



Q3 2023

# HIPA Guide

HIPA Hungarian Investment  
Promotion Agency Non-Profit  
Private Company Limited by Shares

ECONOMIC ANALYSIS DEPARTMENT

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Closed on 12 October 2023

## Summary

- The GDP moderation in H1 2023 was resulted by the decline in industry, construction, services, final consumption and gross capital formation.
- Based on the IMF forecast, growth in Hungary (3.1%) will be significant in the region next year, along with Romania (3.8%) and Bulgaria (3.2%).

### GDP

GDP volume: -1.7% (first half of 2023)

Prognosis (IMF): -0.3% (2023), 3.1% (2024)



- In January–July 2023, the production value of the manufacturing amounted to HUF 30,510.5 billion.
- In the first seven months of this year, the key sectors of manufacturing production were vehicle production, the food industry and the production of electrical equipment.
- In a regional comparison, the average volume index of Hungarian manufacturing production is in the middle range.

### Manufacturing

Share of value added in the national economy: 20.2% (2022)

Production value: +5.8% (January–July 2023)



- Compared the H1 2019 and the H1 2023 Hungarian exports to the USA almost doubled (by 98.8%, to EUR 2.9 billion), primarily due to the expansion of passenger car and battery exports.
- Among Hungary's main import partner countries, South Korea has moved up from 12th to 4th place, mainly as a result of the expansion of the import of machinery and chemicals related to battery production.

### Foreign trade

Goods exports: +10.4%, EUR 88.7 billion (months 1–7 of 2023)

Goods imports: -0.7%, EUR 83.8 billion (months 1–7 of 2023)



- In August 2023, the harmonised index of consumer prices in all of the Central European member states exceeded the EU average (5.9%).
- In January–September 2023 consumer prices in Hungary increased by an average of 20.9%.
- According to MNB, the consumer price index is expected to drop to a single digit in Hungary as well by November 2023.

### Inflation

Consumer price index: 12.2% (annual, September 2023)

Annual average inflation: 4.0–6.0% (forecast, 2024)



- The Q2 2023 Hungarian unemployment rate (3.9%) is two-thirds of the EU average (5.8%) and the 7th lowest in the EU.
- The Q2 2023 Hungarian employment rate (64.6%) exceeded the EU average (61.5%) and is the 3rd highest among Central European member states.
- In July 2023, the average gross salary in the national economy increased by 15.0% (to HUF 568,500) on an annual basis, while the real earnings decreased by 2.0%.

### Labour market

Unemployment rate: 3.5–3.8% (forecast, 2024)

Gross average earnings in the competitive sector: +9.5–10.5% (forecast, 2024)



- In 2021, Germany was still the most important investor country in Hungary based on the FDI stock published by MNB.
- Between 2014 and 2021, the value of the stock FDI in Hungary linked to South Korea increased more than sevenfold.

### FDI

FDI stock linked to German investors: EUR 18.2 billion (2021)

FDI stock linked to South Korean investors EUR 6.9 billion (2021)



## 1. Economic growth

**In H1 2023, the volume of the gross domestic product in Hungary decreased by 1.7% compared to the same period of last year,<sup>1</sup> which can mostly be explained by the decline in the performance of industry (mainly the manufacturing and the energy industry), the construction and the services. Within the manufacturing, the manufacture of chemicals and chemical products decreased to the greatest extent, while the manufacture of transport equipment and electrical equipment increased.**

**On the production side, in the first six months of 2023, the value added of the industry increased by 4.4% (including the manufacturing by 2.9%), while that of the construction industry decreased by 6.8% on an annual basis.** The performance of agriculture significantly increased compared to the low base of the same period last year, so its value added increased by 47.6%.<sup>2</sup>

**After nearly two years of continuous growth, the gross value added of services dropped by 1.2%, which is mainly due to the decrease in trade, vehicle repair (-9.3%) as well as transport and storage (-5.5%). In contrast, among others, information and communication (1.9%) as well as financial and insurance activities (1.2%) expanded. Behind the 1.7% decrease in the gross domestic product in H1 2023 is a 0.9 percentage point drop in industry, a 0.3 percentage point drop in the construction industry, and a 0.8 percentage point drop in services. In contrary, the agricultural sector improved the balance sheet by 1.4 percentage points.<sup>3</sup>**

**Concerning expenditure approach, the actual consumption of households decreased by 2.7% compared to the first six months of 2022.** The consumption expenditure of households also decreased (by 4.0%), and it is worth mentioning here that from December 2022 to August 2023 a decrease in volume was registered in the case of retail sales in every month.<sup>4</sup>

**All in all, behind the decrease of the gross domestic product in the first half of 2023 is a 1.9 percentage point decrease in final consumption and a 4.8 percentage point decrease in gross fixed formation. In contrast, the balance of foreign trade slowed down the decline in economic performance by 5.0 percentage points.<sup>5</sup>**

**There are multiple factors behind this year's moderate economic performance. In addition to the decrease in real wages and the increase in corporate expenditures, cautious consumer decisions due to high inflation and deferred investments due to stricter fiscal policy have both contributed to the moderation of internal demand, on the other hand, net exports have promoted the growth of GDP. After the drought last year, the low base agricultural performance will certainly improve economic growth.**

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<sup>1</sup>Source: [KSH](#)

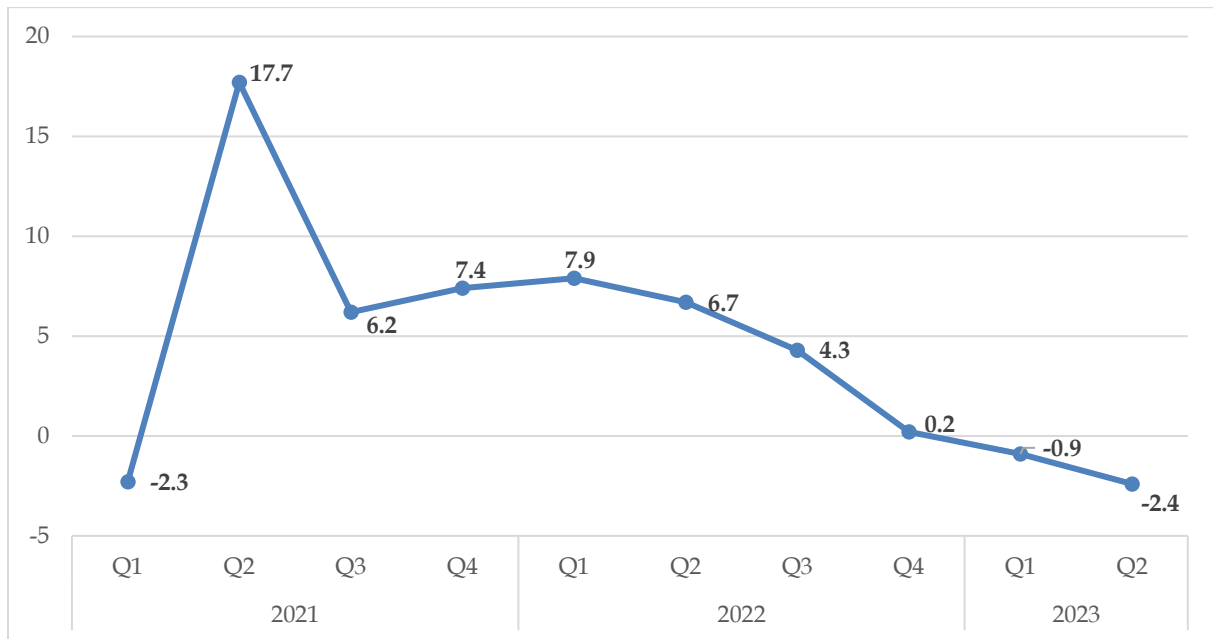
<sup>2</sup>Source: [KSH](#)

