

Statistical report: Economy and society, year 2012, January 2013

Contents

- 1 International and domestic economic trends
- 4 Social and income trends

International and domestic economic trends

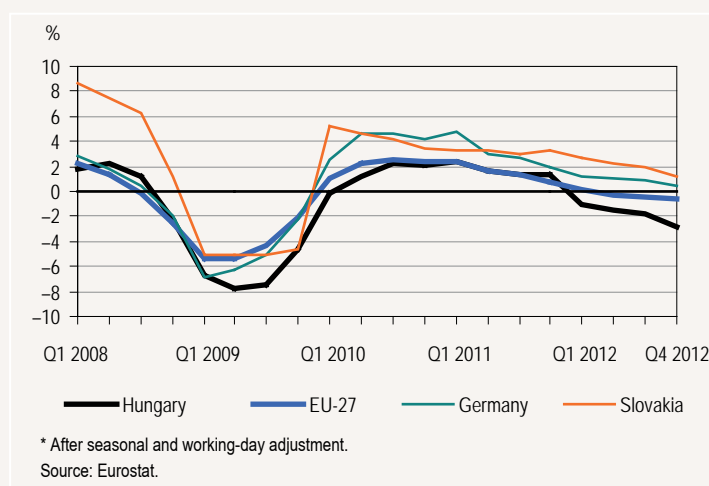
- The economic impacts of the debt crisis of the euro zone proved to be a braking force both in the European and in the global economy. According to the estimation of the International Monetary Fund, the loss of impetus of **global economic growth** continued in 2012 too, and the world economy grew by 3.2%. The gross domestic product for the OECD as a whole, predominantly comprising developed countries, rose by 1.4% in 2012 compared to the previous year.
- In 2012, the economic performance of the **United States** expanded year-on-year by 2.2%. In 2012, among Asian countries, the volume of gross domestic product rose by 2.0% in **Japan** and by 7.8% in **China**.
- Due to the economic recession in Southern European countries, the aggregate performance of the **European Union (EU-27)** member states was down by 0.3%, while that of the euro zone countries by 0.6% in 2012 compared to a year earlier. The decline was moderated by the 0.7% growth in the performance of Germany, the largest national economy of the EU.
- As a result of the unfavourable external environment and the low domestic demand, the performance of the economy of Hungary turned into a decrease at the beginning of 2012 following a growth of more than one and a half years. The **gross domestic product of Hungary** was down by 2.7% in the 4th Quarter of 2012 and by 1.7% in the whole year compared to 2011. (According to seasonally and calendar adjusted data compared to the previous quarter, which show the economic trends, the fall was 0.9% in the 4th Quarter.)
- In respect of the change in the economic performance in 2012, Hungary is in the last third of the **ranking of EU member states**. Out of the competitor countries in the region, the GDP of Slovakia and Poland increased (by 2.0% each), while that of the Czech Republic lessened to a lower extent than in Hungary (by 1.3%). In the region only Slovenia had a weaker economic performance (-2.3%) than Hungary.
- On the **expenditure side**, despite the recession in the EU economy and the high base, **external trade** positively influenced the economic performance of Hungary in 2012 too: exports increased by 2.0%, while imports were practically stagnant compared to 2011. (In the 4th Quarter of 2012, the volumes of both exports and imports diminished, which last occurred in the 3rd Quarter of 2009.) In the external trade of services comprising international tourism as well exports increased by 1.2% but imports were stagnant. In external trade in goods, accounting for the major part of external trade, the volume of exports grew by 2.2%, while that of imports was practically stagnant. Despite deteriorating terms of trade, a considerable surplus of HUF 2,203 billion was generated in the external trade turnover of

the national economy in 2012. As a result of this, the economic openness of the country further increased: the ratio of net exports to the GDP was 7.8%, 1.1 percentage points higher than in 2011.

