Hungary 2016

WITH INTERNET ANNEX

Summary

1. Demographic snapshot

Population, demographic trends

• On 1 January 2017, the **population** of Hungary was 9 million 799 thousand, 31.2 thousand fewer than a year earlier.

• In 2016, **favourable** changes occurred in all natural demographic processes. The number of births and marriages increased, that of deaths was lower than in the preceding year and infant mortality fell to a new historic low. The decline in the number of induced abortions continued, and the number of divorces fell.

• At the same time, the surplus resulting from **international migration** was significantly lower than in the previous year and could hardly reduce the extent of the natural decrease.

• As a result, the **actual** population **decrease** was nearly 31,200 persons, 6,100 persons or 24% higher than in 2015.

Number of births, fertility

• Following the historic low of about 88 thousand births in 2011, the number of births is increasing with some fluctuations. In 2015, 91,690 children were born, which was 0.2% or 180 infants more than in the previous year. The dynamics of growth accelerated in 2016, the **number of births** increased by 1.5% or 1,410 infants, and the 93,100 live births represented the highest number in the last seven years. The total fertility rate also reached a 20-year peak with its value of 1.49.

Deaths

• The number of **deaths** was continuously more than 130 thousand between 1975 and 2010, but it was below this level between 2011 and 2014. That is why the significant growth in the number of deaths in 2015 was unexpected, which not only exceeded 130 thousand, but represented a surplus of 4.3% or nearly 5,400 persons compared to the previous year. Mortality conditions significantly improved in 2016, and the estimated number of 126,900 deaths was by 3.6% or 4,800 deceases lower than in the previous year, but was still higher than the level in 2014.

• The downward trend of **infant deaths** stopped in 2013, since, from the level below 5.0 per mille in the previous years, it rose again above that. In the following years, however, in addition to the increase in the number of births, the number of deaths under one year of age decreased again, thus, infant mortality rate fell to 3.9 per mille in 2016, which was the lowest level observed so far.

Marriages

• The number of **marriages** fluctuated within narrow limits, or rather stagnated after the turn of the millennium, but it fell considerably, by one-fifth between 2006 and 2010. Then an increasing trend began, and the earlier slow increase changed to a dynamic growth in the last two years. The number of marriages grew by 19% in 2015 and by another 12% in 2016 year-on-year. As a result of this, the highest number of marriages (51,800) was registered in 2016 in the period from 1996.

Divorces

• The annual number of **divorces** was around 24–25 thousand in the decade after the turn of the millennium, but in the following years, it showed a definitely decreasing trend. In 2014, for the first time in fifty years, the number of divorces fell below 20 thousand, but it rose again above this level in the following year. The estimated number of marriages dissolved by courts was 19,600 in 2016, 3.5% or 715 divorces less than in the previous year.

Population decline

• The increase in the number of births and the decrease in the number of deaths have considerably moderated the pace of the **natural decrease** in the population number. As the negative balance of births and deaths, the natural decrease was 33,800 in 2016, nearly 16% and about 6,200 lower than in 2015. However, the declining positive balance of international migration could hardly moderate the decline in the population number resulting from natural decrease, so, the rate of actual decrease was higher than a year earlier.

Demographic ageing

• The changes in the structure of the population by age having been experienced for a long time continued. The **ageing** process of the population accelerated. The number and rate of people aged 60 years and older exceeded those of the 0–14 year-old child-age population in 1992 for the first time, but since 2005, even the number of people aged 65 years and older has been higher than that of the child-age population. On 1 January 2017, the number of 65 year-old and older people per hundred children was 129.

Summary data

Denomination	1990	2010	2015	2016+	2016+ (2015=100,0)
Live births	125 679	90 335	91 690	93 100	101.5
Deaths	145 660	130 456	131 697	126 900	96.4
Infant deaths	1 863	481	383	365	95.3
Marriages	66 405	35 520	46 137	51 800	112.3
Divorces	24 888	23 873	20 315	19 600	96.5
Induced abortions	90 394	40 449	31 176	30 400	97.5
Natural decrease	–19 981	–40 121	–40 007	–33 800	84.5
Actual decrease	–1 670	–28 602	–25 086	–31 200	124.4

2. Labour market situation, education

Labour market

• The labour market trends of the earlier years continued in 2016. **The main indicators improved:** the number of economically active people increased, within which employment expanded and unemployment fell. In parallel with this, the number and rate of inactive people decreased compared to the previous year. In the 24-year-long history of the labour force survey, the level of employment and unemployment was the most favourable in 2016.

• In 2016, the **number of employed people** aged 15–64 was 4 million 309 thousand, 134 thousand more than a year earlier, and the **employment rate** increased by 2.6 percentage points to 66.5% over the same period. In EU comparison, the employment position of Hungary has improved: our employment rate was one of the lowest among EU member states for more than a decade, lagging far behind the EU average, while in the 3rd quarter of 2016, it was already 0.6 percentage point higher than that.

• **The number of unemployed people** aged 15–64 was 234 thousand in 2016, 73 thousand fewer than a year earlier, and the **unemployment rate** of 5.1% was 1.7 percentage points lower. The unemployment indicators of women fell to a greater extent, as a result of which the level of unemployment was somewhat lower among them than among men. The gap between the Hungarian and the EU unemployment rates continued to grow. In the 15–64 year-old population, the indicator in Hungary was 3.4 percentage points lower than the EU-28 average in the 3rd quarter of 2016, and was one of the lowest rates in the ranking of EU member states.

• The proportion of young people neither studying nor working in the 15–24 age group provides a more comprehensive picture of the situation of young people. This proportion was 11.0% in 2016, 0.6 percentage point less than a year earlier.