<sup>3</sup>Source: [KSH](#)

<sup>4</sup>Source: [KSH](#)

<sup>5</sup>Source: [KSH](#)

**GDP growth in Hungary (percentage, compared to the same period of the previous year, based on unadjusted, raw data)**



Source: KSH (Hungarian Central Statistical Office)<sup>6</sup>

**In the rest of the year, investments may also pick up through the relaxation of the monetary policy. Regarding services, tourism may have contributed to the growth during the summer months. As a result of disinflation, real wages will rise, moreover, employment remaining at a consistently high level, the launching of (announced large manufacturing) investments and the considerable ongoing capacity extensions also point in a positive direction.**

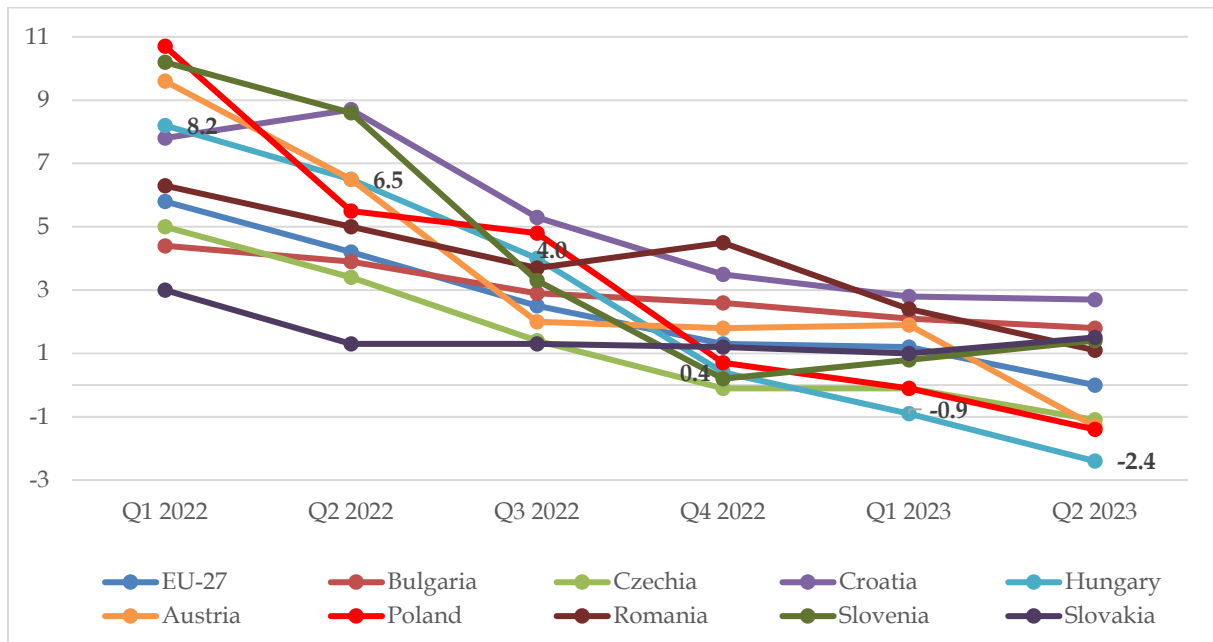
It is important to mention, however, that a duality can be observed in the structure of corporate investments: while the investments of export-oriented companies increased on an annual basis, a decline was registered for companies producing domestically and in the service sector. It is worth highlighting that due to lower energy prices and the drop in domestic demand, imports have decreased, and exports increased, so the growth contribution of net exports remains positive. **Magyar Nemzeti Bank (Hungarian National Bank, MNB) expects a growth of -0.5-0.5% for this year and 3.0-4.0% for 2024.**<sup>7</sup>

**In the second quarter (Q2) of 2023, economic growth in the majority of European economies was below the analysts' expectations, and many countries entered recession. Although the disinflation continued, real wages decreased in many countries and household consumption dropped as a result.** Out of the 27 countries of the European Union, GDP also decreased in 12 member states on an annual basis. However, it is worth mentioning that trade has expanded in most countries; at the same time, the favourable European labour market situation can also support economic growth.

<sup>6</sup>Source: [KSH](#)

<sup>7</sup>Source: [MNB](#)

### GDP growth of regional countries on an annual basis (percentage, Q1 2022–Q2 2023)



Source: Eurostat<sup>8</sup>

In the case of the V4 countries, according to Eurostat data, an economic expansion of 1.5% was registered in Slovakia, while a decrease of 1.1% in the Czech Republic, 1.4% in Poland, and 2.4% in Hungary was recorded in the second quarter (Q2) of this year. The economic performance of the Eurozone increased minimally (by 0.1%), and overall, it can be stated that the Central and Eastern European countries finished in the middle of the European ranking.<sup>9</sup>

### GDP growth of regional countries (percentage, forecast)

Country	2023	2024
Hungary	-0.3	3.1
Eurozone	0.7	1.2
Austria	0.1	0.8
Bulgaria	1.7	3.2
Czech Republic	0.2	2.3
Croatia	2.7	2.6
Poland	0.6	2.3
Romania	2.2	3.8
Slovakia	1.3	2.5
Slovenia	2.0	2.2

Source: IMF<sup>10</sup>

According to the International Monetary Fund (IMF), economic growth can be expected to slow down everywhere in the region in 2023, while in 2024 the expansion of most countries in

<sup>8</sup>Source: [Eurostat](#)

<sup>9</sup>Source: [Eurostat](#)

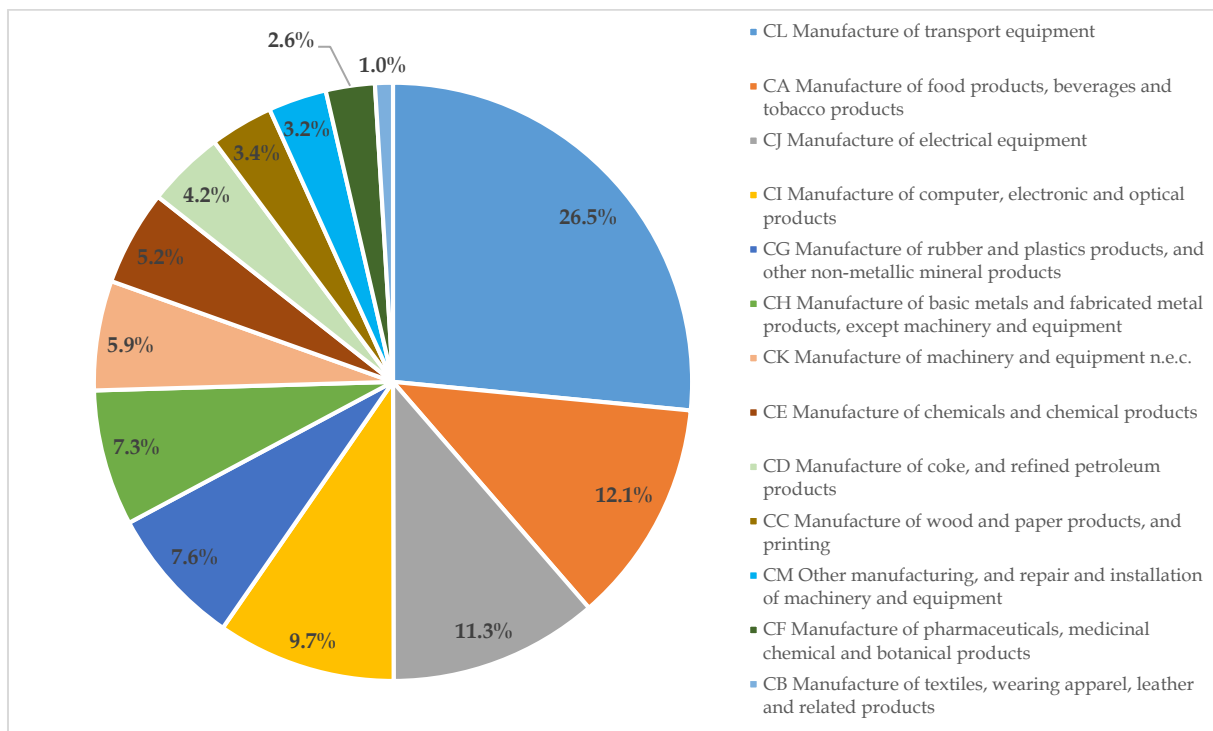
<sup>10</sup>Source: [IMF](#)

