

## Statistical report: Economy and society January–February 2013

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#### Macro-economic and financial trends

- Despite the financial and economic problems of the euro area the growth of the **global economy** will slightly accelerate in 2013 according to the most recent estimate of the International Monetary Fund: following the rise of 3.2% in 2012 the rate of expansion will reach 3.3% in 2013.
- In the first three months of 2013 the **expectation of domestic economic actors on recovery** was less pessimistic than in the second half of 2012. The value of the Economic Sentiment Indicator, published by the European Commission, rose in a record high of over a year in January 2013.
- Following the decreases measured in the last quarter of 2012, the **euro values** of Hungary's **external trade in goods** were up by 1.5% in exports and by 2.5% in imports in the period of January–February 2013 compared to the same period of the previous year, according to first estimates. The growths of both exports and imports resulted from the increases of the January trade by 4.3% and 5.2% respectively, in February the euro value of imports stagnated and a fall of 1.2% was registered for exports.
- The **balance of external trade** showed a surplus of EUR 989 million in the first two months of the year, EUR 111 million less than in January–February 2012. The **forint price levels** of exports and imports in January 2013 were down by 2.3% and 3.9% respectively compared to the corresponding month of the previous year, so the **terms of trade** improved by 1.7%. The exchange rate of the forint strengthened by 4.9% against major currencies in the first month of the year, within which the rates of appreciation were 4.5% against the euro and 7.2% against the dollar.
- **In the first quarter of 2013** 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 494 billion, which means the improvement of the balance by HUF 24 billion compared to a year earlier. The revenues of the general government, amounting to HUF 3,464 billion, were 8.3% more than a year before, while its expenditures of HUF 3,957 billion were 6.5% higher than in the first quarter of 2012. Out of the sub-systems the balance of the central government deteriorated by HUF 34 billion, and the deficit amounted to HUF 589 billion. The balance of extra-budgetary funds also changed unfavourably, the surplus coming to HUF 32 billion was HUF 11 billion less than in the same period of the previous year. In contrast, an improvement was measured in the balance of social security funds, reaching HUF 68 billion, and the surplus of the balance amounted to HUF 63 billion.

- **In 2012** the performance increased in the majority of the largest national economies: the United States, China, India and Japan, however, the economy of the European Union got into recession because of the Southern European countries.
- Internal and external factors forming economic trend both changed unfavourably, as an impact of which the economy of Hungary turned into a decrease at the beginning of 2012. As a consequence, the **gross domestic product of Hungary** was down by 1.7% in 2012 compared to the previous year. In the EU comparison of the change of performance Hungary is put in the last third of the ranking.
- **From expenditure side**, – despite weak results on export markets – external trade has continued to have a positive effect on the performance of the domestic economy. However, domestic demand – because of decreasing consumption and low investment activity – did not support economic growth in 2012.
- **On production side**, volume decreases occurred in the majority of industries. The performance of goods producing branches lessened by 4.3% in 2012, while that of services branches by 0.5%. Economic trends were unfavourably affected by the sinking into recession of the EU's economy, declining domestic consumption and the drought. Increases were recorded merely in information and communication as well as public administration.
- **In 2012** the – accrual-based – **deficit** of the **government sector** came to HUF 593 billion, 2.1% of gross domestic product. In 2011 the sector had a surplus of 4.3%, consistent with a transfer of wealth from private pension funds, accounting for nearly 10% of GDP. According to the legislation on excessive deficit procedure (EDP) the deficit for 2012 was HUF 532 billion, which meant 1.9% of GDP. The debt of the government sector at the end of the year (HUF 22,381 billion) corresponded to 79.2% of GDP.
- According to preliminary data of the National Bank of Hungary the **current account** had a surplus of EUR 1,605 million at the end of 2012, which means the improvement of the balance by EUR 797 million compared to the year before. Among the sub-balances of the current account the balance of goods improved by some EUR 680 million, and a surplus of EUR 4.1 billion was generated over the year. In the other group of real economic transactions, i.e. in case of services the balance became more favourable, too, the surplus of EUR 3.4 billion was EUR 235 million higher than in 2011. Within this group, in the international exchange of tourism services, revenues of EUR 3.8 billion and a surplus of EUR 2.2 billion were generated. The balance of income flows shows a deficit of EUR 6.4 billion, EUR 130 million more than during 2011. Among items belonging here, the net outflow of incomes of EUR 4.6 billion, representing the highest value, is related to direct capital investments, however, the deterioration of the balance is owing to income flows related to portfolio investments. In case of current transfers a surplus of EUR 500 million was generated in 2012, which means the improvement of the sub-balance by EUR 14 million compared to the previous year. **External financing capacity**, equal to the aggregate balance of the capital account and the current account – i.e. a calculation by top-down method –, amounted to