Figure 1

Gross domestic product*

(change on same quarter of the previous year)



- Due to the decreasing consumption and the low investment activity, the **internal demand** did not support the economic growth in 2012. Domestic use, accounting for more than nine tenths of the GDP, was 3.7% lower than in 2011.
- **Household consumption expenditure**, accounting for nearly six tenths of domestic use, decreased year-on-year by 1.4% in 2012 along with a continuous fall over the year. The volume of transfers from non-profit organizations serving households decreased by 1.4%, while that of social transfers in kind from the government fell by 4.9% due to the considerable fall in the volume of medicament subsidies. On the whole, **actual final consumption of households** consisting of these items diminished by 2.0%.
- In 2012, the volume of **actual final consumption of the government** grew by 0.5% year-on-year. **Actual final consumption**, the total of actual final consumption of households and actual final consumption of the government, which account for more than eight tenths of demand, decreased by 1.7%.
- The volume of **gross fixed capital formation** continued to decrease in 2012; its extent was 3.8%. The ratio of this item of expenditure to the GDP fell as well: it amounted to 17.2%, 0.7 percentage point less than in 2011.
- The volume of **investments in the national economy**, accounting for more than eight tenths of gross fixed capital formation, decreased by 7.9% in the 4th Quarter of 2012 and by 5.2% over the whole year compared to 2011. Within investments, construction investments fell by 11%, while

Figure 2

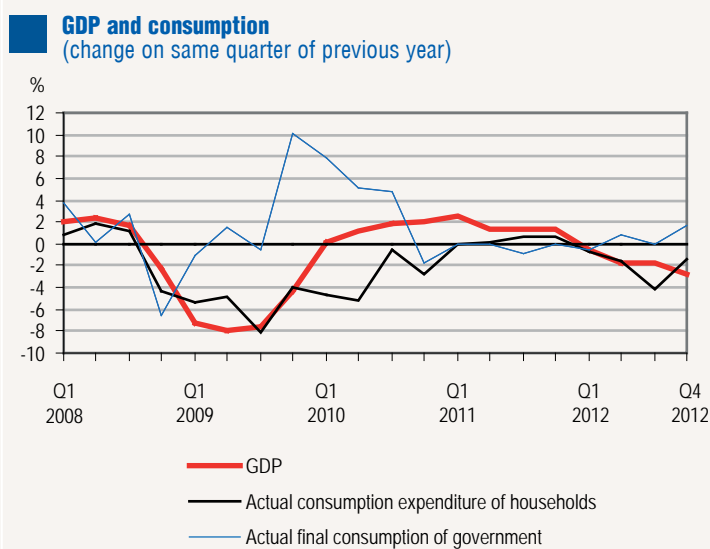
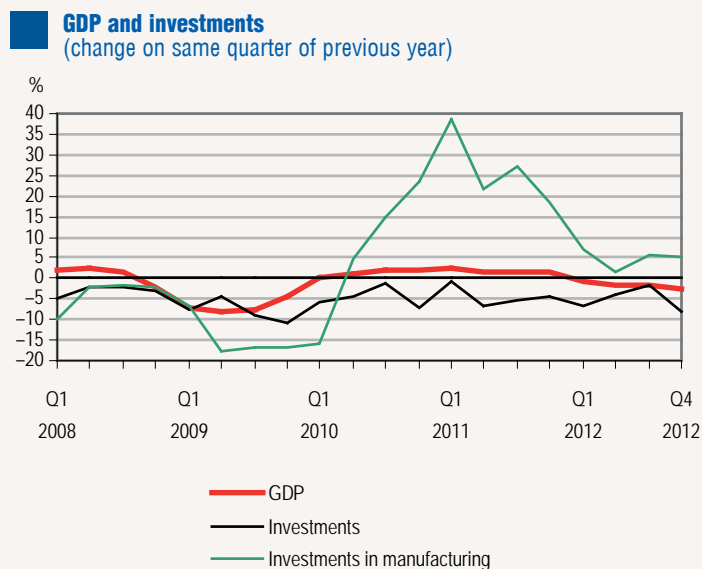


Figure 3



investments in machinery and equipment rose by 1.8%. Investment performance declined by 2.7% in the business sector (based on the data of corporations employing at least 50 persons) and by 18% in the public sector.