the region will exceed 2.0%. **We must highlight that the GDP growth in Hungary (3.1%) will be significant in the region next year, along with that in Romania (3.8%) and Bulgaria (3.2%).**

## 2. Manufacturing

**In the first seven months of 2023, the total production value of the manufacturing reached HUF 30,510.5 billion, which means an increase of 5.8% compared to the same period of last year; however, a decrease of 3.2% was registered based on the volume index.<sup>11</sup> Vehicle production accounted for 26.5% of the production value, the food industry for 12.1%, and electrical equipment manufacturing for 11.3%.<sup>12</sup>**

### Distribution of manufacturing production by sub-sectors (January–July 2023)



Source: KSH

Examining the volume index of production, the highest expansion in the period January–July 2023 was achieved by the manufacturing of electrical equipment (+19.1%), followed by vehicle production (+14.5%), and in third place by the other manufacturing sub-sectors, such as installation and repair of industrial machines and equipment (+6.8%). **However, a decrease was recorded in eight of the 13 manufacturing sub-sectors.** The largest decline was experienced by the coke production and petroleum processing sub-sector, and the chemicals and chemical products manufacturing sub-sector (both -23.2%), followed by the production of rubber, plastic and non-metallic mineral products with a decrease of 19.9%.<sup>13</sup>

<sup>11</sup>Source: [KSH](#)

<sup>12</sup>Source: [KSH](#)

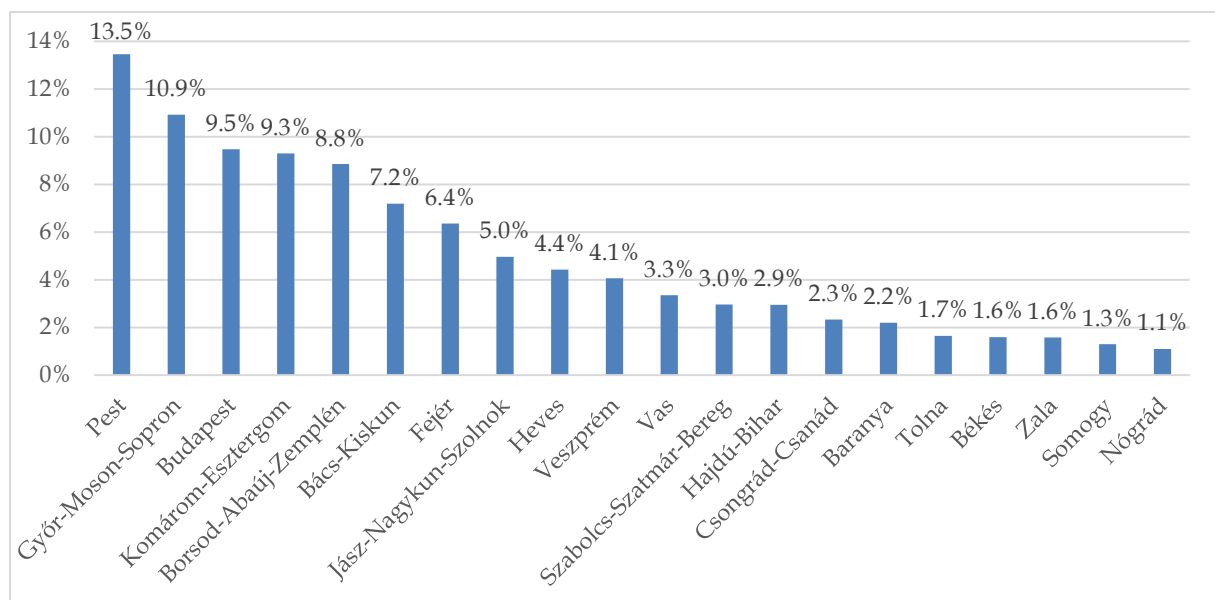
<sup>13</sup>Source: [KSH](#)

The moderate performance of industrial production can be traced primarily to the sudden drop in domestic sales, but it is important to note that export sales have also been showing a downward trend for several months. In addition to the weakening of export markets, the difficult situation of energy-intensive sectors also slowed down industrial production: the situation of companies that suffered significant cost increase stuck in one-year fixed energy contracts may improve at the end of autumn and in the first months of next year. Performance during the summer may have been held back by the fact that this is the period of temporary shutdown for larger factories.

At the same time, the production prospects in the field of car manufacturing may be favourable: in the recent period, supply chains have been restored, the pressure caused by the shortage of chips and semiconductors has eased; therefore, the accumulated shortage of orders can be continuously met. According to analysts' expectations, a revival in industrial production can be expected, which, in addition to the factors listed above, can be supported by the gradual recovery of domestic demand and the expected installation of new capacities, mainly related to battery manufacture, the automotive industry, the food industry, the chemical industry, and the defence industry.

Examining the territorial distribution of total industrial production, **based on the data for the period January–July 2023, five counties were able to show growth**, the largest in **Baranya County by 13.5%**, followed by Komárom-Esztergom County by 10.9%, while in **Bács-Kiskun County the volume of industrial production increased by 7.8%**. **In contrast, the volume of production decreased by 19.9% in Tolna County**, while industry performance dropped by 19.8% in Fejér County, and by 13.5% in Csongrád-Csanád County.<sup>14</sup>

**Distribution of industrial production by counties (January–July 2023)**



Source: KSH<sup>15</sup>

<sup>14</sup>Source: [KSH](#)