• In parallel with the increasing labour demand, the size of the so-called **potential labour reserve** taken into account in addition to the unemployed decreased by 115 thousand over one year and amounted to 421 thousand people.

• Last year, the **number of job vacancies** grew by 24%. Thus, the average number of job vacancies to be filled was nearly 55.2 thousand in 2016. The number of job vacancies in the business sector increased by 36% to 39.0 thousand over one year.

• There are significant **regional differences** in the main labour market indicators: while in Central Hungary as well as in Central and Western Transdanubia, the employment rate was higher and the unemployment rate was lower than the national average, Southern Transdanubia, Northern Hungary and the two regions in the Great Plain were characterised by below average employment and above average unemployment rates in 2016.

Public education, adult education, tertiary education

• The **education level of the population** continued to improve: in the 25–64 year-old population, the proportion of people whose highest educational attainment is GCSE grew from 28% to 31%, and that of people with university or college degree increased by 7 percentage points to 21% between 2001 and 2011. In 2016, people with university or college degree accounted for 24% and those with GCSE for 32% of the total 25–64 year-old population.

• In 2016, the number of **kindergarten** sites was 4,574. The number of kindergarten places did not change significantly compared to 2015 and was 379 thousand. The number of kindergarten children diminished by 1.1% year-on-year and was 317 thousand in 2016, that is, fewer than the available places. The number of kindergarten children per hundred places was 84. In the 3–5 year-old population, the proportion of children attending kindergarten grew from 87.8% in 2010 to 91.4% by 2016. The number of kindergarten teachers was practically the same (31 thousand) as in 2015, and the number of children per teacher was 10.1.

• In connection with the change in the number of the child's age group concerned, the number of full-time students in **primary school** fell by 0.5% compared to the previous year. Thus, the number of students enrolled in the 3,589 school sites was 741 thousand. The decrease in the number of teachers over several years stopped in 2013 and their number started to increase: in 2016, 78 thousand teachers worked in primary schools, 5.5% more than in 2010. The number of pupils per teacher was 9.6 in 2016.

• In the 2016/2017 school year, significant changes occurred in **secondary education.** Special vocational schools became vocational schools or special skills development schools, vocational schools became secondary vocational schools and secondary vocational schools became vocational grammar schools. In case of secondary general schools, there was no change. The number of full-time students fell, and it was 435 thousand in 2016, 3.6% less than in the preceding year and 25% less than in 2010, mainly due to the decrease in the number of people in the corresponding age group. The proportion of students attending secondary general school was 42% in 2016 and 34% in 2010.

• In **tertiary education,** the total number of full-time students admitted to university and college was 53 thousand. The proportion of applicants admitted was 67%, 2 percentage points higher than in 2010 and nearly the same as in 2015.

• The distribution of students by **fields of training** partly followed the earlier trend between 2010 and 2016 as well, however, some shift can also be observed, and the distribution of students by fields of training became more balanced. The field of training 'business and administration' was the most popular in 2016 as well. The field of training 'engineering, manufacturing and construction' also retained its second position. The role of teacher training and information and communication technology strengthened the most.

• While the role of **adult education** declined in public education in the past decades – already from the 1980s –, it strengthened in tertiary education until the first third of the last decade. In 2016, the number of participants in adult education was 2,410 in primary and 98 thousand in secondary education. In tertiary education, the number of part-time students was 81 thousand.

• The **budgetary expenditures on education** amounted to HUF 1,480 billion in 2015, which accounted for 4.4% of the GDP. This was 8.0% more at current prices than in the previous year, and its ratio to GDP increased by 0.1 percentage point. In 2015, the per capita expenditure of households on education was HUF 9,000. The amount spent on education accounted for 0.9% of the total per capita consumption in 2015. Household consumption expenditure on education (HUF 285 billion) accounted for 0.8% of the GDP in 2015, which ratio has been unchanged since 2010.

Summary data

Denomination	2013	2014	2015	2016
Number of employed people, thousand[a)]	3 860.0	4 069.9	4 175.8	4 309.4
Employment rate, %[a)]	58.1	61.8	63.9	66.5
Number of unemployed people, thousand[a)]	440.2	342.7	307.0	233.9
Unemployment rate, %[a)]	10.2	7.8	6.8	5.1
Proportion of long-term unemployed	50.4	49.5	47.4	48.4
Number of job vacancies, thousand	32.8	37.7	44.6	55.2
Number of people with GCSE as a percentage of the 18 year-olds, %[b)]	58.8	62.6	63.8	62.8
Number of people having obtained university/college degree as a percentage of the 22 year-olds, %[c)]	28.6	31.3	33.7	32.9

[a)] In the population aged 15–64.
[b)] In the 18 year-old population, the proportion of those who passed a successful GCSE in full-time education in the given year.
[c)] In the 22 year-old population, the proportion of those who obtained a university/college degree in full-time education in the given year.

3. LIVING CONDITIONS

Income

• In 2016, average gross monthly **earnings** of full-time employees rose by 6.1%, while average net monthly earnings including family tax benefit increased to a larger extent, by 7.7% due to the changes in rules of personal income tax.

• As a consequence of the easing crisis of 2008 and the changes in the tax law, the purchasing power of earnings has again increased since 2013. Taking into account family tax benefit, net earnings were 7.2% higher in real terms in 2016 than in the previous year.

• On the whole, real earnings rose by 24% between 2010 and 2016 taking into account family tax benefit. The purchasing power of earnings grew to the largest extent, by 51% in case of families raising three or more children.

