

Hungary, 2018



Summary

In 2018, the Hungarian economy performed 4.9% better compared to the previous year, continuing the economic boom that started in 2013. Our economic expansion was in line with GDP growth in the countries of our region. In 2018, the Visegrád countries rose above the EU average (1.9%), while the EU economy and, within that major national economies grew at a decelerating pace. Hungary's most important foreign trade partner, Germany, saw a 1.4% growth in GDP.

In parallel with economic growth, the labour market continued to expand dynamically in 2018, reflecting an improving trend in employment and unemployment just as in previous years. The labour market shows signs of labour shortages, with decreasing potential labour force reserves and more and more vacancies. Partly due to labour market conditions and partly government measures, a strong wage outflow continued in the economy. Taking into account the family tax allowance, the average monthly net earnings of full-time employees increased by 11% and their real earnings by 8.2% compared to the previous year.

Improving household incomes contributed to the dynamic expansion of household consumption, significantly supporting GDP growth. As a result, willingness of population to travel and to purchase also increased, representing an important source of service performance growth. In addition to tertiary branches, the goods producer sectors also contributed to GDP growth. The rise in industrial production was primarily driven by improving domestic demand.

An important pillar of GDP growth was the improvement in the willingness of economic stakeholders to invest and the use of EU funds. In addition to budgetary institutions, enterprises with at least 50 employees also increased their investment performance.

As a joint result of the above processes, volume growth was faster in goods imports than in goods exports, thus foreign trade had a moderating effect on economic expansion just as in 2017.

In 2018, economic processes were accompanied by accelerating price increases in several areas. Consumer prices rose by 2.8% compared to 2017, driven by rising producer and service output prices and a number of other external economic factors such as exchange rates, commodity prices and crop yields. The buoyant demand in housing market also resulted in price increases and was significantly influenced by government measures.

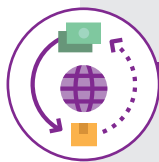
The energy consumption of the booming Hungarian economy increased in 2017, nevertheless relative energy intensity slightly improved. The share of renewable energy sources in energy consumption, important for sustainable energy management, was 13.3%, below the 14.65% target for *Europe 2020*.

In 2018, among factors influencing population number, the number of births declined faster than that of deaths. So the natural decline of the population continued. The total fertility rate was the same as in 2017, and the inclination to have children was significantly above the 2011 low.

Summary table

Denomination	2010	2016	2017	2018
Macroeconomic trends				
Volume index of gross domestic product (GDP), 2010 = 100.0	100.0	112.7	117.3	123.1 ⁺
GDP per capita, EU-28 average = 100.0 ^{a)}	65	67	68	70 ⁺
Volume index of investments, 2010 = 100.0 ^{b)}	100.0	107.6	133.9	161.1 ⁺
Balance of external trade in goods, billions of euros	5.5	9.7	8.1	5.6 ⁺
Balance of general government sector, as % of GDP	-4.5	-1.6	-2.2 ⁺	-2.2 ⁺
R&D expenditures, as % of GDP	1.14	1.20	1.35	..
Consumer price index, 2010 = 100.0	100.0	111.8	114.5	117.7
Performance of branches				
Volume index of agricultural output, 2010 = 100.0 ^{c)}	100.0	133.8	128.3	132.8
Volume index of industrial production, 2010 = 100.0	100.0	122.4	128.0	132.7
Share of exports in industrial sales, %	53.0	64.6	64.7	63.2
Volume index of construction output, 2010 = 100.0	100.0	88.6	114.9	140.5 ⁺
Freight transport performance index, 2010 = 100.0 ^{d)}	100.0	115.5	119.7	113.8 ⁺
Volume index of turnover of retail shops, 2015 = 100.0 ^{e)}		104.8	110.7	118.0 ⁺
Number of tourism nights spent in commercial accommodation establishments, millions	19.6	27.6	29.8	30.9 ⁺
Demographic snapshot				
Number of live births	90,335	93,063	91,577	89,800 ⁺
Number of deaths	130,456	127,053	131,674	131,100 ⁺
Natural population decrease, persons	-40,121	-33,990	-40,097	-41,300 ⁺
Actual population decrease, persons	-28,602	-32,924	-19,190	-14,300 ⁺
Total fertility rate	1.25	1.49	1.49	1.49
Labour market, education				
Employment rate, % ^{f)}	54.9	66.5	68.2	69.2
Unemployment rate, % ^{f)}	11.3	5.1	4.2	3.7
Share of job vacancies, %	1.0	1.9	2.2	2.7
Proportion of people attending full-time courses at various levels of public education and higher education, % ^{g)}	89.3	85.6	85.8	85.8
Living conditions				
Average gross earnings of full-time employees, HUF/month	202,525	263,171	297,017	329,943
Index of net real earnings, 2010 = 100.0	100.0	118.0	130.1	140.9
Average monthly old-age pension, HUF/person ^{h)}	98,804	121,041	123,725	129,637
Number of dwellings built per ten thousand inhabitants	20.8	10.2	14.7	18.1
Share of households with Internet access, %	58	79	82	83
Environment and energy management				
Municipal waste generated, thousand tonnes	4,033	3,721	3,768	..
Energy use, petajoule	1,119.8	1,078.7	1,125.0	..
Proportion of renewable energy sources and waste in energy production, %	23.9	29.5	29.8	..