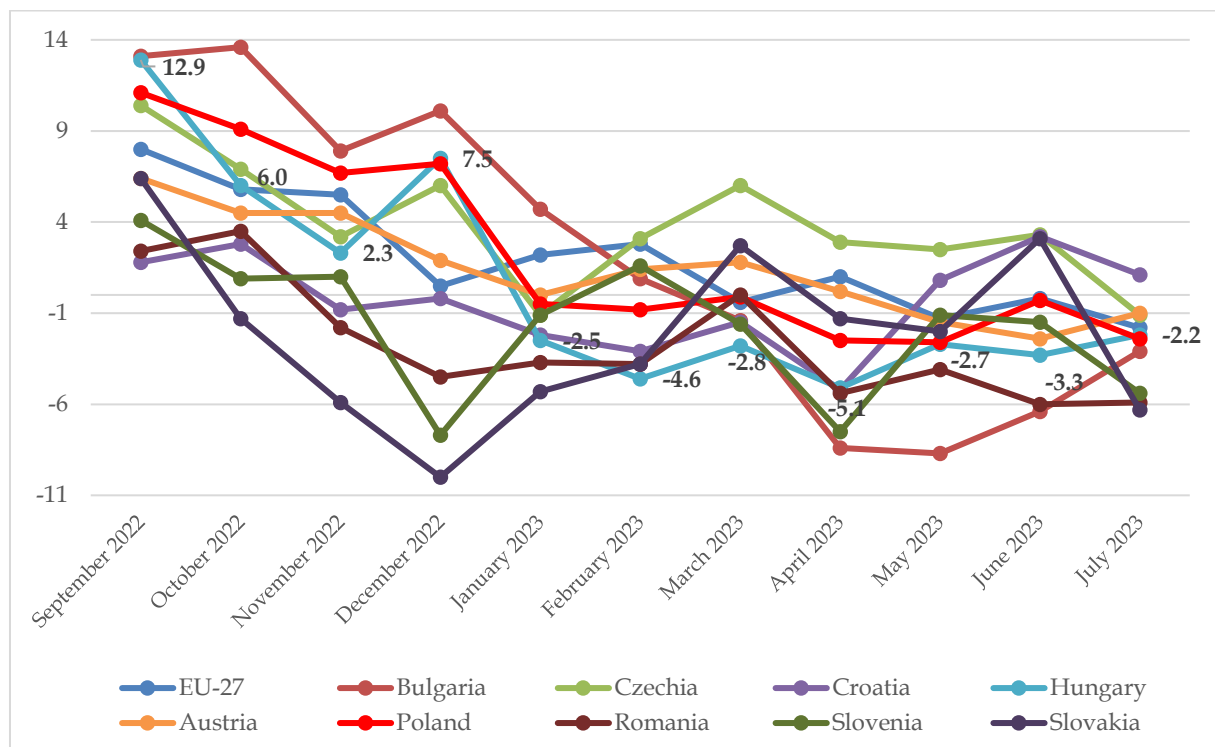
<sup>15</sup>Source: [KSH](#)



Concerning the industrial production in Hungary, the counties of Pest, Győr-Moson-Sopron and Budapest can be highlighted, the three territorial units in total accounted for more than third of the total industrial output in the first seven months of 2023. The lowest weight was represented by the counties of Nógrád, Somogy and Zala with shares of 1.1%, 1.3% and 1.6%, respectively.

Observing the past 11 months, one can see that the volume of regional manufacturing production dropped from the 1.8–13.1% band in September 2022 to the -6.3–-1.1% band in July 2023. Even if the base effects are taken into account, this can still be considered as a significant decrease. In regard to the above period, the production volume index of Hungary's manufacturing is in the middle range in a regional comparison; the average monthly increase was 0.5%. During the 12 months, the Czech and Polish manufacturing delivered an outstanding performance with an average monthly growth of 3.8% in the former and 2.3% in the latter.

### Manufacturing production volume index of the countries of the region on an annual basis (percentage, calendar-adjusted)



Source: Eurostat<sup>16</sup>

### 3. Foreign trade

Compared to the base period (H1 2019) well before the corona virus pandemic and the Russian-Ukrainian war, changes in ranking can be observed in terms of Hungary's largest export and import partner countries. In the first half of 2019, 68.3% of total exports (EUR 37.6 billion) went to the ten most important countries for Hungarian exports. In H1 2023, the export

<sup>16</sup>Source: [Eurostat](https://ec.europa.eu/eurostat/)

of goods became more diversified in terms of destination countries, as only 66.2% of exports (EUR 51.3 billion) went to the ten most important partner countries.

**Compared the H1 2019 and H1 2023, the total Hungarian export of goods increased by 40.5%** (from EUR 55.1 billion to EUR 77.4 billion). While in H1 2019, Hungary's 9th most important export partner was the Netherlands, and the 12th was the United States; in H1 2023, these two countries changed places in the Hungarian export ranking. This is due to the fact that the value of the Hungarian export of goods to the Netherlands in the first half of the year increased by 23.7% (from EUR 1.9 billion to EUR 2.4 billion) in four years, while **Hungarian exports to the United States in the first half of the year almost doubled (by 98.8%, to EUR 2.9 billion)**. In the examined period, among the 10 most important export partner countries, only the growth rate of exports to Italy (48.6%), Romania (45.4%) and the United Kingdom (43.0%) exceeded the average growth rate of the export of goods in the first half of the year (40.5%). **Compared the H1 2019 and H1 2023, the EUR 1.4 billion expansion of Hungarian exports to the United States was mainly due to the increase in the export of passenger cars by 776.4%** (EUR 0.56 billion), **the export of batteries and components by 5,003.6%** (EUR 0.34 billion), as well as by the **increase in the export of automatic data processing machines, magnetic and optical scanners by 309.2%** (EUR 0.21 billion).

**Hungary's 10 most important export partner countries  
(first half of 2019 – first half of 2023, EUR million)**

No.	TOP 10 export partner countries	Exports January–June 2019	TOP 10 export partner countries	Exports January–June 2023
1	Germany	15,454.1	Germany	20,465.6
2	Italy	2,943.8	Italy	4,375.9
3	Slovakia	2,854.5	Romania	3,933.7
4	Romania	2,705.1	Slovakia	3,922.3
5	Austria	2,561.5	Czech Republic	3,445.8
6	Czech Republic	2,509.4	Poland	3,340.5
7	France	2,412.9	France	3,196.6
8	Poland	2,406.5	Austria	3,105.3
9	Netherlands	1,934.1	United States of America	2,855.5
10	United Kingdom	1,850.1	United Kingdom	2,645.3
<b>TOP 10 export partners in total</b>		<b>37,632.1</b>	<b>TOP 10 export partners in total</b>	<b>51,286.5</b>
<b>Countries in total</b>		<b>55,124.0</b>	<b>Countries in total</b>	<b>77,448.9</b>

Source: KSH

**Between the first half of 2019 and the first half of 2023, the Hungarian import of goods became somewhat more concentrated in terms of partner countries.** In the first half of 2019, 69.4% (EUR 36.2 billion) of imports came from Hungary's 10 most important import partner countries, and in the first half of 2023, it amounted to 70.0% (EUR 51.2 billion). **Compared the H1 2019 and H1 2023, the total Hungarian import of goods increased by 40.1%** (from EUR 52.2 billion to EUR 73.1 billion). Among the 10 most important import partner countries, the

growth rate of imports from South Korea (230.1%), China (62.1%), the Czech Republic (53.9%), Slovakia (47.4%), Russia (44.9%) and Poland (42.0%) exceeded the average growth rate of total imports in the first half of the year.

While South Korea was Hungary's 12th most important import partner in the first half of 2019, it was already in 4th place in the import ranking in the first half of 2023. The value of the Hungarian import of goods from South Korea in the first half of the year rose from EUR 1.3 billion to EUR 4.4 billion in four years. Compared the H1 2019 and H1 2023, the EUR 3.1 billion increase in imports from South Korea was mainly due to the increase in the import of chemicals and chemical products, essential for battery production, by 3,766.3% (EUR 1.54 billion), the import of specialised machinery by 127.1% (EUR 0.40 billion), and to the 19,888.9% (EUR 0.28 billion) increase in the import of inorganic chemicals.