• According to preliminary data, the 2016 budget spent HUF 3,534 billion, 10.1% of the GDP on **pensions, benefits, annuities and other provisions,** 0.9% more than a year earlier. The average number of provision recipients was 2 million 640 thousand, 27% of the total population. The average monthly amount of the provision per recipient was HUF 111.5 thousand, which accounted for 64% of net nominal average earnings. In September 2016, the number of women receiving pension based on 40 years entitlement time was nearly 140 thousand.

• Between 2010 and 2016, pensions, benefits, annuities and other provisions rose by 29% on average, and they increased by 14.9% in real terms along with a 112% pensioner consumer price index for the period.

• **Family allowance** is a family support tool affecting most of the families. The average monthly amount of family allowance per family was nearly HUF 24 thousand in 2015, which accounted for 86% of the monthly net earnings per capita in families in the lowest income decile and 10% of those in families in the top income decile.

• In 2015, the **monthly gross income per capita of private households** was HUF 120,000, 4.8% more than in the previous year. The monthly **net income** per capita amounted to HUF 95,900, 4.6% more than in 2014.

• The income situation of households is basically influenced by the household composition as well, mainly by whether they raise **children** or not. In 2015, 1 million 220 thousand households, 29% of all households had children. In these households, the monthly net income per capita continued to be lower than the average of all households, but increased by 6.2% on average compared to the previous year, which can be partly explained by the expansion of family tax benefits.

• In 2015, net earnings rose the most (by 5.9%) in the **lowest income quintile.** Per capita net earnings of households increased more than the average of all households (4.6%) in the second and in the fourth income quintiles as well, by 5.5% and 4.8%, respectively.

• **Income inequality** in Hungary is lower than the EU average, and we are among **countries with medium inequality**. The S80/S20 income quintile share ratio, which is the ratio of the income in the top and in the lowest income quintile, was around 4.3 between 2012 and 2015 in Hungary. This means that households in the top income quintile had 4.3 times more income than those in the lowest income quintile. This was not only lower than the EU average, but lower than the value in a significant part of the neighbouring countries.

• The proportion of the population at risk of poverty and social exclusion was 31.5% in 2010 in Hungary, which proportion increased to 34.8% by 2012, while it has been steadily decreasing since 2013. According to the latest available data, 26.3% of the total population (2 million 541 thousand people, 1.9 percentage points lower proportion than in the previous year) was considered to be poor or socially excluded in 2015. The proportion of people living at risk of poverty in the population decreased by 0.4 percentage point, that of severely materially deprived people by 3.1 percentage points and the proportion of those living in households with very low work intensity fell by 1.0 percentage point compared to 2014.

Consumption of households

• Following the decrease or stagnation in the previous years, the **monthly consumption expenditure of the population** grew by 7.8% at current prices and by 7.9% in real terms also taking into account the changes in consumer prices in 2015 compared to the monthly average in 2014. The monthly average amount of HUF 81,600 per capita in 2015 rose by 26.7% at current prices and by 13.8% at constant prices, compared to 2010. As opposed to previous years, the largest consumption item of households was the expenditure spent on food in 2015: households spent 24% of their total expenditure on food and non-alcoholic beverages (HUF 20,000/month/capita).

• After paying the **expenditures on items satisfying basic needs,** such as food, housing and transport, the monthly average share of other expenditures (e.g. on recreation and culture) was 43% in 2015, 1.6 percentage points higher than in 2014 and 1.9 percentage points more than in 2010.

• There is still a marked difference between the consumption of households in the worst and in the best financial situation. In 2015, the monthly consumption expenditure of households in the top **income quintile** was 3.4 times as high as that of families in the lowest quintile.

• The consumption of **households with children** increased in each consumption group except for transport and recreation and culture. The average monthly per capita expenditure of these households amounted to HUF 62,200, 5.8% higher at current prices and 5.9% more in real terms than the monthly average in the previous year, that is, it increased less than the average and its level reached 76% of the average.

Consumer prices, inflation

• In 2016, the low inflation environment, the petroleum price, the moderate domestic economic growth and the slowly increasing consumption moderated the dynamics of prices. On the whole, **consumer prices** were 0.4% higher in 2016 than a year earlier. Among the main groups of expenditure, the prices of other goods including motor fuels and lubricants fell the most due to the decline in motor fuel prices. The prices of household energy decreased to a negligible extent, within which those of the main overheads did not change. The prices of food and services having a dominant role in consumption rose above the average. Similarly to the previous years, the price rise of alcoholic beverages and tobacco was the highest.

Housing conditions

• Between 2008 and 2015, the trend of **housing construction** was declining (fell to less than three-tenths), but in 2016 it increased again: a total of 9,994 new dwellings were put to use, 31% more than in the previous year. The number of homes built increased in all settlement types; in Budapest and towns with county right, the growth was more dynamic than the average (44% and 49%, respectively). The number of dwellings built by enterprises grew by 65%. Their share in housing construction rose from 39% to 50% and was the highest, 73% in Budapest.

• The **average floor area** of homes put to use was more than 100 m^2 from 2011, while it decreased to 94 m^2 in 2016 because of the rearrangement of builders.

• In 2016, nearly 2,500 **homes ceased** to exist, 24% more than a year earlier. The annual average number of registered ceased dwellings was 4–5 thousand in the years prior to 2010 and 1–3 thousand since that time.

• The number of **issued new building permits and simple announcements** was nearly 31,600 in 2016, 2.5 times as high as in the previous year.

• The growth of **housing stock** in Hungary has slowed down since the turn of the millennium, and the annual increase has been between 0.1% and 0.2% since 2012. On 1 January 2017, 4 million 428 thousand dwellings were registered, 7,500 more than a year earlier.

