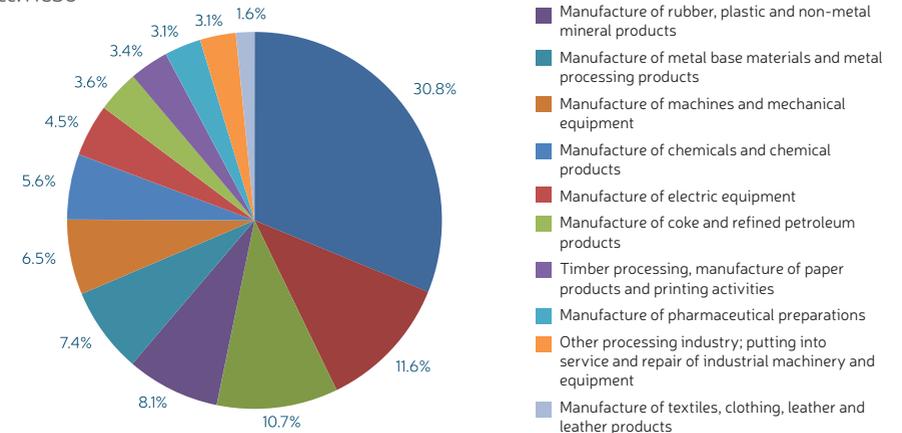
The gross added value of the processing industry reached 24.6% of the total added value of the economy in 2015, which represents a 1.3% increase compared to 23.3% in 2014. Among the sectors of the processing industry, vehicle manufacturing is outstanding, which had a 5.1% weight in the total added value of the economy in 2015. Vehicle manufacturing was followed by the manufacture of machines and mechanical equipment and the manufacture of rubber, plastic and non-metal mineral products with a share of 3.3% and 2.3%, respectively.

In 2015, according to revised data, the production value of the manufacturing industry as a whole amounted to HUF 25,978.7 billion, representing an expansion of 7.1% compared to 2014. In the first eight months of 2016, the production value and the volume of the manufacturing industry rose by 1.8% and 2.9%, respectively. The highest increases in volume were recorded in the following sectors: manufacturing of computers, electronic and optical products (12.5%), wood processing, paper product manufacturing and printing activity (7.1%) as well as manufacturing of electric equipment (7.1%).

According to data for the first eight months of 2016, looking at individual industries, with 30.8%, vehicle manufacturing has the highest weight within the production value of the manufacturing industry as a whole. It is followed by the manufacturing of computers, electronic and optical products with a share of 11.6% and the production of food, drinks and tobacco products with a weight of 10.7%.

### DISTRIBUTION OF THE PRODUCTION VALUE OF THE PROCESSING INDUSTRY BASED ON SECTOR GROUPS (JANUARY TO JULY 2016)

Source: HCSO



Examining the distribution of industrial production as a whole across the country, in addition to Győr-Moson-Sopron County (12.9% of the national industrial production), Budapest (10.4%) and Borsod-Abaúj-Zemplén County (8.7%) are worth mentioning on the basis of the data for the first eight months of 2016. In terms of growth in production volume, Nógrád County (35.5%) is on top of the ranking followed by Tolna County (26%) and Komárom-Esztergom County (24.5%).



Hungary's total exports of goods attained EUR 90.46 billion in 2015, which represents a 7.0% increase compared to EUR 84.51 billion in 2014. After a 4.6% increase, Hungary's imports of goods amounted to EUR 81.86 billion last year. Due to the stronger growth of exports, Hungary's foreign trade surplus increased by 37.0% to EUR 8.60 billion compared to Hungary's surplus of EUR 6.27 billion in 2014. In January to July 2016, Hungary's foreign trade turnover increased by 1.1% and attained EUR 101.36 billion. In the first seven months of this year, Hungary's exports increased by 1.9% to EUR 53.7 billion, while Hungary's imports reached EUR 47.66 billion after an increase of 0.2% compared to the same period in 2015. In January to July 2016, Hungary's foreign trade surplus was EUR 6.04 billion, which represents a 17.5% increase compared to Hungary's surplus of EUR 5.15 billion compared to the same period in 2015.