#### Hungary's 10 most important import partner countries (first half of 2019–first half of 2023, EUR million)

No.	TOP 10 import partner countries	Imports January–June 2019	TOP 10 import partner countries	Imports January–June 2023
1	Germany	13,223.5	Germany	16,351.8
2	Austria	3,228.6	China	4,920.7
3	China	3,035.5	Austria	4,418.0
4	Poland	3,013.7	South Korea	4,406.0
5	Netherlands	2,561.6	Poland	4,279.4
6	Slovakia	2,529.9	Czech Republic	3,882.5
7	Czech Republic	2,523.1	Slovakia	3,728.4
8	Italy	2,320.5	Netherlands	3,504.2
9	Russia	1,899.4	Italy	2,934.0
10	France	1,884.6	Russia	2,752.7
TOP 10 import partners in total		36,220.7	TOP 10 import partners in total	51,177.6
Countries in total		52,167.1	Countries in total	73,085.9

Source: KSH

The spectacular progress of the United States among Hungary's most important export partners, and South Korea among its import partners also **confirms from a foreign trade aspect that due to the e-mobility revolution, East-West cooperation is key in the automotive and electronics sectors, which are the flagships of the Hungarian manufacturing.**

**In January–July 2023, the value of the Hungarian export of goods rose by 10.4% to EUR 88.7 billion on an annual basis, while the import of goods decreased by 0.7% to EUR 83.8 billion.<sup>17</sup> According to MNB's expectations, net exports will support the economy's growth for the rest of this year** as a result of the combined effect of growing exports and shrinking imports due to decreasing domestic demand. Although the expected GDP growth of Hungary's most important foreign trade partners may remain subdued even next year, **the significant foreign**

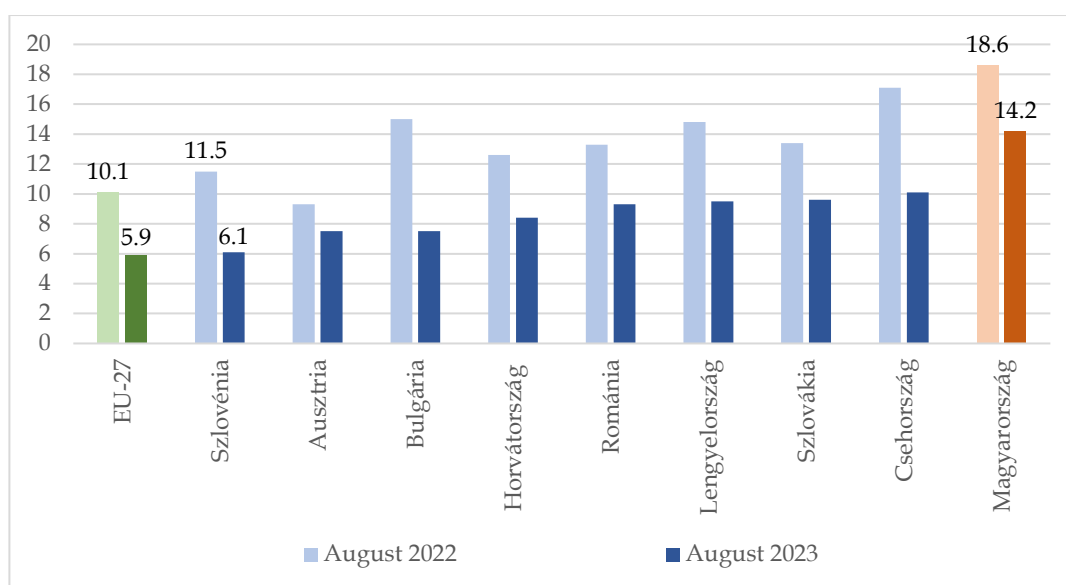
<sup>17</sup>Source: [KSH](#)

**direct investments taking place** are expected to offset this effect. Hungary's export market share may continue to increase in the long term **with the ramp-up of the developing production of the new manufacturing export capacities.**<sup>18</sup>

#### 4. Inflation

**In August 2023, the Harmonised Index of Consumer Prices (HICP) used by Eurostat was 5.9% (10.1% a year earlier) in the European Union.** Among the member states, **the fastest average price increase was measured in Hungary (14.2%), the Czech Republic (10.1%) and Slovakia (9.6%).** Denmark (2.3%), Belgium and Spain (2.4–2.4%) had the lowest inflation rates in August. **In the Central European EU member states, the harmonised consumer price index was above the EU average. The highest inflation rate in the region was measured in Hungary (14.2%), and the lowest in Slovenia (6.1%).** In 12-month period, **among the Central European EU member states, the rate of price increases fell fastest in Bulgaria (by 7.5 percentage points) and the Czech Republic (by 7.0 percentage points),** while the **harmonised consumer price index decreased by 4.2 percentage points on average in the EU-27 compared to August 2022.**<sup>19</sup>

#### Evolution of the Harmonised Index of Consumer Prices (HICP) in the Central European EU member states (August 2022–August 2023, percentage)



Source: Eurostat

Based on KSH (Hungarian Central Statistical Office) data, **the average consumer price index was 12.2% and core inflation<sup>20</sup> was 13.1% in September 2023.** Compared to September 2022, **the price of other goods and fuels (19.9%) increased at the fastest pace,** including the price of vehicle fuels by 35.4%, the price of pet food by 30.6%, the price of textbooks by 29.8%, and that of detergents and cleaning products by 25.6%. **The average price level of food increased**

<sup>18</sup>Source: [MNB](#)

<sup>19</sup>Source: [Eurostat](#)

<sup>20</sup> Note: Since April 2021, KSH has been applying a new methodology for calculating core inflation: the index no longer includes price changes for alcoholic beverages and tobacco products.

by **15.2%**. In 12-month period, sugar (61.3%), chocolate and cocoa (26.1%), buffet goods (26.0%) and non-alcoholic soft drinks (24.0%) rose in price the most. Within the product group, the price of flour decreased by 13.9% and that of margarine by 1.2% compared to September 2022. **The price of services (13.6%) as well as the price of alcoholic beverages and tobacco (12.3%) increased at an above-average pace.** At the same time, **electricity, gas and other fuels cost 14.6% less**, within these prices of natural and manufactured gas decreased by 33.5%, electricity by 3.2%, firewood became 18.7%, butane and propane gas 9.7% more expensive. **In the first nine months of 2023, KSH measured an average consumer price increase of 20.9% in Hungary.**<sup>21</sup>

**Following the peak at 25.7% in January 2023, the consumer price index in Hungary gradually moderated, and it is expected to drop to single digits by November.** Disinflation is supported by strict monetary policy, lower prices for energy, raw materials and food, compared to last year, as well as restrained consumption and the price-repressing effect of government measures to strengthen market competition. Disinflation is expected to continue at a slower pace in 2024 due to the run-out of base effects, and higher fuel prices due to the changes in global oil prices will also slow down the decline in inflation. **The consumer price index is expected to return to the central bank's tolerance band in 2025 (3%±1 percentage point).**<sup>22</sup> Due to the considerable uncertainty surrounding the evolution of consumer prices, MNB also provided a range forecast in its Inflation Report on 28 September 2023.