• As a result of favourable changes in the macro-economic environment, the **housing market turnover** has been expanding since 2013. According to preliminary data of quarters 1–3, 2016, its size continued to approach the level before the crisis. The increase in the number of home sales still occurred only in the market of second-hand homes, and in case of new dwellings, those built in the previous years were sold in the period observed. According to preliminary data of quarters 1–3, 2016, the pure **price increase** was 10.2% for second-hand homes and 8.4% for new homes having a small weight compared to the average price level one year before.

• At the beginning of 2013, measures aimed to facilitate taking a housing loan came into effect in the system of state interest subsidies. In 2016, both the number and amount of **approved loans** increased significantly: their number was 81 thousand, 19% higher than a year earlier and their amount was HUF 477 billion, which represented a 33% year-on-year increase. The **stock of housing loans** was HUF 2,912 billion on 31 December 2016, 2.8% less than a year earlier, which accounted for 8.3% of the GDP in 2016. As in the previous years, the **rating of housing loans** continued to improve in 2016 as well. The **average maturity** was 14.5 years, a half year longer than a year earlier.

Health

• The decline of **mortality** in Hungary is much more the result of the favourable changes in the mortality of men because the overall mortality of women changed to a lesser extent in the last two decades.

• Along with the number of **general practitioners** decreasing by 6.6% between the turn of the millennium and 2015[1)], the number of patients per GP increased by one tenth. The number of patients older than 60 years is higher and higher.

• The number of patients discharged from **hospitals** per thousand people (203) was higher than the EU average (169) in 2014 (the latest available international data). The discharge of patients with circulatory diseases was the fifth and that of patients with neoplasms was the fourth highest in the European Union. The share of one-day interventions was the highest in private hospitals and clinics.

• In 2015, 11% of the 19–64 year-old population, 681 thousand people were **in a status of reduced working capacity**. Most of them (86%) lived with problems or partial problems with abilities and almost all of them had some kind of long-term illnesses.

• **Expenditure on health care** accounted for 7.2% of the GDP in 2015 in Hungary, 0.8 percentage point less than that in 2005. This equalled HUF 250 thousand per capita, about half of the EU average on purchasing power parity.

Social care

• In 2014, **social protection expenditure** accounted for one-fifth of the GDP in Hungary, and, when calculated per capita at purchasing power parity, this was just above half of the EU average. Since 2010, calculated at constant prices of 2010, expenditures have decreased by 6.1%.

• Hungary was among countries spending the largest share on **family and child protection** (12%) and the smallest one on unemployment expenditures, thus preferring active labour market instruments.

• Following an increase in 2011, the amount spent on **social assistance** has been decreasing year by year since 2012. The 10% fall both in 2014

[1)] Excluding family paediatricians.

and 2015 was influenced by the further expansion of public employment, the improving income situation of households and the termination of the home maintenance support as well.

• The changes in jurisdiction and competence, as well as the limited availability of child welfare services may have contributed to the fact that the number of **endangered children** fell by nearly one-third and that of **children taken into child protection** decreased by 3.0% by 2015 compared to 2011.

• Except for institutions providing day care to psychiatric patients, addicts and disabled people, all **institutions providing basic social services** were visited by fewer people in 2015 than in 2014.

Culture

• In 2015, the budgetary **expenditures on culture** amounted to HUF 335 billion, 1.05% of the GDP.

• In 2015, the annual **per capita expenditure** of households on recreation and culture was HUF 64.3 thousand, and HUF 70.2 thousand was spent on communication. Thus, 2015 was the second year after 2014 when households spent more and a larger proportion of their total consumption expenditure on **communication** than on culture. In 2015, the proportion of expenditures on recreation and culture was 6.6% and that of expenditures on communication equalled 7.2%.

• The book market was characterized by a **decreasing number of books (titles), but an increasing number of copies.** The number of **books published** has shown a declining trend since 2009, but it turned to an increase in 2014, and the growth continued in 2015 as well. However, a decrease occurred again in 2016 when more than 12 thousand titles were published. At the same time, the **number of copies** of published books has been increasing since 2014, and the year-on-year growth was 11.5% in 2016. The **turnover of the** 'free' **book market** (excluding textbooks in public education) amounted to HUF 46 billion 886 million in 2016, 2.3% more than in the previous year. The average price of books has been decreasing for the fourth year, in 2016 by 6.4%.

• There **were various trends in the demand for cultural services.** Both the number of **museums** and that of exhibitions fell between 2015 and 2016, while the number of visitors grew by 1.1% over the same period. In 2016, nearly 9.7 million attendances were registered. The number of **theatres** decreased by two in 2016 compared to the previous year, and also fewer performances were held with a total of 6.7 million registered visitors, i.e. 1.1% less than in 2015. The number of **public cultural institutes** was 2.4% higher in 2015 than in the previous year.

Digital society

• In line with the growing number of internet subscriptions, the **internet penetration** of households (79% in 2016) is rising steadily, but is still low in EU comparison. The share of daily internet users was 71% in 2016 in Hungary.

• In 2016, 48% of the 16–74 year-old population contacted authorities via the internet and 46% looked for information on the website of an administrative organisation. 24% of this age-group arranged **public administration affairs** completely electronically, that is, filled in and returned the downloaded forms.

Subjective well-being

• **Overall life satisfaction,** which was measured on a scale of 0 to 10[2], is one of the most important indicators of **subjective well-being.** The average of the responses did not change significantly between 2013 and 2016 in Hungary: it was 6.11 in 2013 and 6.10 both in 2015 and 2016. According to the Eurostat EU-SILC[3] survey in 2013, Hungary was at the end of the EU ranking and could only precede Bulgaria.

• Age, marital status, educational attainment, as well as labour market and income situation had also a significant impact on overall life satisfaction.

• Similarly to the previous years, among all subjective variables, **trust** in other people showed the lowest average value in 2016 as well (5.00), having decreased compared to the one measured in 2013 (5.27) and the same as in the previous year (4.95).