^{a)} Calculated at purchasing power parity. ^{b)} 2018 data are based on quarterly and previous years' data on annual data collections. ^{c)} At basic prices. ^{d)} Based on freight tonne kilometres. ^{e)} Due to methodological changes, the traffic data for 2016–2018 can only be compared with previous data to a limited extent. ^{f)} Within population aged 15–64. ^{g)} Within the age group of 3 to 22 years. ^{h)} January data.



International economy

- The performance of the global economy was up by 3.6% in 2018 compared to the previous year, economic policy decisions made in the United States were mainly in the focus of the trends. Out of the dominant global operators, the United States' economic growth (2.9%) accelerated, China's (6.6%) slowed down compared to a year earlier. The economic growth lessened in the European Union, belonging to our closer international environment, the volume of GDP went up by 1.9% there and by 1.4% in Germany, being the most substantial economic partner of Hungary.



Hungary's economic performance

- Hungary's economic performance rose by 4.9% in 2018 compared to one year earlier, so the economic boom that started in 2013 continued in 2018, too. The main contributors to this from production approach were market-based services, but industry and small-weight construction also backed the growth considerably. From expenditure approach, the actual final consumption of households as well as investments helped the economic increase, while external trade as a whole slowed it down, similarly to a year earlier.



External trade

- The value of goods exports was 4.2% and that of goods imports 7.3% more in euro terms in 2018 than in 2017. There was a surplus of 5.6 billion euros in Hungary's external trade in goods at the end of the year, the balance deteriorating by 2.5 billion euros over a year. Within external trade in services, the value of exports increased by 4.8% and that of imports by 4.4% in euro terms compared to 2017. A surplus of 8.5 billion euros was generated in Hungary's external trade in services in 2018, the balance improved by some 450 million euros compared to 2017.



General government sector

- The deficit of the general government sector was 934 billion forints in 2018, which corresponded to 2.2% of GDP. The deficit was up by 90 billion forints and was unchanged as a proportion of GDP compared to 2017. The debt of the general government sector – according to data of the National Bank of Hungary – equalled 70.8% of GDP at the end of 2018, which was 2.6 percentage points lower than one year earlier.

1 MACRO-ECONOMIC TRENDS



Domestic business environment

- The number of registered enterprises increased by 2.2% in 2018, at a somewhat higher rate than in 2017. The increase was due to a growth in the number of entrepreneurs. There were 180 registered enterprises per thousand population, entrepreneurial activity was the highest in Budapest. In 2017, small- and medium-sized enterprises provided employment for 65% of people employed in the business sector and contributed to total performance with 44% of value added, 37% of production value, 42% of net turnover and 16% of export turnover within this.



Research, development and innovation

- 517 billion forints were spent on research and development in Hungary in 2017, 21% more than the relatively low value in the previous year. Project funds paid from the state budget at the end of 2016 and used in 2017 and financing by enterprises, rising permanently in the 2000s, both contributed to the increase. The ratio of R&D expenditure to GDP grew to 1.35%, which put Hungary in the middle of the ranking of EU member states. The number of research units and of people engaged in research and development both rose in 2017 after three years of decrease.