A decrease continued to be characteristic of most sections of the national economy. Following an outstanding increase of 24% in 2011, a 4.9% growth occurred in manufacturing, the largest investing section of the national economy. There was a large growth in certain sub-sections of machinery industry. Furthermore, an increase was observed in public administration (13%), mainly due to inland water and flood prevention developments and in information and communication (11%) because of a major investment project in the 2nd Quarter entailing the purchase of new frequencies and a significant network expansion. Among economic sections representing a significant weight, the investment performance fell in real estate activities as well as in transportation and storage (by 5.1% and 2.4%, respectively). Due to the termination of the development of health care and tertiary education institutions from EU funds, the volume of investments fell considerably in human health activities (40%) and education (38%). Beyond that, diminution was observed (despite the retail chain expansions and developments in the 2nd Quarter) in wholesale and retail trade (2.5%) and in agriculture (1.9%) as well.

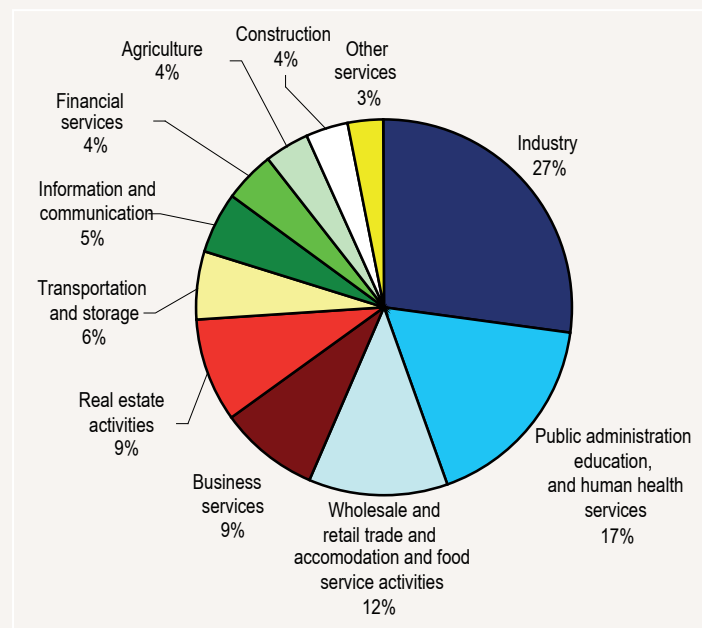
- The **stock of inventories** decreased in the first half of 2012, while in the second half of the year a considerable increase occurred. Over the year as a whole, the increase of inventories was HUF 76.9 billion at current prices compared to 2011.
- In 2012, each item of domestic use contributed to the decline in economic performance: the actual final consumption by 1.2 and the domestic capital formation by 2.2 percentage points. On the other hand, the positive balance of external trade moderated the fall in GDP by 1.7 percentage points.
- From **production side**, a volume decrease was observed in the majority of the sections of the national economy. The volume of gross value added was 1.9% less in 2012 than in 2011; within this, the performance of goods-producing branches fell by 4.3%.
- As a result of the dry weather in the summer, the gross value added of **agriculture**, following a 22% growth in the previous year, decreased by 21% in 2012, which was mostly connected to the performance of crop production.
- **Industrial production** closely related to the European economic recovery diminished by 1.2% in 2012 year-on-year. First of all the lower external demand was in the background of the decrease. Within industry, the value added of electricity, gas, steam and air conditioning supply and, despite the

growth in the first half year, that of manufacturing diminished. Within manufacturing, there was a considerable growth in the manufacture of transport equipment representing an increasing weight, while the output decreased significantly in the manufacture of computer, electronic and optical products.

- In **construction**, the declining trend lasting for several years continued in 2012; there was a fall of 6.4% compared to 2011. The output shrank in both main groups of constructions. The trends in construction were influenced by the decreasing number of dwelling constructions and construction permits.