**MNB inflation forecast in September 2023 (2022–2025 annual average, percentage)**

	2022 (fact)	2023	2024	2025
Inflation	14.5	17.6–18.1	4.0–6.0	2.5–3.5
Core inflation	15.7	18.1–18.6	4.4–6.8	3.0–3.5

Source: MNB

## 5. Labour market

### *Earnings*

Based on KSH data, **in January–July 2023, the average monthly gross earnings of full-time employees in the business sector**<sup>23</sup> amounted to **HUF 570,600**, which is a **17.5% increase** compared to the same period in 2022. Here, the **median value of monthly gross earnings was HUF 435,200**, which is 18.3% higher than the base value. **In July 2023, the average monthly gross salary at the national economy level (calculated without fostered workers) was HUF 568,500**, which means an annual **increase of 15.0%**. Average gross earnings were the **highest in the financial services sector (HUF 925,500)** and the **lowest in the accommodation and food services sector (HUF 358,000)**. In July 2023, **real earnings decreased by 2.0%** compared to the same period of the previous year.<sup>24</sup> Wage dynamics are influenced by **the tightness of the labour market, the significant increase in the minimum wage and the guaranteed minimum wage at the beginning of the year**, as well as **expectations about inflation**. According to

<sup>21</sup>Source: [KSH](#)

<sup>22</sup>Source: [MNB](#)

<sup>23</sup>Note: calculated without fostered workers, for all businesses with employees

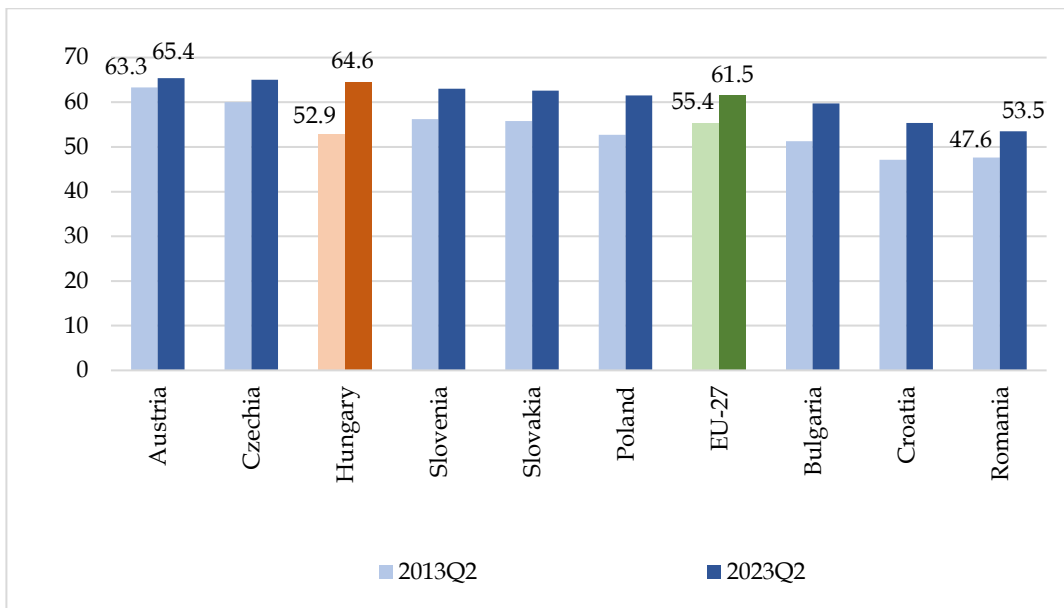
<sup>24</sup>Source: [KSH](#)

MNB's September 2023 forecast, **gross average earnings in the business sector may increase by 15.6–15.9% this year and 9.5–10.5% in 2024.**<sup>25</sup>

### *Employment*

Based on Eurostat data, the **Q2 2023 Hungarian employment rate (64.6%) exceeded the EU average (61.5%) by 3.1 percentage points**, and thus **Hungary has the third highest employment rate among Central European member states after Austria and the Czech Republic. Over ten years, the Hungarian employment rate increased by 11.7 percentage points**, which – after Malta and Portugal – is the **third largest increase in the EU.**

**Employment rate of the population aged 15–74 of the Central European EU member states (Q2 2013–Q2 2023, percentage)**



Source: Eurostat

**For more than 12 years, the guideline of employment policy in Hungary has been that the Government undertook to create 1 million new jobs in 2010 and has been striving to achieve full employment.** Based on KSH data, in Q1 2010, the number of employed people among the population aged 15–74 was still around 3.8 million (3,821,800 people) and the employment rate was below 50% (49.8%). **In Q2 2023, more than 4.7 million people (4,712,800 people) were registered as employed, and the employment rate reached 64.6%.** Compared to Q2 2022, the number of employed people increased by 30.6 thousand, and the employment rate rose from 64.0% to 64.6%. In April–June 2023, the employment rate was the highest in Budapest (69.6%) and Győr-Moson-Sopron County (69.5%), besides which only Komárom-Esztergom (69.1%), Pest (67.8%) and Fejér County (67.5%) exceeded the national average. In Hungary, the employment rate was the lowest in Somogy (56.4%), Békés (57.7%), Tolna (58.7%) and Nógrád (58.8%) counties.

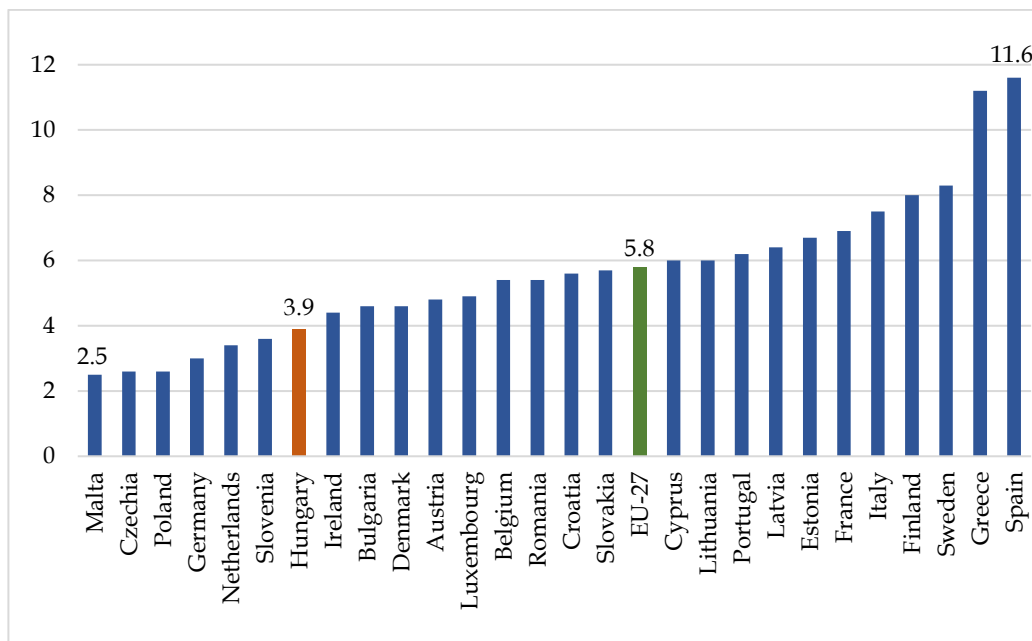
<sup>25</sup>Source: [MNB](#)

In June-August 2023, of the 4,720.5 thousand employed persons, 4,543.1 thousand worked in the domestic primary labour market, while 110.1 thousand people worked in foreign locations and 67.4 thousand were employed as fostered workers. While the number of people working in the domestic primary labour market decreased by 4.2 thousand and the number of fostered workers by 8.2 thousand, the number of people working abroad increased by 21.6 thousand compared to the same period of last year.<sup>26</sup> The number of people employed in the national economy rose to a historical peak in Q2 2023, while labour market activity has also increased consistently since the mid-2020s. The tightness of the labour market and employment did not respond significantly to the decline in economic performance experienced in recent quarters. According to the September 2023 forecast of the central bank, the demand for labour will remain strong; therefore, the number of employees in the business sector may increase by 0.8–1.0% in 2023 and by 0.2–0.7% in 2024.<sup>27</sup>

### Unemployment

Based on Eurostat data, the Hungarian unemployment rate of 3.9% in Q2 2023 was the seventh lowest in the EU. Hungarian unemployment rate was about two-thirds of the EU average (5.8%) and it was the fourth lowest among the Central European EU member states, after the Czech Republic, Poland and Slovenia. In Hungary, unemployment rate decreased from 9.8% to less than two-fifths over ten years.

