



Executive Summary

The Hungarian economy increased by 4.9% from a year earlier, thus continuing the economic boom that started in 2013. The rate of growth of our economy fitted into the GDP growth characterising the countries of our region. During 2019, the Visegrád countries rose above the EU average (1.5%), while the EU economy and within it the major national economies grew at a slowing pace. The GDP of Hungary's most important foreign trade partner, Germany, grew by 0.6%.

In parallel with economic growth, the positive trends characterising the labour market continued in 2019: employment increased and unemployment shrank. The labour market showed signs of labour shortages, the potential labour force reserves decreased and the number of job vacancies continued to grow. At the same time, the strong wage outflow continued in the economy, contributing to the continuous increase of household consumption, aiding substantially in the growth of the GDP. As a result, people's inclination for travel and shopping rose, representing an important source in the increase in the performance of services. Beside the tertiary divisions, the commodity producing ones also aided in the growth of the GDP. The rise in industrial production is primarily linked to the manufacture of transport equipment.

An important pillar of the GDP growth was the improved willingness to invest by economic stakeholders and the utilisation of EU funds. Beside the budgetary institutions, enterprises employing at least

50 people also increased their investment performance.

As a joint result of the above processes, volume growth in the import of goods surpassed that of export of goods; this is why, as in 2018, foreign trade had a moderating effect on economic expansion.

The economic developments of 2019 were accompanied by accelerating price increases in several areas. Consumer prices rose by 3.4% compared to 2018, 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 revving up demand in the housing market also resulted in price increases.

In spite of the economic prosperity, the energy consumption of the national economy decreased in 2018; as such, the relative energy intensity improved. The share of renewable energy sources, important for sustainable energy management, represented 12.5% of energy consumption.

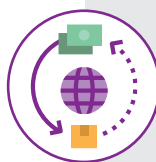
In 2019, among the factors influencing population number, the decrease in the number of births was lower than that of deaths; in consequence, the natural decline of the population eased. The total fertility rate is the same as it was in previous years, meaning the inclination to have children did not change.

The positive social and economic processes characterising 2019 continued at the beginning of 2020, which (according to data available up to mid-June 2020) have been broken by the effects of the COVID-19 pandemic.

Summary table

Denomination	2010	2017	2018	2019
Macroeconomic trends				
Volume index of gross domestic product (GDP), 2010 = 100.0	100.0	118.0	124.0	130.1 ⁺
GDP per capita, EU-28 average = 100.0 ^{a)}	64.7	68.4	70.7	..
Volume index of investments, 2010 = 100.0 ^{b)}	100.0	137.7	165.5	188.5 ⁺
Balance of external trade in goods, billions of euros	5.5	8.1	5.5	4.9 ⁺
Balance of general government sector, as % of GDP	-4.5	-2.5	-2.1	-2.0
R&D expenditures, as % of GDP	1.14	1.33	1.53	..
Consumer price index, 2010 = 100.0	100.0	114.5	117.7	121.7
Performance of branches				
Volume index of agricultural output, 2010 = 100.0 ^{c)}	100.0	128.3	131.8	131.4 ⁺
Volume index of industrial production, 2010 = 100.0	100.0	128.0	132.5	139.6
Share of exports in industrial sales, %	53.0	64.7	63.5	63.1
Volume index of construction output, 2010 = 100.0	100.0	114.7	139.0	169.7 ⁺
Freight transport performance index, 2010 = 100.0 ^{d)}	100.0	119.7	114.3	115.9 ⁺
Volume index of turnover of retail shops, 2015 = 100.0 ^{e)}		110.7	118.1	125.4 ⁺
Number of tourism nights spent in commercial accommodation establishments, millions	19.6	29.8	31.0	31.5 ⁺
Demographic snapshot				
Number of live births	90,335	91,577	89,807	89,200 ⁺
Number of deaths	130,456	131,674	131,045	129,600 ⁺
Natural population decrease, persons	-40,121	-40,097	-41,238	-40,400 ⁺
Actual population decrease, persons	-28,602	-19,190	-5,615	-3,756 ⁺
Total fertility rate	1.25	1.49	1.49	1.49 ⁺
Labour market, education				
Employment rate, % ^{f)}	54.9	68.2	69.2	70.1
Unemployment rate, % ^{f)}	11.3	4.2	3.7	3.5
Share of job vacancies, %	1.0	2.2	2.7	2.5
Number of students in higher education, thousand	361.3	283.4	281.5	285.1
Living conditions				
Average gross earnings of full-time employees, HUF/month	202,525	297,017	329,943	367,833
Index of net real earnings, 2010 = 100.0	100	130	141	152
Changes in households' consumption expenditures per capita in real terms, 2010 = 100.0	100	25.1	34.5	..
Number of dwellings built per ten thousand inhabitants	20.8	14.7	18.1	21.6
Share of households with Internet access, %	58	82	83	86
Environment and energy management				
Municipal waste generated, thousand tonnes	4,033	3,768	3,729	..
Energy use, petajoule	100.0	100.4	99.1	..
Proportion of renewable energy sources and waste in energy production, %	12.7	13.5	12.5	

^{a)} Calculated at purchasing power parity. ^{b)} 2019 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.