#### DEVELOPMENT OF HUNGARY'S FOREIGN TRADE (EUR BILLIONS)

PERIOD	IMPORTS	EXPORTS	SALES TURNOVER	FOREIGN TRADE
			(EXPORTS + IMPORTS)	BALANCE (EXPORTS-IMPORTS)
2014	78.23	84.51	162.74	6.27
2015	81.86	90.46	172.33	8.60
Change 2015/2014 (%)	4.6%	7.0%	5.9%	37.0%
Jan. to July 2015	47.58	52.72	100.30	5.15
Jan. to July 2016	47.66	53.70	101.36	6.04
Change Jan. to July 2016/ Jan. to July 2015 (%)	0.2%	1.9%	1.1%	17.5%

Source: HCSO

In the first seven months of 2016, Hungary conducted nearly four fifths of its foreign trade with the countries of the European Union. In the case of exports, 80% of the goods went to EU countries, while in the case of imports this proportion was 78.3%. The dominance of our most important trade partner, Germany, still remained: 28.1% of Hungary's total exports targeted Germany, while goods from that country accounted for 26.7% of Hungary's total imports. In respect of exports, Germany is followed by Romania and Italy with a 4.9% share, their volumes were EUR 2.62 billion and EUR 2.61 billion, respectively. In the case of imports, Hungary's second largest partner is Austria with a share of 6.5% and a volume of nearly EUR 3.08 billion, while the third place is occupied by Poland with a share of 5.5% and a value of EUR 2.6 billion.

#### HUNGARY'S 10 MOST IMPORTANT IMPORT AND EXPORT PARTNERS IN JANUARY TO JULY 2016 (EUR MILLION)

IMPORT			EXPORT		
COUNTRY	VALUE	SHARE	COUNTRY	VALUE	SHARE
Germany	12,736.9	26.7%	Germany	15,066.8	28.1%
Austria	3,077.1	6.5%	Romania	2,623.2	4.9%
Poland	2,597.7	5.5%	Italy	2,612.7	4.9%
China	2,550.0	5.4%	France	2,602.9	4.8%
France	2,427.4	5.1%	Austria	2,600.9	4.8%
Slovakia	2,370.3	5.0%	Slovakia	2,464.2	4.6%
Italy	2,369.1	5.0%	Czech Republic	2,178.7	4.1%
Netherland	2,314.7	4.9%	Poland	2,177.4	4.1%
Czech Republic	2,271.6	4.8%	United Kingdom	2,035.3	3.8%
Romania	1,445.5	3.0%	United States	1,771.8	3.3%
<b>Total imports</b>	<b>47,658.0</b>	<b>100.0%</b>	<b>Total exports</b>	<b>53,702.7</b>	<b>100.0%</b>

Source: HCSO

Hungary's product-level foreign trade<sup>21</sup> is mostly dominated by products related to vehicle manufacturing. Of the five most important products, four / two belong to this sector in respect of exports / imports, respectively. In the first seven months of this year, Hungary's most important export products were passenger cars and other motor vehicles. Their exports reached EUR 5.9 billion and accounted for 11.0% of Hungary's total exports of goods. Parts and accessories for motor vehicles take the second place, while the third most important export products were spark-ignition internal combustion engines. The volume of the former was EUR 3.1 billion with a share of 5.8%, while that of the latter was EUR 1.9 billion with a share of 3.6%. Our country's most important import products were parts and accessories for motor vehicles in January to July 2016, which accounted for 6.1% of the total imports, with a volume of EUR 2.9 billion. This was followed by passenger cars and other motor vehicles with an import volume of EUR 1.45 billion (with a share of 3.0%), while the third place is taken by fixed-line telephones and telegraph devices with a value of EUR 1.42 billion (also with a share of 3.0%).