EUR 4.3 billion in 2012, EUR 1.1 billion more than a year earlier. The aggregate balance of **EU transfers** accounted for in the current and in the capital account shows a surplus of EUR 4.1 billion, which is EUR 317 million higher than in 2011.

- According to data of the National Bank of Hungary the gross **foreign debt stock** of the national economy, not including other capital within direct capital investments, was EUR 94.5 billion **at the end of 2012**, while net debt stock amounted to EUR 42.4 billion. Gross debt stock decreased by 7.8%, while net debt stock by 4.7% over one year. The decrease in gross debt stock is mainly explained by trends in the private sector, outside which the total debt stock of the general government and the National Bank of Hungary decreased somewhat, too. The decrease in net debt stock can be attributed exclusively to the private sector, the debt of EUR 23.6 billion of which is EUR 5.7 billion less than a year before, while an increase was observed in case of the sum of general government and National Bank of Hungary.

### Performance of branches

- The **gross output of industrial production** in February 2013 – along with deteriorating external conditions for economic recovery – decreased by 5.4% according to unadjusted data and by 1.1% according to working-day adjusted data compared to one year before. The decline of production was due among others to the fall of demand for communication equipment and consumer electronics, and the lower need for heating because of a milder February than last year. The volume of seasonally and working-day adjusted industrial production was 0.3% higher in February than in the previous month.
- In **January–February** the volume of industrial production was 3.4% lower than in the corresponding period of 2012, and the volume of sales was 0.3% higher on external markets and 6.4% smaller in Hungary.
- Gross output decreased in all the three sections of industry in the first two months: the volume in manufacturing was down by 3.0%, in the energy sector by 10.7% and in the lower-weight mining by 20.4%. The volume of production rose in five of the manufacturing sub-sections in the first two months compared to one year earlier. In the manufacture of transport equipment, the sub-section with the largest share in industry, the volume of production grew by 10.1%, which continued to be caused principally by the expansion of production in the manufacture of road motor vehicles. A volume increase of 13.8% was registered in the manufacture of chemicals and chemical products, having medium weight. Other manufacturing – with a low share – was up by 8.8% compared to a year before. However, in the majority of manufacturing sub-sections the volume of production failed to reach the level observed one year earlier, out of them the manufacture of computer, electronic and optical products, having the second largest share in manufacturing, fell by 18%. The volume of production in the manufacture of food products, beverages and tobacco products, the third largest sub-section and having a share of over one-tenth in production, decreased by 1.4%. Among sub-sections with medium weight the largest fall was recorded in the manufacture of coke and refined petroleum products (14.3%).
- The number of employees at industrial enterprises employing at least 5 persons was practically the same as one year before (+0.1%), so – along with the decrease of production – the industrial production per employee was down by 3.8%.
- In February the volume of new orders was 9.3% lower than twelve months earlier, as a result of the fall of export orders by 1.4% and the significant, 44% fall of domestic orders. However, the total stock of orders at the end of February was 30% higher than a year earlier due to a former, relatively large export order.
- **Industrial producer prices** remained practically as high this January–February as in the corresponding period of the previous year. Domestic sales prices rose by 0.2%, while the prices of sales on external markets were cut by 0.3% on average.