Figure 4

Distribution of gross value added, 2012

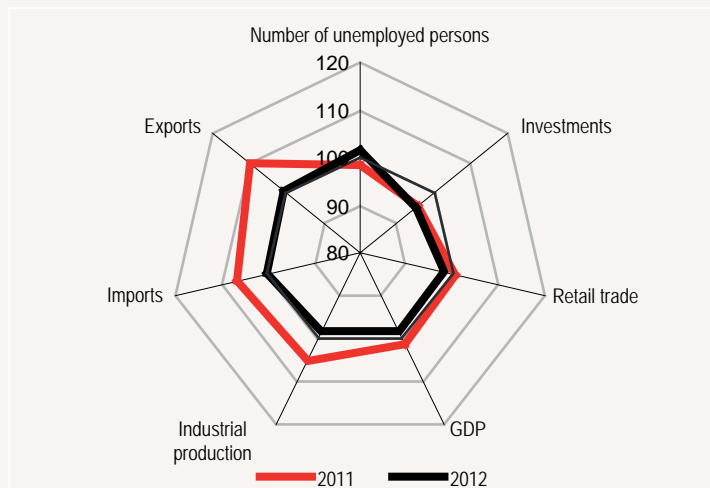


- The decrease in the total output of **services sections** was below average, 0.5% in 2012. Similarly to the previous year, the performance of **financial services** fell the most (by 3.0%), in which the decreasing lending ability and willingness of banks played a determining role. Both household loans and corporate loans were below the level at the end of 2011.

- The gross value added of the section transportation and storage fell by 1.6% in 2012. The joint value added of wholesale and retail trade and accommodation and food service activities decreased by 1.1% year-on-year, within which the 1.3% increase in the output of accommodation and food service activities could not offset the decreasing performance of wholesale and retail trade. Beyond that, decreases were observed in the sections **arts, entertainment and recreation and other services** (1.3%), **real estate activities** (1.1%) and **business services** (0.7%).
- In **information and communication** generating 5.2% of gross value added, the output increased by 3.5% in 2012, in which the expansion of information technological services had a significant role. The considerable penetration of mobile internet as well as the rise in the number of fixed main lines due to VoIP technology contributed to this increase. Within services, there was a 0.2% growth in the field of **public administration, education and human health services**, which represent the largest weight and are typically financed by the government.
- In 2012, within the 1.7% fall of GDP, 1.3 percentage points can be attributed to the output of goods-producing sections (agriculture, industry and construction), 0.3 percentage point to the service sections and 0.1 percentage point to the change in the balance of product taxes and subsidies.

Figure 5

Main economic indicators
(previous year= 100)



- Based on most recent available sector data, the **gross output of industry** decreased by 1.4% in the first month of 2013 compared to the one year earlier.
- Among the **sections of industry**, the output of manufacturing decreased by 1.6% compared to the same month of the previous year. The output of energy industry was 2.5% lower than a year earlier, while that of mining having a low weight fell by 16%.
- Among manufacturing **sub-sections**, the volume increase of the manufacture of transport equipment representing the largest weight was outstanding, 17% compared to the same month of the previous year. At the same time, a decrease to a similar extent as a year earlier (18%) could be observed in the manufacture of computer, electronic and optical products. The output of the manufacture of food products having the third largest weight in production remained practically on the level of January 2012. Besides manufacture of transport equipment, output increased in four further sub-sections (manufacture of wood and paper products and printing, manufacture of chemicals and chemical products, manufacture of electrical equipment and other manufacturing), but these could not offset the fall in the performance of the other sub-sections.
- Among enterprises employing at least 5 people, **industrial production per capita** was down by 1.8% in January, along with a 0.1% increase in the number of employees.