<sup>21</sup> Based on the four-digit breakdown of the Hungarian Combined Nomenclature of KSH (Hungarian Central Statistical Office)

## MOST IMPORTANT EXPORT AND IMPORT PRODUCTS IN THE FIRST SEVEN MONTHS OF 2016 (EUR MILLION)

MOST IMPORTANT EXPORT PRODUCTS	EXPORTS	SHARE
8703 Passenger cars and other motor vehicles designed primarily for passenger transport	5,890.40	11.0%
8708 Parts and accessories for motor vehicles	3,131.73	5.8%
8407 Spark-ignition internal combustion piston or Wankel engines	1,933.52	3.6%
3004 Medicines in measured doses or forms or in packaging common in retail trade	1,737.17	3.2%
8408 Compression-ignition internal combustion piston engines (diesel or semi-diesel)	1,576.51	2.9%
<b>TOTAL EXPORT PRODUCTS</b>	<b>53,702.66</b>	<b>100.0%</b>
MOST IMPORTANT IMPORT PRODUCTS	IMPORTS	SHARE
8708 Parts and accessories for motor vehicles	2,891.83	6.1%
8703 Passenger cars and other motor vehicles designed primarily for passenger transport	1,445.43	3.0%
8517 Fixed-line/carrier frequency and digital/telephone and telegraph devices; video telephone; the parts of these	1,424.20	3.0%
3004 Medicines in measured doses or forms or in packaging common in retail trade	1,379.66	2.9%
8409 Parts of exclusively or primarily internal combustion engines	1,265.27	2.7%
<b>TOTAL IMPORT PRODUCTS</b>	<b>47,658.04</b>	<b>100.0%</b>

Source: HCSO



## EMPLOYMENT



According to the figures of the HCSO, the total number of employees was 4,386,000 in June to August 2016, which is 135,000 (3.2%) higher than in the same period of the previous year.<sup>22</sup>

The development of the number of employees included 4 040 900 persons working on the domestic primary labour market, 230,800 public work employees, and 114 800 persons working at foreign company sites. The domestic primary labour market contributed to the growth with 129,600 employees.

In June to August 2016, 4,345,000 people of the age group of 15 to 64 years, which represents a population of 6 479,000, were employed. Their employment rate increased by 2.5% to 67.1%.<sup>23</sup> In Q2 2016, the largest employer in the industrial sector, the processing industry, employed 919,800 persons, and trade and motor vehicle repair, outstanding among services, employed 553,900. According to the labour survey data of the HCSO among the population, the number of employees in the processing industry increased by 24,500 on the whole compared to the same period of the previous year, mainly due to a 14.1%, 14.4% and 10.2% increase in employment taking place mainly in the sectors of the manufacture of computers, electronic and optical products; the manufacture of electrical equipment; and the manufacture of machinery and mechanical equipment, respectively.<sup>24</sup>

<sup>22</sup> <http://www.ksh.hu/gyorstajekoztatok/#/en/document/fogl608>

<sup>23</sup> <http://www.ksh.hu/gyorstajekoztatok/#/en/document/fogl608>

[http://www.ksh.hu/docs/eng/xstadat/xstadat\\_infra/e\\_qif034.html](http://www.ksh.hu/docs/eng/xstadat/xstadat_infra/e_qif034.html)

<sup>24</sup> [http://www.ksh.hu/docs/eng/xstadat/xstadat\\_infra/e\\_qif005b.html](http://www.ksh.hu/docs/eng/xstadat/xstadat_infra/e_qif005b.html)

# 9 UNEMPLOYMENT



The increase in the number of employees was accompanied by a further decrease in the number of unemployed. According to the information provided by the HCSO, the number of unemployed as defined by the labour survey was 227,000 in June to August 2016, which is 77,000 fewer than a year earlier. The unemployment rate fell by 1.7% to 4.9%.<sup>25</sup>