- The **volume of construction output** increased by 7.2% in February. The low base in the same period of the previous year as well as the favourable weather in February contributed to the growth of production. (It should be taken into account, however, that only some 60% of the output in an average month is produced in January or in February.) The volume of production was 1.6% higher in January–February than one year before. Within this the volume of production grew in both main groups of constructions: the construction of buildings by 1.8% and civil engineering works by 0.9%.
- In January–February an 8.5% smaller volume of **new construction contracts** were made than in the corresponding period last year. The volume of new contracts concluded decreased in both main groups of constructions, 9.0% less new contracts were made for the construction of buildings and 8.1% less for civil engineering works. The **stock of contracts** at the end of February was 18% higher than a year before, which was due to the low base and to the high-value contracts concluded earlier for the development of transport infrastructure and the construction of public utilities. The stock of contracts made for the construction of buildings decreased by 11%, while that of contracts concluded for civil engineering works was 31% higher than at the end of February last year.
- **Out of services branches** the volume of **retail trade turnover** was 2.5% lower in **January–February 2013** than in the corresponding period of the previous year. (Data after calendar adjustment show a decrease of 1.8%.) However, the seasonally and calendar adjusted index indicates a slight expansion (0.2%) in February compared to the previous month.
- The **sales of food, drinks and tobacco** decreased by 2.7% in the first two months of 2013, within which sales in non-specialised stores (hyper- and supermarkets, grocers), accounting for a substantial part of turnover, were 2.6% lower and sales in specialised stores 3.3% less than in the same period of the previous year. The sales of **non-food products** – after a rise at the beginning of the last year – decreased by 2.1% this January–February. Within the activity group the sales of stores for furniture and electrical goods, accounting for over a quarter of total turnover, fell the most (8.5%), but the volume of retail trade in books, computer equipment and other manufactured goods, also having a considerable share, decreased, too (2.7%). The sales of manufactured goods in non-specialised went down by 4.9%, while the turnover increased by around 1% in stores for textiles, clothing and footwear as well as in stores for pharmaceutical and medical products and cosmetics. The sales of automotive fuel were 2.6% lower than in the same period of the previous year.
- The **sales of motor vehicles and motor vehicle parts and accessories**, accounted for outside retail trade, diminished – after an expansion at the beginning of 2012 – by 1.1% in January–February this year compared to the corresponding period of the previous year.
- In the first two months of 2013, 818 thousand tourist arrivals and 1 million 954 thousand tourism nights were registered at **public accommodation establishments**. The number of tourist arrivals rose by 5.5%, while that of tourism nights by 3.2% compared to the same period of 2012. Both international and domestic tourism were on the increase, though the expansion was more marked in case of non-residents. The number of domestic tourist arrivals grew by 3.5%, and domestic tourism nights by 1.6%. At the same time 7.7% more international tourists spent 4.7% more tourism nights at accommodation establishments. Hotels, receiving nearly nine-tenths of tourism, registered growths somewhat above the averages. The occupancy rate of hotel rooms was 35.0%, 1.2 percentage points higher than in the first two months of the previous year. The gross sales revenues of accommodation establishments amounted to HUF 30 billion, 2.6% more at current prices than in January–February 2012, while the price increase in accommodation and food service activities was 3.6%, exceeding the average for the national economy. Accommodation fee revenues, accounting for the half of gross sales revenues, grew by 3.3%, which was totally due to the expansion of revenues from residents. 1,419 units accepted Széchenyi Recreation

Card in February 2013, and tourists paid by this means of payment in a value of HUF 1.3 billion in the period of January–February.