- In the first month of the year, the **total of new orders** lessened by 3.2%, within which new domestic orders increased by 7.8% and the volume of new orders from external markets fell by 4.4%. However, at the end of January, the **total stock of orders** was 37.8% higher than in January 2012.
- **Producer prices of industry** were 0.9% lower in January than a year earlier, within which domestic sales prices decreased by 0.2% and export sales prices by 1.4%. In domestic sales, prices fell in the majority of branches, so also in the energy industry representing a considerable weight in domestic demand, while in the other determinant branch, i.e. in food industry producing mostly for the domestic market, prices rose considerably, by 7.3% compared to the previous year.
- In January 2013, the **output of construction** was, after a fall of 5.9% in 2012, 4.1% lower than a year earlier. Out of the main groups of constructions, the erection of buildings decreased by 6.8%, first of all due to the considerable decline in dwelling construction. Civil engineering works remained practically on the level of the same period of the previous year.
- A 0.5% lower volume of **new contracts** was made this January than one year earlier, within which 31% less for buildings but 65% more for civil engineering works. Besides the low base in the previous year, this latter rise was due to some contracts made in January for public road development. The **stock of contracts at the end of the month** was some one fifth higher than one year before.
- **In January 2013**, the volume of **retail trade turnover** was 2.6% lower than in the same month of the previous year. Compared to the previous month, the seasonally and calendar-adjusted index indicates a 0.4% fall in January. The sales of food, drinks and tobacco fell by 2.8% in the first month, within which sales in non-specialised stores, accounting for a significant proportion of the turnover, decreased by 2.6%, while sales in specialised stores by 4.3% compared to the same month of the previous year. Meanwhile, food prices rose by 5.8% and alcoholic beverages and tobacco prices by 13% on average. After a rise in last January, the turnover of non-food products fell by 3.2% in January 2013. Within this group of activities, the sales of furniture and electrical goods, representing more than one fourth of the total turnover, decreased the most (by 10.8%), but the volume of sales of books, computer equipment and other manufactured goods also having a significant share diminished by 2.5% as well. The sales of manufactured goods in non-specialised stores, after a more than 10% growth last year, fell by 5.2% this January. Although to a small extent, the sales of textiles, clothing, footwear and leather goods and of pharmaceutical and medical goods and cosmetics rose (by 0.9% and 0.4%, respectively). Despite the fall in vehicle fuel prices in January (by 1.2%), the turnover of petrol stations did not increase: the retail sales of automotive fuel were 1.3% lower than in the same month last year.
- The **sales of motor vehicles and parts and accessories**, accounted for outside retail trade, after a growth of 15% in January 2012, rose by 1.8% this January.
- In January 2013, 404 thousand tourist arrivals and 993 thousand tourism nights were registered at **public accommodation establishments**. The number of arrivals grew by 6.2%, while that of tourism nights by 4.9% compared to January 2012. In the first month of the year, both international and domestic tourism increased. The number of international tourist arrivals grew by 9.8%, while that of international tourism nights by 8.3%. At the same time, 3.1% more domestic guests spent 1.4% more tourism nights at accommodation establishments. The turnover of hotels accounting for nearly nine tenths of tourism grew by 6.0%. The room occupancy rate of hotels was 33.4% on average, 0.3 percentage point higher than in January 2012. The gross sales revenue of accommodation units amounted to HUF 15.5 billion, 3.6% more at current prices than a year earlier, while the prices of accommodation and catering services activities rose nearly to the same extent as in the national economy, by 3.6%.
- In January 2013, the total revenue of all **catering units** of Hungary – including the catering units of public accommodation establishments – was some HUF 51 billion, 83% of which were generated from commercial food services and 17% in canteens.