• Based on the results of the surveys, the **feeling of safety** of the population increased between 2013 and 2016. While in 2013, 65% of the respondents declared to feel very safe or fairly safe when walking in the area close to the place of residence after dark, this proportion was 75% three years later.

Summary data

Denomination	2013	2014	2015	2016
Average earnings of employees, HUF/month				
gross	230 714	237 695	247 924	263 171
net	151 118	155 690	162 391	175 009
Real wage index, year 2010 =100.0	102.0	105.3	109.9	118.0
Expenditures on pensions, benefits, allowances and other provisions as a percentage of GDP	11.5	10.8	10.4	10.1+
Average monthly pension of old-age pensioners, HUF/person[a]	112 781	115 786	118 439	121 041
Consumer price index, year 2010 =100.0	111.7	111.5	111.4	111.8
Number of dwellings built per ten thousand population	7.4	8.5	7.7	10.2
Home loan stock as a percentage of GDP	11.4	10.4	8.9	8.3
Number of books published	11 957	11 998	12 953	12 254
Theatre attendances per hundred population	59	66	68	68
Museum attendances per hundred population	92	97	97	99

[a] January data.

[2] 0 = not at all satisfied, 10 = completely satisfied.
[3] *Statistics on Income and Living Conditions:* as a yearly data collection, it is a large-sample, internationally coordinated survey which provides wide range of information on the social, income and demographic characteristics, labour market situation as well as housing and living conditions of the population living in EU member states.

4. Domestic and international macro-economic environment

International economy

• The performance of the **global economy** was up by 3.1% in 2016 compared to the previous year. The growth was significantly influenced by the performance of Asian countries. Out of the global actors mostly influencing world economic trends the economic performance of the **United States** was up by 1.6%, that of **China**, considered as the largest national economy in the world in purchasing power parity, by 6.7% and **Japan's** by 1.0%.

• The economy of the **European Union** (EU-28), belonging to our closer international environment, and of Germany, considered as the largest national economy within that, both increased by 1.9% in 2016.

• The development of world economic trends was influenced by the decelerating growth rate of China's economy as well as a **decrease in the prices of raw materials.** The value of the price index managed by the International Monetary Fund and covering all major base materials was 10%, that of the global food price index of FAO 1.5% and the average Brent market price 17% lower in 2016 than in 2015.

Macro-economic trends in Hungary

• The performance of Hungary's economy started to follow a path of increase in 2013, and the growth continued in the course of 2016. The **gross domestic product of Hungary rose by 2.0% in 2016** compared to a year earlier, with which Hungary is in the middle of the ranking of EU member countries.

• **From expenditure approach,** it was basically households, consuming 4.9% more, that caused the economic growth, but the performance of external trade, reaching a record surplus, also favoured the growth of GDP.

• GDP increase was lowered by **investment performance,** decreasing by 20% compared to a year earlier, which was primarily due to the lower volume of developments realised from EU funds. Out of sections with a large weight, investments were up by 7.0% in manufacturing and were reduced by 42% in transportation and storage and by 4.9% in real estate activities.

• **From production approach,** the performance of most of the sections rose. The driving force of the growth was agriculture and market-based services, while the output of construction lowered GDP growth considerably.

External trade

• The **volume of external trade in goods** increased by 4.4% in exports and by 4.7% in imports in 2016 compared to 2015. The growth rate of trade was the lowest in the past three years in exports and in the last four years in imports. The **value** of exports amounted to 93.0 billion euros and that of imports to 83.1 billion euros in 2016. A surplus of 9.9 billion euros was recorded Hungary's external trade at the end of the year, the **balance** improving by 1.3 billion euros compared to 2015. The balance of external trade in goods has shown a surplus since 2009, the amount of the surplus ranged between 6 billion and 7 billion euros in 2012–2014 and reached a record high both in 2015 and 2016. The **forint and foreign exchange price levels of Hungary's external trade** went on decreasing. Similarly to 2013–2015 the **terms of trade** became more favourable in 2016 as well, the rate of improvement being the most significant in the last four years (1.5%).

• The **value of external trade in services** was 21.3 billion euros in exports and 14.3 billion euros in imports in 2016. Hungary's export revenues went up by 4.4%, while its import expenditures lessened by 0.2% compared to 2015. A surplus of 7.0 billion euros was generated on Hungary's external trade in services in 2016, the **balance** improving by 0.9 billion euros compared to 2015. The balance became continuously more favourable, the improvement amounted to 4.0 billion euros compared to 2010.

General government sector

• The **deficit of the general government sector** was 610 billion forints in 2016, corresponding to 1.7% of GDP. The deficit rose by 82 billion forints or by 0.1 percentage point as a proportion of GDP compared to 2015, a year with a record low deficit. The ratio of the deficit to gross domestic product was lower in all the years from 2012 to 2016 than the Maastricht deficit target of 3.0%. The **debt of the general government sector** – according to data of the National Bank of Hungary – equalled 74.1% of GDP at the end of 2016, which was 0.6 percentage point less than a year earlier and 6.4 percentage points lower than at the end of 2010. Despite the decrease the 60% target value of the Maastricht criterion has not been met yet. The value of the debt in forints has increased by 19% since 2010 and amounted to 25.9 thousand billion forints at the end of 2016.