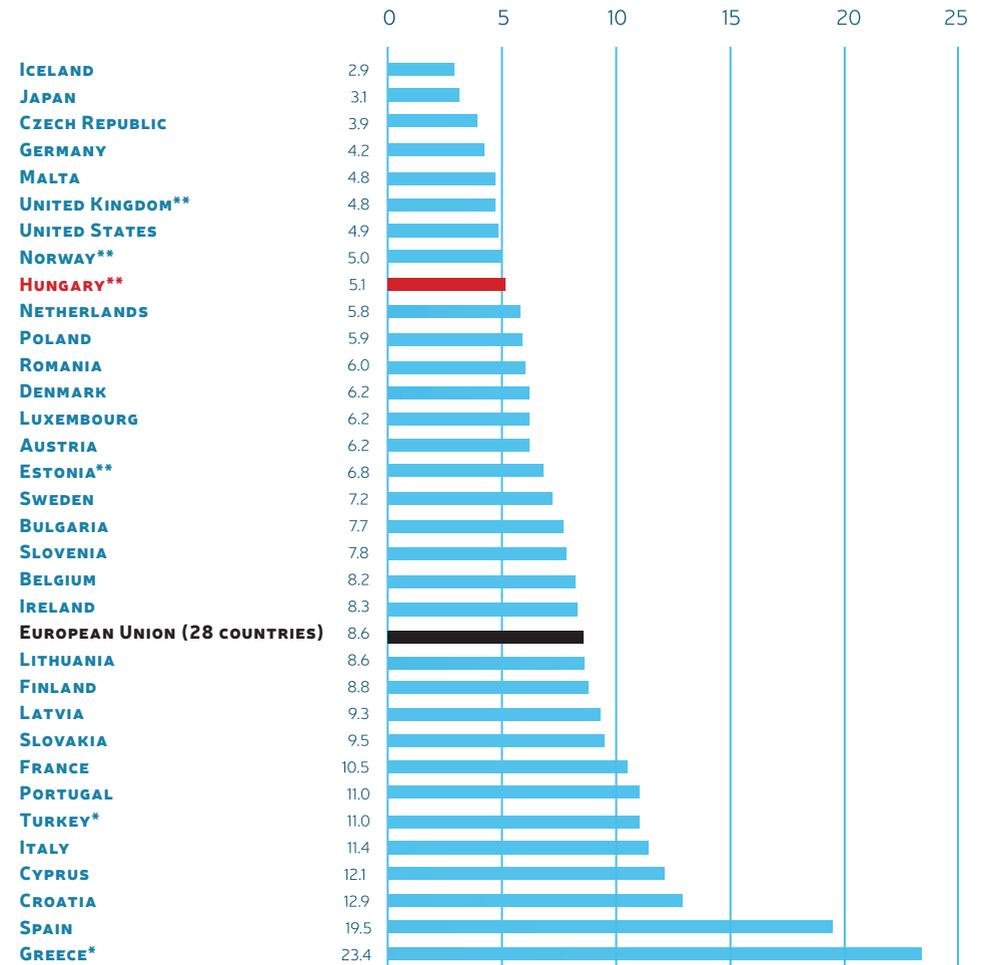
In Q2 2016, according to the economic branch or sector of their previous jobs, the number of unemployed with less than eight years of work experience decreased by 14.7% (6,500 persons) in the industrial sector, by 22.6% (5,000 persons) in the construction industry and by 22.1% (16,200 persons) in the services sector compared to the same period of the previous year. By contrast, 29.2% (1,900 persons) more unemployed were registered among those with work experience in the agricultural, forestry and fishing sectors.<sup>26</sup>

According to the figures of the National Employment Service, the number of registered job seekers decreased by 16.4% (55,628 persons) to 283,350 by the end of August 2016 compared to the figure at the end of August last year. Compared to the previous month this year, the number of registered job seekers decreased by 8,634 (3.0%).<sup>27</sup>

According to Eurostat's seasonally adjusted figures, the average unemployment rate was 10.1% in the eurozone, 8.6% in the whole EU (28 Member States) and only 5.1%<sup>28</sup> in Hungary in August 2016. The 12.6% unemployment rate of the Hungarian population younger than 25 years is also more favourable than the 18.6% European average; Eurostat recorded youth unemployment rates of 20.7% in the eurozone, 43.2% in Spain, 47.7% in Greece and 38.8% in Italy. The unemployment rate in the EU-28 decreased by 0.7% compared to that of August in the previous year (9.3%).<sup>29</sup>