- In 2012, 43.6 million **foreign visitors** arrived in Hungary, 5.5% more than in 2011. The increase was first of all due to the 6.9% growth of same-day visitors, while the number of overnight visitors increased to a much smaller extent, by 1.0%. The length of stay rose only by 0.7% over one year, which is the joint result of the 6.9% growth in same-day visits and the 2.1% decrease in the length of stay in case of overnight visits. In 2012, the number of **Hungarians travelling abroad** was 3.0% lower than in the previous year, their total number amounted to 16.1 million. The number of same-day visitors was practically stagnant (-0.3%), while that of overnight visitors lessened by 8.5%. The nearly 44 million days spent abroad corresponded to a 15% fall compared to 2011, but those travelling abroad spent only 3.5% less during their trips. As a result of exports and imports of international tourism services amounting to HUF 1,175 billion and HUF 516 billion respectively, the balance of tourism show a surplus of HUF 659 billion, 1.1% less than in the previous year.
- In 2012, the deceleration of the growth of **external trade in goods** continued: after a volume growth of 9.9% in exports and 6.7% in imports in 2011, exports grew by 0.9% while imports were stagnant in 2012. Exports and imports were characterized by a slight increase in the first two quarters of the year, which at first turned into stagnation in the 3rd Quarter and into a fall in the 4th Quarter.
- The **forint price level of external trade** is influenced by the currency price level as well as the exchange rate of the forint. In 2012, the forint depreciated by 4.6% against the major currencies, within this, by 3.3% against the euro and 12% against the dollar. Over the year as a whole, the forint price level of trade rose by 2.9% in exports and 4.2% in imports compared to the previous year, the terms of trade deteriorated so by 1.2%.
- The declining trend characteristic of external trade in the last months of 2012 did not continue in **January 2013**: according to first estimates, the euro value of exports and imports rose by 4.3% and 5.2%, respectively, compared to the same month of the previous year. The balance of external trade showed a surplus of EUR 318 million in the first month of the year, EUR 39 million less than in January 2012.
- The consolidated, cash-based **deficit** of the **central subsystem of the general government** – according to preliminary data of the Ministry for National Economy – was HUF 339 billion in **January–February 2013**, which means that the balance deteriorated by HUF 53 billion compared to the one year earlier. The revenue of the general government amounted to HUF 2,310 billion, 1.4% more than a year earlier, while its expenditure of HUF 2,649 billion showed an increase of 3.3%. Out of the sub-systems, the balance of the central government deteriorated by HUF 132 billion, and its deficit amounted to HUF 451 billion. The balance of social security funds and extra-budgetary funds improved (by HUF 64 billion and HUF 15 billion, respectively), and in the first two months of the year, their surplus amounted to HUF 62 billion and HUF 50 billion, respectively.

Social and income trends

- In the period of **November 2012–January 2013**, 3 million 822 thousand people were employed within the population aged 15–64 years, 38 thousand more than a year before, and the **employment rate** of 57.1% was 1.1 percentage points higher year-on-year. The number of both employed men and women grew (by 16 thousand and 22 thousand), and their employment rates amounted to 62.5% and 51.8%, respectively. The increase in employment was characteristic of young people aged 15–24 years (19.7%) present in low numbers in the labour market, people in the ‘best working age’, i.e. the age group 25–54 (74.1%) and the older, 55–64 age group (36.6%) as well.
- The **number and rate of unemployed people**, in the observed period also among the 15–64 year-old population, amounted to 486 thousand persons and 11.3%. The number of unemployed people was 12 thousand (2.5%) more, while their rate was by 0.2 percentage point higher than a

year before. Unemployment diminished among women and increased among men, and the unemployment rate was 10.9% for the former and 11.6% for the latter ones. An increasing unemployment was characteristic of young people aged 15–24 and of the age-group 25–54, while among the 55–64 year-old population a decrease occurred. 46.8% of unemployed people had been looking for a job for one year or longer, and the average length of unemployment decreased to 16.3 months.

- In **January 2013**, **average gross earnings** were 2.5% higher in the national economy – at corporations employing at least 5 persons, budgetary institutions and observed non-profit organizations – than in the previous year. **Average net earnings** excluding family tax benefit rose by 3.9% and by 4.2% disregarding the effect of public work. Average monthly gross earnings of full-time employees – based on accounting records – were HUF 223,800, the net value of which was HUF 146,600. Monthly net earnings amounted to HUF 151,100 at corporations and to HUF 138,700 on average in budgetary institutions excluding public workers. Average net earnings rose by 4.6% in the business and 2.8% in the public sector. Average net earnings amounted to HUF 128,600 in the non-profit sector, 0.9% more than in January 2012.
- To offset tax and contribution changes, a monthly **compensation** not making part of earnings was paid to a certain group of persons employed in the public sector and in non-profit organizations. Its gross monthly amount was HUF 10 thousand on average in budgetary institutions and HUF 9,700 in non-profit organizations.
- Taking into account unchanged family tax benefits, **real earnings**¹ diminished by 3.4% in 2012 on the level of the national economy compared to 2011. According to the results of the applied model calculation, monthly net earnings of people receiving no family tax benefit were HUF 28 thousand less on average than those of people with three or more children. On the level of the national economy, the pace of increase in average net earnings was scarcely influenced by the estimated effect of family tax benefits (increased them only by 0.1 percentage point).