Summary data

Denomination	2013	2014	2015	2016
Volume index of gross domestic product (GDP), 2010=100.0	102.2	106.4	109.7	111.9
GDP per capita, EU-28 average = 100.0[a]	67	68	68	..
Volume index of investment, 2010=100.0[b]	96.0	114.5	121.9	97.6
Volume index of actual final consumption of households, 2010=100.0	99.0	101.0	104.1	108.4
Balance of external trade in goods, million euros	6 555	6 274	8 595	9 935
Volume index of imports, 2010=100.0	111.9	121.8	129.4	135.5
Volume index of exports, 2010=100.0	115.3	123.3	132.9	138.7
Balance of general government sector, as % of GDP	–2.6	–2.1	–1.6	–1.7
Debt of general government sector, as % of GDP	76.6	75.7	74.7	74.1

[a] In purchasing power parity.
[b] Based on quarterly data.

5. Performance of sectors

Business environment

• The number of **registered business units** was 1,846 thousand at the end of 2016, 0.5% more than a year earlier, within which the number of enterprises grew by 0.4%. The increase was mainly due to a growth in the number of entrepreneurs (and primarily private entrepreneurs within that). Besides, the number of non-profit organisations and other business units also increased. Based on their principal activity, enterprises belonged the most often – as in former years – to the sections of agriculture, real estate activities, wholesale and retail trade as well as professional, scientific and technical activities. The distribution of enterprises by staff size categories did not change either, the proportion of those with a staff size of fewer than 50 people continued to come to 99.7%.

• There were 173 registered enterprises per thousand inhabitants at national level, entrepreneurial activity was the highest in Central Hungary. The number of **enterprises newly registered** in 2016 (112.4 thousand) was 5.8% higher than in 2015. Out of newly registered business associations the number of limited liability companies, companies limited by shares and general partnerships went up, while that of limited partnerships diminished. The number of newly registered entrepreneurs was also higher than a year earlier. 106.3 thousand **enterprise deaths** were registered over the year, their number – following a growth in earlier years – declining by 9.9% compared to the previous year.

• 99.2% of **active enterprises** in Hungary were qualified as **small- and medium-sized enterprises** based on preliminary data for 2015. Small- and medium-sized enterprises provided employment for two-thirds of the people employed in the enterprise sector. They contributed to the total performance of active enterprises with 43% of gross value added, 37% of production value, 42% of net sales and 17% of export sales within this.

Research and development and innovation

• 468 billion forints were spent on research and development in Hungary in 2015, 6.2% more at current prices than a year earlier. The ratio of **R&D expenditures** to gross domestic product was 1.38%. The trend of the level of domestic expenditures relative to GDP has risen but continued to be lower than the target of 1.8% taken by Hungary by 2020.

• The role taken by the private sector strengthened further in **financing R&D expenditures,** the half of the sources coming from business enterprises in 2015.

• A growing part of research and development **personnel** have worked at the research units of business enterprises in a longer time span. In 2014 and 2015, however, the R&D personnel of the private sector decreased considerably.

Agriculture

• **Agriculture** accounted for 4.5% of the **gross value added** of the national economy in 2016, it represented a proportion of 5.0% in domestic employment and of 5.5% in investments.

• **Cereals harvest results in 2016** were excellent, one-third more maize and 4.9% more wheat went to granaries compared to the previous year. A record quantity of sunflower was harvested, but the yield of rape was outstanding as well.

• Based on data of the **livestock census** of 1 December 2016 the stock of the main farm animals was lower than a year earlier except for cattle and geese. The **cattle stock** has risen continuously since 2010, by a fifth overall.

• According to preliminary data of the economic accounts for agriculture, the **gross value added of agriculture** rose by 13% at current prices and by 18% at previous year's prices in 2016, contributing significantly to GDP growth.

• Following declines in 2013 and 2014 and stagnation in 2015, **agricultural producer prices** were cut by 3.8% in 2016 compared to the previous year. Within this, the prices of crop products lessened by 5.7% and those of live animals and animal products by 0.6%.

Industry

• Industry in Hungary produces over a quarter of gross value added (a considerably higher proportion of that than the EU-28 average). 23% of employed persons and 36% of investments in the national economy were concentrated in industry in 2016. The volume of **industrial production** has risen since 2013. After a growth in 2014 and 2015 – outstanding in EU comparisons, too –, output increased slightly (by 0.9%) in 2016. The rate of increase was lowered basically by a decelerating rise in the manufacture of transport equipment, growing dynamically in earlier years and considered as the engine of the growth.

• The export orientation of industry strengthened further in 2016, 65% of **sales** were realised on external markets. The volume of export sales – after a substantial expansion – was up slightly in 2016, while that of domestic sales – following a recovery in the preceding two years – decreased and continued to be considerably lower than its level before the crisis.

• The performance of **manufacturing**, representing 95% of industrial production, increased – after two years of dynamic growth – by 1.4% in 2016. Output was up by 0.3% in the manufacture of transport equipment, accounting for the largest part of manufacturing output, by 9.3% in electronic industry and by 1.4% in the manufacture of food products, beverages and tobacco products.

• **Industrial producer prices** have been reduced since 2014. They were 1.7% lower in 2016 compared to a year earlier, which was primarily due to a decrease in the world market prices of energy sources. The price level lessened in both directions of sales. Domestic output prices were cut by 3.0% and non-domestic output prices by 1.0% on average.

Construction

• The **output of construction** has fluctuated in the past one and a half decades. After a recovery in the years following the turn of the millennium, a decrease (of a total 41%) followed between 2006 and 2012. After a growth (of 27% in total) between 2013 and 2015 the volume of output was 19% lower in 2016 than one year earlier. Within this, works on buildings – in spite of a recovery in dwelling constructions – decreased by 3.7% and civil engineering by one-third. The output of construction in 2016 – despite a growth measured for 2013–2015 – was 11.5% lower than even in 2010. **Construction output prices** were 2.8% higher on average than in 2015.