Digital economy

- 23% of domestic businesses' revenues came from electronic sales in 2018, which were mostly through electronic data exchange in the group of large enterprises, while web sales had a significant role among enterprises with fewer than 250 employed people. The ICT sector, forming the basis of the digital economy, becomes increasingly significant within the national economy. A total of 34 thousand enterprises were operating in the ICT sector at the end of 2017, 340 of which were large enterprises, accounting for a dominant part of the sector's performance.



Prices

- The economic growth in 2018 implied an accelerating rate of price rise in almost all areas. Consumer prices increased by 2.8% compared to 2017, at a higher pace than the EU average. Producer prices rose by 2.7% in agriculture and by 5.5% in industry, output prices were up by 9.5% in construction and producer prices of the observed services became 1.3% higher on average. The forint price level of exports increased by 3.0% and that of imports by 4.0% in external trade in goods, and the price rise continued in the housing market, too.



Agriculture

→ In 2018, the output volume and gross value added of Hungarian agriculture were 3.6% and 5.9% higher, respectively, than in 2017. The production of ear cereals was lower year-on-year except for wheat. Among oilseed plants, rape-seed, and in the case of autumn-harvested plants, corn yields increased significantly. On 1 December 2018, the year-on-year numbers of the main farm animals showed more cattle and water fowl, approximately the same number of pigs and fewer sheep, hens and turkey.



Industry

→ Industry has continued to expand since 2013. The volume of production increased by 3.6%, at a rate above the EU average, compared to the high base of the previous year. The manufacturing output of rubber and plastics products, building materials, electronic products, basic metals and fabricated metal products as well as food products contributed most to the growth, but the growth in the manufacture of motor vehicles started in 2010 came to a halt. In 2018, industrial sales volumes grew faster domestically than in export relations. Prior to 2018, the engine of growth was industrial exports.



Construction

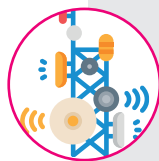
→ Construction has showed a strongly fluctuating performance since the turn of the millennium. After the initial expansion, the volume of production decreased continuously for seven years until 2012, then, following a three-year growth, 2016 saw another, but this time temporary, decline. In 2017–2018, production grew significantly, by 22% from the previous year and by four tenths from 2010. The output of both main groups of construction increased compared to 2017: by 16% for construction of buildings and by 31% for civil engineering works.



Transport

→ In 2018, freight transport performance in tonne-kilometre fell year-on-year by 4.9% in the national economy, interrupting the upward trend of the previous 5 years. Passenger kilometre performance increased by 5.4% in interurban passenger transport, driven mainly by air traffic. The number of people using local public transport services decreased by 1.1%, the same as in 2017.

2 PERFORMANCE OF DIVISIONS



Telecommunications, internet

- After the turn of the millennium, mobile telecommunications services became dominant in telecommunications. The end of 2018 saw 11.8 million mobile phone subscriptions and 3.1 million fixed telephone lines. In 2018, the total duration of calls increased by 3.8% from mobile networks and decreased by 7.7% from fixed lines compared to the previous year. Growth in the number of internet subscriptions is slowing down year by year, indicating saturation of the market. At the end of 2018, 3.8 million television subscriptions were registered, 1.3% more than a year earlier.



Retail trade

- The steadily growing volume of retail sales increased by 6.6% in 2018 compared to the previous year. Within this, sales volumes grew year-on-year by 4.1% in specialized and non-specialized food shops, by 9.3% in non-food shops and by 7.5% in automotive fuel retailing. While sales have been increasing, the number of retail outlets has been steadily declining, with around 2,300 fewer shops waiting for customers at the end of the first half of 2018 than at the end of 2017.



Tourism, catering

- In 2018, the number of foreign visitors to Hungary and foreign trips of the Hungarian population increased by 4.9% and 12%, respectively, compared to 2017. In 2018, more guests stayed longer in domestic commercial accommodation establishments than a year earlier. The sales volume of catering establishments was 11% higher than in 2017.



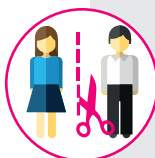
Population number, age structure

- The population of Hungary was 9,764 thousand on 1 January 2019. More people died than were born in 2018, too. The natural decrease of the population was lowered by the international immigration surplus, so the population of the country decreased actually by 14.3 thousand.
- The age structure of the population is getting older. There were 133 old-aged people per hundred child-aged population on 1 January 2019, compared with 130 a year earlier.