Unemployment rate among the population aged 15–74 in the EU member states (Q2 2023, percentage)



Source: Eurostat

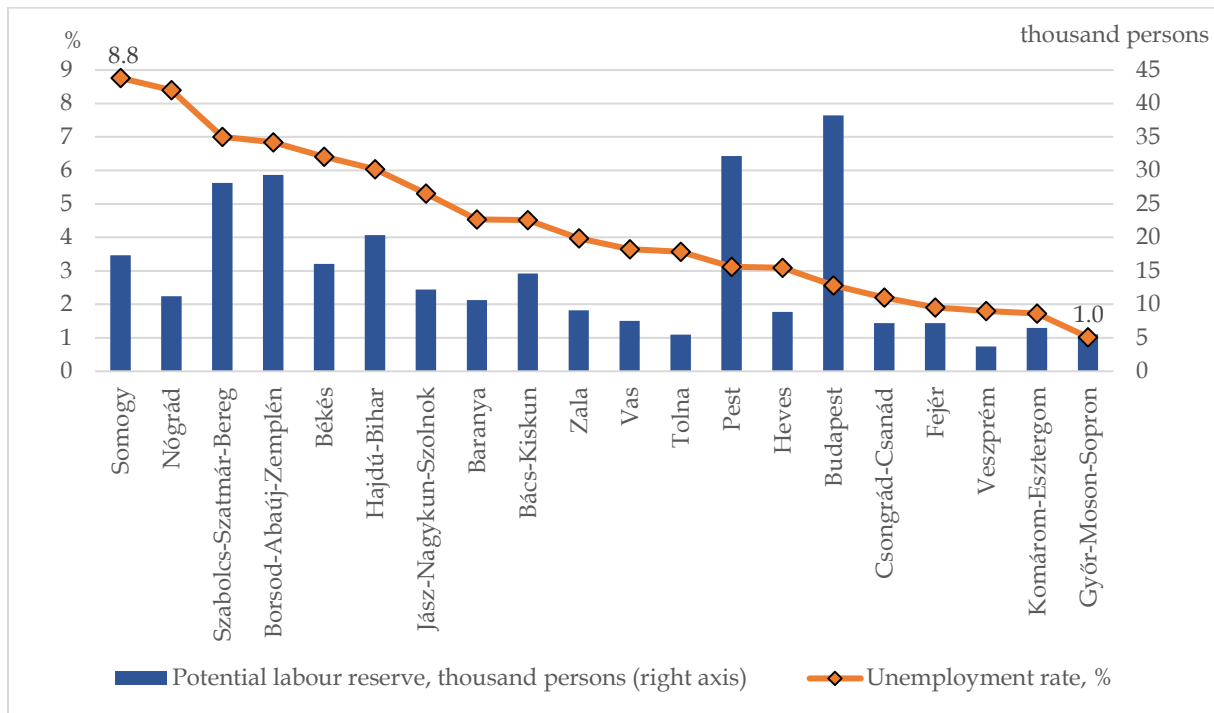
According to KSH data, in Q1 2010, the number of unemployed among the population aged 15–74 was still close to half a million people (493.8 thousand), and the unemployment rate

<sup>26</sup>Source: [KSH](#)

<sup>27</sup>Source: [MNB](#)

amounted to 11.4%. In April–June 2023, the number of unemployed people was 192.7 thousand, and the unemployment rate was 3.9%. Compared to Q2 2022, the number of unemployed people increased by about 35.7 thousand, and the unemployment rate increased from 3.2% to 3.9%. Significant geographical differences can be observed with regard to the unemployment rate. In Q2 2023, the unemployment rate was the lowest in Győr–Moson–Sopron County (1.0%), and the highest in Somogy County (8.8%). The unemployment rate was higher than the national average in the counties of the Northern Great Plain region, as well as in Somogy, Nógrád, Borsod–Abaúj–Zemplén, Békés, Bács–Kiskun, Baranya and Zala counties. More than half of the country’s potential labour force reserve (291.3 thousand people) is in the Great Plain region and Northern Hungary (148.0 thousand people, 50.8%), about a quarter in Transdanubia (73.0 thousand people, 25.0%), while nearly a quarter in the capital and Pest County (70.4 thousand people, 24.2%). Budapest (38.2 thousand), Pest (32.2 thousand), Borsod–Abaúj–Zemplén (29.3 thousand), Szabolcs–Szatmár–Bereg (28.1 thousand), Hajdú–Bihar (20.4 thousand) and Somogy (17.4 thousand) counties have the largest potential labour force reserve among the 19 counties and the capital.

**Hungary’s unemployment rate and potential labour force reserve among the population aged 15–74 broken down by counties (Q2 2023, percentage and thousand people)**



Source: KSH

In June–August 2023, the number of unemployed people aged 15–74 increased by 34.2 thousand to 199.7 thousand compared to the same period last year. In line with this, the unemployment rate increased by 0.7 percentage points to 4.1% over one year.<sup>28</sup> Based on the data of the National Employment Service (NFSZ), 227,871 jobseekers were registered in September 2023, which means a decrease of 10,371 people (4.4%) compared to the same

<sup>28</sup>Source: [KSH](#)



**period of the previous year.** Registered jobseekers accounted for 3.6% of the working-age population.<sup>29</sup>

Due to the rise in labour market activity and labour demand, both the **number of employed and unemployed people have increased on an annual basis in the last three quarters. In Q2 of 2023, employment increased by 30.6 thousand persons** compared to the same period of the previous year **and reached a historical peak (4,723.8 thousand persons).** **At the same time, the number of unemployed people also increased to a similar extent, by 35.7 thousand.** According to MNB, there are **several reasons** for the combined increase in employment and unemployment. On the one hand, **the number of unemployed increased mainly among the low-skilled people**, who left the inactive status due to the high cost of living. On the other hand, **there is also the phenomenon of labour hoarding**, i.e. despite the drop in productivity, employers **maintain a workforce larger than necessary in the short term.** Behind this phenomenon is the motivation of businesses that, due to the tight labour market, they **can gain a competitive advantage during an economic recovery following a recession**, as they will not have to allocate so many resources to labour recruitment and training.