<sup>25</sup> <http://www.ksh.hu/docs/eng/xftp/gyor/mun/emun1608.html>  
<sup>26</sup> [http://www.ksh.hu/docs/eng/xstadat/xstadat\\_infra/e\\_qf048a.html](http://www.ksh.hu/docs/eng/xstadat/xstadat_infra/e_qf048a.html)  
<sup>27</sup> [http://en.munka.hu/engine.aspx?page=en\\_full\\_afsz\\_stat\\_monthly\\_report\\_2014](http://en.munka.hu/engine.aspx?page=en_full_afsz_stat_monthly_report_2014)  
<sup>28</sup> Hungarian data is from July 2016.  
<sup>29</sup> [http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment\\_statistics](http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics)

## UNEMPLOYMENT RATE (%), AUGUST 2016



\*: June 2016

\*\* : July 2016

Source: Eurostat

## 10 WAGES AND SALARIES



In January to July 2016, gross average earnings increased by 5.9% compared to the same period in the previous year. The increase was also influenced by a 5.7% increase in the minimum wage and the guaranteed wage minimum, pay increases at the armed bodies, and the supplementary bonus paid to workers employed in the social field. The net earnings rose by 7.5% due to a 1% decrease in the personal income tax. The average gross pay of full-time employees was HUF 257,900 at the level of the national economy. The average gross salaries were the highest in the economic branch of financial and insurance activities (HUF 526,200) and the lowest in the area of human health care and social care (HUF 149,400). The average net pay (calculated without family benefits) was HUF 171,500 at the level of the national economy. Without the average pay figures of public work employees, wages and salaries increased by 6.4% in the national economy, and within that by 5.2% in the business sector. In the first seven months of 2016, the average gross monthly pay of full-time public work employees attained HUF 79,100.

In the first seven months of 2016, the average gross monthly income from work attained HUF 271,200 at the level of the national economy, within which the proportion of other income from work accounted for 4.9% on average.<sup>30</sup>

<sup>30</sup> <http://www.ksh.hu/gyorstajekoztatok/#/en/document/ker1607>

## 11 LABOUR COSTS AND MINIMUM WAGE



Labour costs did not change in 2016, thus the social contribution tax rate payable by employers is 27%, while employers also pay a vocational training contribution of 1.5%. The pension plan contribution payable by employees is 10%, their health insurance contribution in kind is 4%, their health insurance contribution in cash is 3%, and their labour market contribution is 1.5%.

The mandatory minimum amount of basic pay established for full-time employees (minimum wage) increased by 5.7% to HUF 111,000 (from HUF 105 000) as of 1 January 2016. The guaranteed wage minimum for employees employed in jobs requiring at least secondary school qualifications or secondary vocational qualifications also increased by 5.7% in the case of full-time employment to HUF 129,000 (from HUF 122,000).

### DEVELOPMENT OF MINIMUM WAGES





A package amending education acts was promulgated in Act LXXX of 2016 on 23 August 2016. The institutions of the public education system were transformed in accordance with the Act (Section 19). From now on, the following definitions apply: secondary schools are grammar schools, specialist grammar schools and vocational secondary schools; secondary-level schools are secondary schools, training secondary schools and skills development schools; and vocational training schools are specialist grammar schools, vocational secondary schools and training secondary schools. According to the Act (Section 20), the certificates issued on the successful completion of the final year of secondary schools and skills development schools are considered secondary school diplomas. Furthermore, it is also considered secondary education if the student completed the specialist years of a vocational secondary school or training secondary school and successfully passed a comprehensive vocational examination. Thus, education in specialist grammar schools, vocational secondary schools and training secondary schools alike can provide both secondary education and vocational qualifications; as intended by the Act, thereby also facilitating successful entry in the labour market or, in the event of advancing to post-secondary education, the commencement of higher education studies. From September 2016, the school year began already in the new system after the transformation of the educational structure of vocational training institutions. Annex 3 to the amending Act lists the higher education institutions recognised by the State in Hungary.<sup>31</sup>