Table 1

Changes in net and real earnings calculated by taking into account family tax benefits, 2012

Number of dependant children	Net earnings		Real earnings	Distribution of number of employees, %
	HUF/capita/month	changes compared to the previous year, %		
Without dependant children				
1 child	140 541	1.9	-3.6	48.9
2 children	149 363	1.8	-3.7	25.3
3 or more children	167 906	2.5	-3.1	19.8
	168 783	3.4	-2.2	6.0
National economy, total	149 881	2.1	-3.4	100.0

- The rate of **consumer price** rise further decelerated: after a rise of 3.7% in January, prices rose by 2.8% in February compared to the same period of the previous year. The last time when price index fell below the 3% inflation target was nearly seven years ago. In this deceleration, first of all the reduction of overhead costs at the beginning of the year, appearing only in the energy bills of February, played a role, but the weak domestic demand had a reducing impact as well.
- In **January–February**, price rise was 3.2% year-on-year, which was strengthened by the considerable increase in prices of alcoholic beverages and tobacco (13.9%), first of all due to the rise of excise tax. The price rise of food was slower than earlier, 4.9%, however, there were considerable differences within this product group. While the price of red meat rose by more than 7%, that of flour by 15% and potato by 75%, sugar became by 6.2% and milk by 2.2% cheaper. The price rise of

¹ Due to the change of the personal income tax system in 2011, and first of all the introduction of family tax benefit, the application of a new calculation method became necessary. The methodological development based on a micro-simulation model enabled to estimate changes in net and real earnings by the number of children taking into account the effect of the family tax benefit as well.

services was about the same as the average (3.3%) in the first two months. The pace of price rise considerably decelerated in case of other goods (including home maintenance and household equipment, cosmetics, medicaments, motor fuels, cultural articles), and in January–February, their prices exceeded by 2.0% the level a year earlier. Within them, after a rise of 18% this time last year, motor fuel prices rose by

0.6%. The price level of clothing and footwear rose by 0.2%, while that of consumer durables continued to fall (2.2%). At the beginning of 2013, a reduction of overhead costs was implemented, as a result of which, consumer prices of household energy fell by 2.7% in the first two months. Within this, prices fell by 3.8% for electricity, 3.4% for piped gas and 9.0% for district heating compared to the first two months of 2012.

Table 2

Comprehensive data

(indices as a % of the same period of the previous year)

1.) January 2013

Denomination	2011	2012	January 2013
Industrial indices			
Production	105.6	98.3	98.6
Domestic sales	94.8	96.1	100.2
Export sales	107.9	99.3	102.8
Employment	103.4	97.9	100.1
Productivity	102.0	100.4	98.2
Index of construction output	92.1	94.1	95.9
Agricultural sales index	100.2	102.3	89.5
Index of retail trade turnover	100.2	97.9	97.4
Value of imports, million euro	72 917	73 267 ^R	6 147
value index	110.6	100.5 ^R	105.2
Value of exports, million euro	79 978	80 090 ^R	6 465
value index	111.9	100.1 ^R	104.3
Price indices			
Industrial producer prices	104.2	104.3	99.1
Industrial domestic sale prices	106.2	105.3	99.8
Agricultural producer prices	119.3	115.4	118.1
Forint prices of imports	105.0	104.2	..
Forint prices of exports	102.9	102.9	..
Number of employees			
1000 persons	2 692	2 674	2 574
Index	99.6	99.4	99.4
Unemployment rate ^{a)} , %	11.0	11.0	11.3 ^{b)}
Average monthly gross earnings			
thousand HUF	213.1	223.0	223.8
nominal index	105.2	104.6	102.5
Average monthly net earnings			
thousand HUF	141.2	144.0	146.6
nominal index	106.4	102.0	103.9

a) As a percentage of population aged 15–64. b) November 2012 – January 2013. –
R Revised data.

2.) January–February 2013

Denomination	2012	January	February	January–February
		2013		
Consumer prices	105.7	103.7	102.8	103.2
Balance of general government				
billion HUF	–607	–2	–337	–339
Of which:				
Central government	–620	–91	–360	–451
Social security funds	–118	51	11	62

Further information, data (links):

[Tables](#)

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