Factors forming population number

- 1.9% less or 1,800 fewer children were born in 2018 than one year earlier. The decline in the number of births was paralleled by a decrease of nearly 20 thousand in the number of women of child-bearing age. The total fertility rate of 1.49 was the same as in 2017. This means that the inclination to have children was unchanged.
- Compared to a high level of deaths in 2017, a slight decrease of 0.4% was measured for 2018: 131.1 thousand people died, hardly 600 fewer than in 2017.
- 305 children died before one year of age in 2018, which was an infant mortality of 3.4 per mille and the lowest value ever recorded.
- Calculated as the balance of live births and deaths, natural decrease was 41.3 thousand.
- The balance of international immigrations and emigrations resulted in a population increase of 27 thousand. The emigration of Hungarian citizens is ever falling according to administrative registers. 18 thousand moved abroad in 2018, while some 20 thousand returned home, about as many as in 2017.



Marriages, divorces

- 50.9 thousand couples got married in 2018, nearly 330 more than in 2017.
- Courts dissolved 16,500 marriages, which was the lowest value in the last 6 decades and some 2,000 cases fewer than in the previous year.



Internal migration

- 279 thousand people changed permanent and 297 thousand changed temporary place of residence in 2018.

4 LABOUR MARKET, EDUCATION



Labour market

- The dynamism of the labour market continued in 2018, as in previous years major indicators showed improving trends. Employment rate is record high, unemployment is record low.
- In 2018 the number of employed people aged 15–64 was 4 million 411 thousand, 37 thousand more than a year earlier, and the employment rate increased by 1.1 percentage points to 69.2%.
- The number of unemployed people aged 15–64 was 172 thousand in 2018, 20 thousand fewer than a year earlier, and the unemployment rate of 3.7% was 0.4 percentage point lower.
- Potential labour force reserve was 317 thousand in 2018, falling behind the previous year's data by 42 thousand. Job vacancies increased further. The national economy registered a 23% growth in this area in 2018, as such there were on average 83.5 thousand job vacancies at enterprises employing at least five people, at budgetary units and at nonprofit organisations significant from employment point of view.
- Regional differences lessened regarding major labour market indicators.



Education

- In Hungary a total of 1 million 838 thousand persons participated in the formal education system – public education and tertiary education combined – in the 2018/2019 school-year.
- In 2018 a total of 327 thousand children attended kindergartens, 726 thousand full-time primary school education, the number of pupils in full-time secondary education was 416 thousand.
- Tertiary education registered a total of 281 thousand students, 71% of them participating in full-time education. Student numbers lessened in non-full time training starting from 2005, in full-time training from 2009. Among students in full-time training (tertiary undergraduate, graduate and undivided training) the number of foreign students increased between 2010 and 2018 from 15 thousand to 31 thousand.
- Budgetary expenditures on education were HUF 1.5 thousand billion in 2016, representing 4.4% of the GDP. This amount was 4.9% higher at current prices compared to the previous year.



Income

- In 2018 gross average monthly earnings of full-time employees and monthly net earnings calculated considering family allowances both grew by 11% year-on-year. Real value of pensions increased by 0.1% in 2017. The proportion of child care allowance within family support expenditures increased from 16% to 25% between 2010 and 2017. In 2017 households' monthly gross income per capita was 9.3% more, net income was 8.4% more than in 2016. The difference between the two extreme income-fifths decreased. The income of 12.8% of the population was below the poverty threshold in 2017.



Households' consumption

- Households' monthly average consumption expenditure per capita increased in real value by 25% in 2017, compared to 2010. The largest part – 25% in 2017 – of household expenditures were food, non-alcoholic beverages, but after paying for basic need-related items – like food, housing, transportation – households disposed of an ever growing sum for covering other expenses. People in the highest income fifth spent 3.7 times more for their consumption than households in the lowest fifth. Households with children spent less on housing and more on education per capita than the average.



Social care

- Hungary spent 2.3% more on social care in 2016 year-on-year. 3.9% of support was distributed on a means-tested basis. The number of inmates in permanent boarding institutions is over 70 thousand since the mid-2000s. There were 5.3% more underprivileged children and 7.5% fewer multi-disadvantaged ones in December 2017 year-on-year. The number of children living in children's homes and with foster parents increased by 18% since 2010. A total of 44,577 children were enrolled in nurseries in 2018.