According to MNB's September forecast, **the unemployment rate will gradually decrease** in the second half of 2023 and during 2024 **in line with the recovery of the economy** in the rest of the year. **Based on the central bank's forecast, the unemployment rate may reach 3.9–4.0% in 2023 and 3.5–3.8% in 2024.**<sup>30</sup>

## 6. Foreign Direct Investments (FDI)<sup>31</sup>

Based on the data for 2021 according to the countries of the ultimate investor published by the Magyar Nemzeti Bank (MNB) on 26 September 2023, **Germany is still the most important investor country in terms of the FDI stock in Hungary.** The total value of investments from Europe's largest economy amounted to about **EUR 18.2 billion in 2021, which corresponds to 19.7% of the total domestic FDI portfolio of EUR 92.57 billion.** The second largest investor is neighbouring Austria, since the stock of Austrian investments approached EUR 8.5 billion.

The largest investor outside of Europe is the United States of America, which accounts for 9.0% of Hungary's total FDI portfolio. **The most important Asian investor is South Korea, as the total value of investments approached EUR 7 billion**, thus taking the 4th place in the overall ranking.

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<sup>29</sup>Source: [NFSZ](#)

<sup>30</sup>Source: [MNB](#)

<sup>31</sup>Source: [MNB](#)

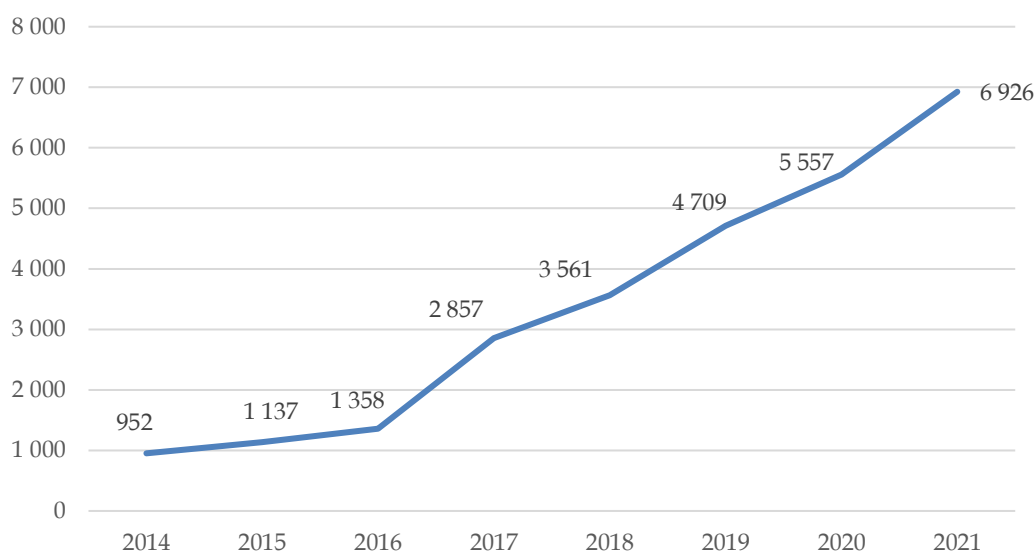
### Stock of foreign direct investments (FDI) in Hungary (2021), according to the country of the ultimate investor (TOP 10 countries)

Ranking	Country	million EUR	Ratio to total
	<b>Total</b>	<b>92,571.1</b>	<b>100.0%</b>
1	Germany	18,197.5	19.7%
2	Austria	8,483.6	9.2%
3	United States of America	8,293.0	9.0%
4	South Korea	6,925.6	7.5%
5	France	5,759.3	6.2%
6	Israel	4,081.6	4.4%
7	United Kingdom	3,762.8	4.1%
8	China	3,380.0	3.7%
9	Japan	3,352.6	3.6%
10	Italy	2,996.0	3.2%

Source: MNB

Since 2014, the value of South Korean investments in Hungary has increased dynamically, reaching only about EUR 950 million in 2014. Thus, between 2014 and 2021, the value of Hungary's FDI stock linked to South Korea increased more than sevenfold.

#### Development of the FDI portfolio from South Korea between 2014 and 2021 (EUR million)



Source: MNB

## 7. Value added<sup>32</sup>

During 2022, the manufacturing accounted for 20.2% of the value added produced in the Hungarian national economy, which is 0.4 percentage points higher than the 19.8% ratio in 2021. The most important sub-sector is vehicle manufacturing, which represents a 3.3% share

<sup>32</sup>Source: [KSH](#)

in the total domestic value added. In second place are the food industry and the metal industry, at 2%.

**Following the manufacturing, real estate transactions are the most important sub-sector of the national economy**, followed by trade and vehicle repair. The former showed a significantly improved performance, while the latter showed a substantially worse performance last year, compared to 2021, if we look at their contribution to the overall national economic performance.

### Value added produced in the Hungarian national economy by sectors

Sector (TEÁOR08)	2021	2022	2021	2022
	HUF billion		Ratio	
<b>Total</b>	<b>46,720</b>	<b>56,186</b>	<b>100.0%</b>	<b>100.0%</b>
A = AGRICULTURE, FORESTRY, FISHING	1,925	2,139	4.1%	3.8%
B = MINING AND QUARRYING	159	291	0.3%	0.5%
C = MANUFACTURING	9,238	11,369	19.8%	20.2%
CA Manufacture of food products, beverages and tobacco products	916	1,125	2.0%	2.0%
CB Manufacture of textiles, wearing apparel, leather and related products	166	181	0.4%	0.3%
CC Manufacture of wood and paper products, and printing	447	616	1.0%	1.1%
CD Manufacture of coke, and refined petroleum products	312	736	0.7%	1.3%
CE Manufacture of chemicals and chemical products	685	520	1.5%	0.9%
CF Manufacture of pharmaceuticals, medicinal chemical and botanical products	568	818	1.2%	1.5%
CG Manufacture of rubber and plastics products, and other non-metallic mineral products	1,036	1,082	2.2%	1.9%
CH Manufacture of basic metals and fabricated metal products, except machinery and equipment	1,008	1,119	2.2%	2.0%
CI Manufacture of computer, electronic and optical products	760	968	1.6%	1.7%
CJ Manufacture of electrical equipment	597	823	1.3%	1.5%
CK Manufacture of machinery and equipment n.e.c.	570	751	1.2%	1.3%
CL Manufacture of transport equipment	1,510	1,837	3.2%	3.3%
CM Other manufacturing, and repair and installation of machinery and equipment	663	794	1.4%	1.4%
D = ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	688	695	1.5%	1.2%
E = WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	363	342	0.8%	0.6%
F = CONSTRUCTION	2,899	3,560	6.2%	6.3%
G = WHOLESALE AND RETAIL TRADE, REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	5,026	5,520	10.8%	9.8%
H = TRANSPORTATION AND STORAGE	2,459	3,109	5.3%	5.5%
I = ACCOMMODATION AND FOOD SERVICE ACTIVITIES	749	1,097	1.6%	2.0%

J = INFORMATION AND COMMUNICATION	2,517	2,828	5.4%	5.0%
K = FINANCIAL AND INSURANCE ACTIVITIES	1,838	2,065	3.9%	3.7%
L = REAL ESTATE ACTIVITIES	4,891	6,568	10.5%	11.7%
M = PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	3,049	3,570	6.5%	6.4%
N = ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	1,743	2,138	3.7%	3.8%
O = PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	3,585	4,412	7.7%	7.9%
P = EDUCATION	2,001	2,423	4.3%	4.3%
Q = HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	2,325	2,538	5.0%	4.5%
R = ARTS, ENTERTAINMENT AND RECREATION	677	828	1.4%	1.5%
S = OTHER SERVICE ACTIVITIES	580	682	1.2%	1.2%
T = ACTIVITIES OF HOUSEHOLDS AS EMPLOYERS	9	9	0.0%	0.0%

Source: KSH