• The **weight of construction within the national economy** was 3.4% in 2016 based on gross value added. The section had a share of 6.4% in the number of employed persons and of 1.7% in the performance value of investments in 2016. The monthly average gross and net earnings of full-time employees were both 24% lower than the average of the national economy, which meant that the net amount was 41 thousand forints less per month on average.

Transport

• **Transport performances** grew in 2016, too. The goods transport performance of the national economy, expressed in freight tonne kilometres, was 5.0% and the transported weight 0.4% higher than in 2015. The performance of inland traffic was up by 9.9% and that of international traffic, accounting for three-quarters of the total performance, by 3.4%. The performance of inter-urban passenger transport was 4.4% higher than in 2015. The increase in the performance was due to the average travel distance becoming longer, namely, the number of travels lessened by 1.5%. The number of users of urban public transport services grew by 0.7% in 2016.

• According to preliminary data the **gross value added of transportation and storage** section amounted to 1,894 billion forints in 2016. The share of the section was 5.4% in the gross value added of Hungary last year. The **investment performance** of the section was 621 billion forints in 2016, which made up 13% of total investments in the national economy. The number of **persons employed** in transportation and storage section was 277 thousand in 2016, some three-fourths of whom were men. The monthly average gross earnings of employees in the branch were 248 thousand forints in 2016, 5.9% less than the average for the national economy.

• 239 thousand **passenger cars were registered for the first time in Hungary** in 2016, 19% more than in 2015. The registration of new – less-than-two-year-old – passenger cars was up by 24% and that of used ones by 16%. With this the proportion of new passenger cars somewhat grew within registration, but their share was only 42%. The **passenger car stock** came to 3,313 thousand at the end of 2016, 116 thousand more than at the end of 2015. The average age of the passenger car stock in Hungary was 13.9 years at the end of 2016, 0.2 year more than a year earlier, which has been at the same time the highest value since the turn of the millennium.

Telecommunications, internet

• The growth of **fixed telephone main lines** took place in 2016, too, along with a decrease in the number of traditional telephone lines and a considerable increase in "VoIP voice channels". The market for **mobile subscriptions** was saturated, their number lessened by 0.6% in 2016. The proportion of **post-paid subscriptions** was on the increase. The number and length of calls **initiated from fixed networks** have been reduced continuously since 2012. The length of the about 8 billion calls **initiated from mobile networks** in 2016 exceeded 21 billion minutes.

• The rise in the number of **internet subscriptions** was dominantly influenced by the general use of smart phones and the expansion of mobile internet resulting in a continuous price competition. 39% of the net revenues of internet services were realised from **mobile internet** subscriptions. The number of mobile internet subscriptions exceeded 6 million in 2016, rising by 11% compared to 2015 and increasing 4.6 times higher compared with 2010. The level of concentration of the internet provision market was high: over 96% of the subscriptions were provided by 10 providers.

Retail trade

• **Retail trade** contributed by 4.2% to **gross value added** in 2015. The performance value of **investments** at current prices was 134 billion forints in 2016, 2.8% of total domestic investments. The role of the branch in **employment** was higher than this, 8.5% in 2016. The **monthly average gross earnings** of employees in retail trade in 2016 were 201 thousand forints, lower than the average for the national economy, coming to merely 76% of that.

• The increase of **retail trade turnover,** lasting since 2013, went on in 2016: the volume of the turnover rose by 4.7% in 2016 as a whole compared to the previous year and was 16% higher than in 2010. The underlying reasons were a growth in real earnings and an improving labour market situation as well as a slight inflation and in the period between January and September 2016 a significant decrease in motor fuel prices. The volume of sales was up by 2.8% in specialised stores for food, beverages and tobacco and in non-specialised stores with food, beverages or tobacco predominating, accounting for almost 47% of the total turnover, by 6.9% in stores for non-food products and by 5.1% at filling stations compared to a year earlier.

Tourism, catering

• 486 billion forints of **gross value added** were produced at current prices in accommodation and food service activities based on data for 2015, 1.7% of the total performance of the national economy. This proportion has been practically unchanged since 2010. 4.4% of **employed people** worked in accommodation and food service activities, the staff size of 193 thousand in the branch was 9.5 thousand higher than in 2015. 50 billion forints of **investments** were realised in the section at current prices in 2016, 20% less than in the previous year. The **average gross earnings** of full-time employees were 166 thousand forints and their monthly average net earnings, calculated without taking into account family tax benefit, amounted to 110 thousand forints, both 37% less than the average for the national economy.

• **Foreign citizens made** 53 million **visits in Hungary** in 2016, 9.4% more than in 2015. The vast majority (97%) of visitors arrived from Europe, within which over eight-tenths of them from the European Union. **Hungarian people made** 18.9 million **visits abroad** in 2016, 9.4% more than in the previous year.

• The services provided by domestic **accommodation establishments** were used by a total 11.1 million guests for 27.7 million tourism nights in 2016, both 7.0% more than one year earlier. The growth in tourism substantially exceeded that in capacity. **Foreign** guests arriving in Hungary spent 13.9 million and **domestic** ones 13.8 million nights at accommodation establishments in Hungary, 6.9% and 7.1% more, respectively, than a year earlier.

• The **sales turnover of catering units** – including the catering units of accommodation establishments – was 1,001 billion forints in 2016 as a whole, 6.2% more in volume than in 2015. The volume of commercial catering, accounting for 89% of the turnover, was 9.1% higher in 2016 than a year earlier, while that of workplace catering fell by 13%. Compared with 2010, the turnover of **commercial catering units** grew one and a half times higher and that of workplace catering units was practically unchanged.