Health

- Life expectancy at birth for men and women shows a slightly increasing trend on the long run, it did not change significantly in 2017. Healthy life years indicator does not change since 2012, it did moderately increase for women in 2017. Four out of ten adults have high blood pressure, complications linked to it are among the most common diseases. The proportion of healthcare expenses related to the GDP increased both in 2015 and 2016. In Hungary the proportion of healthcare expenses paid by the population is higher than the OECD average. There is a significant shortage in nursing staff at some hospital wards.

5 LIVING CONDITIONS



Housing conditions

- The growth in dwelling construction – following the 2013 nadir – lasting up to our time took place in a very differentiated way in the separate parts of the country. Compared to the 2012 low point the real estate market registered a 79% increase in sale of dwellings. Total sum of approved mortgage disbursements increased by 36% in 2018 compared to 2017. Family housing support programs have been utilised in a proportion of 61% for existing properties, 37% for newly-built ones.



Cultural consumption, leisure

- Cultural expenditure of the budget amounted to HUF 383.7 billion in 2017, 1.0% of GDP. Households spent on a monthly level HUF 6,187 per person on culture and entertainment, HUF 6,544 on communications in 2017. Both the number of units and that of copies increased on the book market. In 2018 8.6% more books (titles) were published, the number of copies increased by 17% compared to 2017. Museum visits decreased by 13%, theatre attendances fell by 15% year-on-year.



Digital society

- Households' internet penetration is increasing continuously, coming near to the EU-28 average, it was 83% in 2018. Seven tenths of the population aged 16–74 used the internet on a daily basis in 2018. According to the 2017 data every second person in Hungary has at least basic digital skills. Electronic administration and e-commerce are gaining popularity. The proportion of those not using electronic public administration transactions decreased to 10% in 2018. 29% of people belonging to the 16–74 age group placed orders or purchased products and services online during the 3 months preceding the survey.



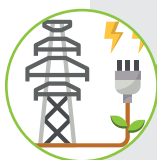
Subjective well-being

- The 16 year-old or older population was more satisfied with their life than in the previous years. Satisfaction with the financial situation of households increased, too, by 2018. Respondents experienced positive emotional conditions more often than negative ones. Among all subjective well-being variables respondents were satisfied with their interpersonal connections the most. Among all subjective variables the average value of the trust in the political system was the lowest in 2018, too. The population's sense of security increased further.



Environment

- In Hungary, greenhouse gas and acidifying gas emissions decreased by 0.5% and 3.2%, respectively, in 2016 compared to the previous year. 69% of total greenhouse gas emissions are attributable to sectors of the national economy and 31% to households.
- In 2017, the size of areas under organic farming increased by 7.2% compared to the previous year, approaching 200,000 hectares.
- In 2017, protected areas of national importance accounted for 9.1% of Hungary's territory, totalling 849.1 thousand hectares. The expansion of forest areas has slowed down. At the end of 2017, forested areas amounted to 1 million 940 thousand hectares. The population numbers of large game species that can be hunted in Hungary has increased in recent years.
- The proportion of dwellings supplied with piped water is constantly increasing, reaching over 95% at the end of 2017. The proportion of dwellings connected to the sewer network increased from 72% in 2010 to 81% in 2017, further closing the public utility gap.
- In 2017, the amount of municipal waste generated increased to 3 million 768 thousand tonnes. 49% of the waste was disposed of by landfill.



Energy management

- Domestic economic actors consumed 4.3% more energy in 2017 than in the previous year, surpassing the 2008 peak in primary energy consumption. In 2017, economic stakeholders used 0.3% less energy to produce one unit of GDP.
- Household consumption, accounting for 35% of available energy, has been growing less and less each year from 2015 onwards. In 2017, energy demand was 7.4% higher in industry and 4.2% higher in transport than a year earlier.
- In 2017, 68% of the country's energy resources came from external markets, making Hungary a moderately energy import-dependent EU Member State. Within the production of basic energy carriers, 37% came from uranium ore, one third from fossil as well as three tenths from renewable energy sources and waste. The rise in electricity demand cannot be met by increasing domestic electricity production since 2015, therefore the share of imports in the electricity balance is increasing.