### **Social and income trends**

- According to basic **vital statistical indicators** less births and deaths were recorded in Hungary in the **first two months of 2013** than a year earlier.
- According to preliminary data 14,050 **children were born** in January–February 2013, 5.2% (770 children) less than one year earlier, and the birth rate decreased by 0.3 per mille point to 8.8 per mille. The number of 21,615 of **deceased people** was 1,309 less than in the corresponding period of the previous year. The death rate was 13.5 per mille, compared with 14.1 per mille in January–February 2012. The **infant mortality rate** diminished from 4.8 per mille to 4.6 per mille over one year.
- The pace of **natural decrease** – because of the higher rate of decrease of deaths than of births – somewhat decelerated. The decrease was 7,565 people, 539 less than a year earlier.
- In **December 2012–February 2013**, 3 million 786 thousand people worked – within the population belonging to the age group of 15–64 year-olds –, 25 thousand more than a year earlier, and the **employment rate** rose by 0.7 percentage point to 56.5%. The number of employed men and women both increased (by 13 thousand and 12 thousand respectively), and their employment rates were 61.7% and 51.5% respectively. Slight increases of employment rates were observed for young people aged 15–24 years (19.0%) – present in low numbers on the labour market, 25–54 year-olds (73.4%) of the best working age, and the 55–64 year-olds (36.7%) as well.
- The **number** of 501 thousand of **unemployed people** – also among the 15–64 year-old population – slightly surpassed (by 5 thousand) that in December 2011–February 2012. The value of 11.7% of the **unemployment rate** was the same as one year before. The unemployment decreased among women and grew in case of men, the unemployment rate was 11.1% for the former and 12.2% for the latter. A slightly rising unemployment was observed for 15–24 year-old young people and 25–54 year-olds, while a decrease occurred among 55–64 year-olds. 45.6% of unemployed people had been looking for a job for at least one year, and the average length of unemployment fell from 17.4 months to 15.7 months.
- In the period of **January–February 2013** the monthly **gross earnings** of full-time employees in the national economy – at enterprises employing

no less than 5 persons, budgetary institutions and the observed non-profit organisations – were HUF 223,100, and its **net** amount was HUF 146,100. Average gross earnings were 2.6%, while average net earnings, not taking into account family tax allowance, were 3.9% higher than a year before. People working at enterprises earned a net amount of HUF 150,300, while those in the public sector – without people in public employment – HUF 139,200. Average net earnings were up by 3.6% in the private, and by 3.8% in the public sector. The net earnings of employees in the non-profit sector were HUF 132,700 on average, 4.6% higher than in January–February 2012.

- To offset tax and contribution changes, a monthly **compensation** not making part of earnings was paid to the affected group of persons employed in the public sector and at non-profit organisations. Persons working in the public sector received an average gross benefit of HUF 10,000, while those at non-profit organisations HUF 9 700 per month under this title.
- The rate of **consumer price** rise decelerated further: prices increased by 2.9% in **January–March** compared to the same period of the previous year. The deceleration of the rate was largely due to the cut of overhead costs at the beginning of the year.
- In the first quarter the prices of alcoholic beverages and tobacco rose the most (13.2%) compared to the corresponding period of the previous year, mainly as a result of the increase of excise tax. The prices of food also rose above the average – though at a lower pace (4.4%) than one year earlier, within which the prices of meat and meat products were up by around 7%, flour and potatoes prices by 15% and 74% respectively, while the consumer price of sugar decreased by 6.5%. The price of services increased at a rate (3.5%) above the average, too, while the pace of price rise of other goods, including motor fuels and lubricants, slowed down from 8.6% in January–March 2012 to 1.8%. The consumer price of vehicle fuels – compared to the high base in the same period of the previous year – rose only slightly (0.3%). The price level of clothing and footwear was the same as in the corresponding period of the previous year, while durable consumer goods could be purchased invariably for less than in the same period of the previous year. After a price rise of 7.1% in the 1<sup>st</sup> quarter of 2012 it was the consumer prices of electricity, gas and other fuels that fell the most in the first quarter (4.5%), which was primarily due to the reduction of overhead costs at the beginning of the year. Within this, 9.9%, 5.6% and 5.9% less had to be paid for district heating, piped gas and electricity respectively.