Summary data

Denomination	2013	2014	2015	2016
R&D expenditures as a percentage of GDP	1.40	1.37	1.39	..
Volume index of agricultural output, year 2010=100.0[a]	112.4	125.2	122.3	133.0
Volume index of industrial production, monthly average of year 2010=100.0[b]	104.8	112.9	121.2	122.3
Industrial producer price index, year 2010=100.0	109.5	109.0	108.0	106.2
Share of exports in industrial sales, %[b]	57.8	61.0	63.6	64.7
Volume index of construction output, monthly average of year 2010=100.0	93.2	105.8	109.0	88.5
Transport performance index, year 2010=100.0				
goods transport[c]	105.1	109.4	109.8	115.3
interurban passenger transport[d]	94.6	100.0	102.3	106.7
urban passenger transport[e]	98.1	103.0	104.6	105.4
Number of passenger cars registered for first time in Hungary, year 2010=100.0	207.0	268.1	326.0	389.1
Number of mobile subscriptions per hundred inhabitants	118.2	119.7	120.7	120.3
Number of internet subscribers per hundred inhabitants	65.6	74.2	82.5	90.1
Volume index of turnover of retail shops, year 2010=100.0	99.8	104.9	111.0	116.3
Number of visits made by Hungarian citizens abroad, thousands	16 038	16 340	17 276	18 895
Number of visits made by foreign citizens in Hungary, thousands	43 611	45 984	48 345	52 890
Number of tourism nights at accommodation establishments, thousands	22 968	24 434	25 888	27 695

[a] At basic prices.
[b] Data on all industrial enterprises.
[c] Based on freight tonne kilometres.
[d] Based on passenger kilometres.
[e] Based on number of passengers.

6. Environment and energy

Environment

• The weather in Hungary in 2016 was hotter and wetter than the average. **Mean temperatures** in all seasons exceeded the average over many years. Fewer freezing days and more heat days were registered than for earlier years.

• The emissions of **greenhouse gases** have decreased since 1985, those of acidifying gases and ozone precursors[4)] since 1990 and the emissions of suspended particulates since 2000. The decrease has been due to modernisation processes in industry, technological changes, furthermore, stricter and stricter international and domestic environmental regulations.

• The **health state of** domestic **forests** improved in 2011 and has deteriorated since 2012 compared to the previous year: the proportion of healthy forests decreased from 59.5% in 2012 to 50.5% in 2015.

• Both the number of people engaged in **ecological farming** and the size of the affected agricultural areas grew in 2015. 25% more agricultural producers pursued organic farming on a 1.7% larger area compared to 2010, on 2.4% of the agricultural area of Hungary.

• The annual average **public drinking water consumption** of households has declined since the change of regime, in 2015 it was already only six-tenths of that in 1990. The quantity of water used has been permanently below 35 cubic metres since 2010. The primary **public utility gap** – due to developments in the waste water collection network – has decreased. The length of the waste water collection network per kilometre of drinking water conduit network was 396 metres in 2000 compared with 726 metres in 2015.

Energy

• **Energy consumption** – after three years of decrease – went up in Hungary in 2014 and 2015. Domestic economic actors used 5.7% more energy in 2015 than a year earlier, at the same time, 6.0% less than in 2010. Households, considered as the largest users, increased their consumption by 9.2% – after a period of fall between 2011 and 2014. The energy needs of both transport and industry rose.

• The **relative energy needs** of the economy lessened significantly in the longer run, however, went slightly up in 2015 compared to a year earlier. The relative energy use of Hungary's economy is considered high in EU comparisons.

• In 2015, 36% of **sources** intended to cover energy needs came from domestic production and 64% from imports. The structure of energy production shifted substantially towards nuclear energy and renewables-

[4)] Ozone precursors are substances that contribute to the formation of ground-level ozone.

based energy production in the past few years, while the mining of fossil fuels fell.

• The **energy import dependency** of Hungary was down in 2015 – after a rise in the previous year –, which was significantly influenced by the growing use of stocks. Hungary belongs to moderately energy-dependent countries in EU comparisons.

• The proportion of the use of energy coming from **renewable sources** rose continuously until 2013, then it decreased in 2014 and practically stagnated in 2015. 14.5% of the use was covered by renewables-based energy in 2015, which was lower than the EU-28 average (16.7%), however, exceeded the target (13%) – to be completed until 2020 – set by Hungary.

Summary data

Denomination	2012	2013	2014	2015
Forest area, thousand hectares[a]	1 933.6	1 938.1	1 939.3	1 940.7
Of which: proportion of healthy, based on defoliation, %	59.5	55.6	52.4	50.5
Protected areas and relics of national significance, thousand hectares[b]	850.7	848.2	848.7	848.8
Carbon dioxide emissions (gross), kg/capita[c]	4 731.6	4 441.2	4 468.0	4 758.4
Suspended particulates: particulate matters with a diameter of less than 10 μm (PM10), kg/capita[c]	7.6	7.7	6.8	7.2
Waste water piped and transported to waste water treatment plants, million cubic metres[d]	431.6	485.4	475.3	485.8
Of which: treated also with advanced treatment technology, million cubic metres	324.5	375.3	359.8	408.2
Generated municipal waste, thousand tonnes	3 987.5	3 737.8	3 794.8	3 712.0
Environment protection investments (at current prices), billion forints	138.1	127.3	175.5	..
Environmental industrial sales (at current prices), billion forints	416.6	429.1	445.7	..
Energy use, petajoules[e]	987.0	949.6	956.8	1 011.8
Share of natural gas and petroleum products in energy sources, %[f]	59.1	59.3	61.5	58.8

[a] 1 January.
[b] 31 December.
[c] *Source:* Hungarian Meteorological Service.
[d] Including waste water piped to Austria for treatment.
[e] *Source:* Eurostat.
[f] Including LPG used in mining and gasoline.