Nearly two thirds of those successfully gaining admission in the general admission procedure could begin their studies for a Bachelor's degree, and nearly 10% of them, for a combined Bachelor's and Master's degree at the beginning of September 2016. In terms of the Bachelor's and combined Bachelor's and Master's education, 18% of those admitted, 9,464 students, enrolled in the educational area of economics, which represents a 12% increase compared to the previous year. The second largest educational area (the first last year) is engineering, where 16% of those admitted, 8,564 students, were enrolled. The largest increase in the number of students is found in the education of teachers; 18% more, 6,904, students were admitted there, which is 13% of those admitted. With this, the education of teachers was the third largest area, while the fourth was information technology (9%, 4,779 students), and the fifth was liberal arts (8%, 4,506 students). The number of students admitted to Bachelor's and combined Bachelor's and Master's education in the general admission procedure in the 10 most popular fields are as follows: law: 2,435; business and management: 1,737; mechanical engineering: 1,734; IT engineering: 1,545; IT program design: 1,422; trade and marketing: 1,169; general medicine: 1,022; nursery school teaching: 1,019; infant and toddler care: 976; and economic informatics: 913.<sup>32</sup>

*Prepared by: Economic Analysis Department, HIPA  
Budapest, 10 October 2016*

<sup>31</sup> <http://www.kormany.hu/hu/emberi-eroforrasok-miniszteriuma/hirek/bernyujtottak-az-oktatasi-torvenyeket-modosito-csomagot> (only in Hungarian)  
[http://www.magyarokozlony.hu/dokumentumok/bdd02206276bb80ba43457265b964ea18f98619c/megtekintes-es-http://njt.hu/cgi\\_bin/njt\\_doc.cgi?docid=196057323439](http://www.magyarokozlony.hu/dokumentumok/bdd02206276bb80ba43457265b964ea18f98619c/megtekintes-es-http://njt.hu/cgi_bin/njt_doc.cgi?docid=196057323439) (only in Hungarian)

<sup>32</sup> [https://www.felvi.hu/felveteli/ponthatarok\\_rangsorok/jelentkezo\\_es\\_felvettek/16A\\_felvettek\\_gyorsjelentés\\_2](https://www.felvi.hu/felveteli/ponthatarok_rangsorok/jelentkezo_es_felvettek/16A_felvettek_gyorsjelentés_2) (only in Hungarian)

## Impressum

### Published and distributed by

Hungarian Investment Promotion Agency  
H-1055 Budapest, Honvéd utca 20., Hungary  
+36 (1) 872 6520  
press@hipa.hu  
www.hipa.hu

### Managing publisher:

Róbert Ésik  
President

### Managing editor:

Béla Király  
Head of Communications Department

### Chief Analyst:

Ákos Dani  
Head of Economic Analysis Department

### Date of finalisation of the manuscript:

10 October 2016

The tables, graphs, data and text in this publication do not constitute an offer. They all originate, either in part or in full, from surveys, which do not fall within the scope of Act XLVI of 1993 on statistics and are therefore not deemed official statistical data. The Hungarian Investment Promotion Agency (HIPA) prepared the contents, data and text of the publication with due care, yet neither HIPA nor any third party takes any responsibility for any errors in the text, content, data or interpretation and/or any consequential direct, indirect financial or other damage. HIPA does not take any responsibility for any damage or disadvantage caused by any third party as a result of his/her reference to the content of the publication. Any further utilisation and edition of this publication is subject to the prior written approval of HIPA exclusively providing that the name of HIPA and the source(s) are indicated properly.

© Hungarian Investment Promotion Agency



---

## Hungarian Investment Promotion Agency

1055 Budapest, Honvéd Street 20.

+36 1 872 6520

[info@hipa.hu](mailto:info@hipa.hu)

[www.hipa.hu](http://www.hipa.hu)