Table 1

**Comprehensive data**

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

**1.) January–February 2013**

| Denomination                                | 2012   | January            | February | January–February   |
|---|--------|--------------------|----------|--------------------|
|   |        | 2013               |          |                    |
| Industrial indices                          |        |                    |          |                    |
| Production                                  | 98.3   | 98.6               | 94.6     | 96.6               |
| Domestic sales                              | 96.1   | 100.2              | 87.4     | 93.6               |
| Export sales                                | 99.3   | 102.8              | 97.9     | 100.3              |
| Employment                                  | 97.9   | 100.1              | 100.1    | 100.1              |
| Productivity                                | 100.4  | 98.2               | 94.4     | 96.2               |
| Index of construction output                | 94.1   | 95.9               | 107.2    | 101.6              |
| Agricultural sales index                    | 102.3  | 89.5               | 100.7    | 94.7               |
| Index of retail trade turnover              | 97.9   | 97.4               | 97.7     | 97.5               |
| Value of imports, million euro              | 73,267 | 6,149 <sup>R</sup> | 5,896    | 12,045             |
| value index                                 | 100.5  | 105.2              | 99.9     | 102.5              |
| Value of exports, million euro              | 80,090 | 6,465              | 6,569    | 13,034             |
| value index                                 | 100.1  | 104.3              | 98.8     | 101.5              |
| Price indices                               |        |                    |          |                    |
| Industrial producer prices                  | 104.3  | 99.1               | 100.8    | 99.9               |
| Industrial domestic sale prices             | 105.3  | 99.8               | 100.6    | 100.2              |
| Agricultural producer prices                | 115.4  | 118.1              | 117.0    | 117.8              |
| Forint prices of imports                    | 104.2  | 96.1               | ..       | ..                 |
| Forint prices of exports                    | 102.9  | 97.7               | ..       | ..                 |
| Number of employees 1000 persons            | 2,674  | 2,574              | 2,567    | 2,570              |
| Index                                       | 99.4   | 99.4               | 98.2     | 98.8               |
| Unemployment rate <sup>a)</sup> , %         | 11.0   | ..                 | ..       | 11.7 <sup>b)</sup> |
| Average monthly gross earnings thousand HUF | 223.0  | 223.8              | 222.4    | 223.1              |
| nominal index                               | 104.6  | 102.5              | 102.7    | 102.6              |
| Average monthly net earnings thousand HUF   | 144.0  | 146.6              | 145.6    | 146.1              |
| nominal index                               | 102.0  | 103.9              | 104.0    | 103.9              |

a) As a percentage of population aged 15–64.

b) December 2012 – February 2013.

<sup>R</sup> Revised data.**2.) January–March 2013**

| Denomination                  | 2012  | January–February | March | January–March |
|-------------------------------|-------|------------------|-------|---------------|
|                               |       | 2013             |       |               |
| Consumer prices               | 105.7 | 103.2            | 102.2 | 102.9         |
| Balance of general government |       |                  |       |               |
| billion HUF                   | –607  | –339             | –154  | –494          |
| Of which:                     |       |                  |       |               |
| Central government            | –620  | –451             | –138  | –589          |
| Social security funds         | –118  | 62               | 1     | 63            |

**Further information, data (links):**[Tables](#)[www.ksh.hu](http://www.ksh.hu)**Contact details:**

Analysis Section, Dissemination Department

Mónika Freid, deputy head of department

[Monika.Freid@ksh.hu](mailto:Monika.Freid@ksh.hu), Telefon: (+36-1) 345-1296[Information services](#), Telefon: (+36-1) 345-6789