World economic trends

→ The performance of the global economy was up by 2.9% in 2019 compared to the previous year. The rate of increase has not been as low since the 2008–2009 recession. The focus of the trends featured measures on international trade and economic policy answers to uncertain growth prospects. Among the dominant global operators, the volume of GDP increased by 2.3% in the United States and by 6.1% in China. The growth rate slowed down to 1.5% in the European Union, within which it decreased to 0.6% in Germany.



Hungary's economic performance

→ Despite the international environment becoming less favourable, the impetus of the Hungarian economy also persisted in 2019, the volume of GDP was 4.9% higher than one year earlier. The rate of increase exceeded the EU average similarly to earlier years. Almost all areas of the economy contributed to the growth. The manufacture of transport equipment gave a significant boost to industrial performance; in addition, trends shaping the good performance of construction and market-based services persisted: investments and consumption went on increasing. However, external trade lowered GDP growth.



External trade

→ In 2019, the euro value of exports rose by 3.9%, while that of imports expanded by 4.8% over 2018. A surplus of 4.9 billion euros was recorded on Hungary's external trade in goods at the end of the year, the balance deteriorating by 0.7 billion euros over a year. A larger surplus of 8.8 billion euros was generated in Hungary's external trade in services in 2019; the balance improved by 0.4 billion euros compared to 2018. The value of services exports increased by 6.1% and that of services imports by 7.0% in euro terms compared to 2017.



General government sector

→ The deficit of the general government sector was 958 billion forints in 2019, which corresponded to 2.0% of GDP. The deficit was up by 41 billion forints; however, it lessened by 0.1 percentage point as a proportion of GDP compared to 2018. The debt of the general government sector equalled 66.3% of GDP at the end of 2019, which – in line with the decrease in earlier years – was 3.9 percentage points lower than in 2018.

1 MACRO-ECONOMIC TRENDS



Domestic business environment

→ 71% of registered enterprises were entrepreneurs at the end of 2019. The importance of small- and medium-sized enterprises increased in 2018, as they accounted for 46% of the value added of enterprises, a proportion 2.4 percentage points larger than a year earlier. Foreign subsidiaries had a share of 48% of the value added, and their proportion among large enterprises reached 74%.



Science and technology

→ 654 billion forints were spent on research and development (R&D) in Hungary in 2018, 26% more than in the previous year. The main contributors to the growth were business enterprises geared towards resources for and uses of R&D. The ratio of R&D expenditure to GDP grew to 1.53%, which continued to put Hungary in the middle of the ranking of EU member states. The number of research units and of people engaged in R&D continued to rise.



Digital economy

→ 24% of revenues from domestic businesses were generated from electronic sales in 2019, which were mostly through electronic data exchange in the group of large enterprises. The importance of web sales was also high among enterprises with 10–249 employed people. The ICT sector, forming the basis of the digital economy, has a significant role within the national economy. A total of 37 thousand enterprises were operating in the ICT sector at the end of 2018, of which 401 were large enterprises, accounting for a dominant part of the sector's performance.



Prices

→ In addition to the acceleration of inflation, there was a rise in producer and output prices in many areas of the economy. Consumer prices increased by 3.4% compared to 2018, at a pace higher than the EU average. Agricultural producer prices went up more markedly than input prices, thus the agricultural terms of trade changed favourably for farmers. Industrial products sold in Hungary became 3.9% more expensive. Output prices rose by nearly 10% in construction, which had an impact in the housing market as well. The rate of price rise of the observed services activities slightly accelerated but even so remained moderate. The forint price level of exports increased at a pace higher than that of imports, so the terms of trade improved in external trade in goods.



Agriculture

→ In 2019, agricultural output decreased by 0.3% in volume compared to 2018. Among the main field crops, the production of maize and most cereals increased compared to the previous year, while the harvested area and quantity of sugar beet and oilseeds (sunflower, rapeseed) decreased. On 1 December 2019, more cattle, almost the same number of hens, and fewer sheep and pigs were kept than there were on the same date of the previous year.



Industry

→ The industry has grown steadily since 2013. As production volume increased year-on-year by 5.4% in Hungary and decreased in the EU28 as a whole, Hungary topped the EU ranking. Following the subdued performance of 2016–2018, domestic growth was again fuelled by the manufacture of motor vehicles, but the manufacture of electronic products, electrical equipment and food products also contributed significantly to the expansion.



Construction

→ Construction output expanded steadily between 2017 and 2019, increasing by 22% in 2019, well above the EU average, from a high base a year earlier. Year-on-year volume growth accelerated to 20% in the construction of buildings and decelerated to 24% in the construction of civil engineering works, contributing almost equally to construction growth.



Retail trade

→ In 2019, retail sales volume grew year-on-year by 6.1% including increases of 3.4% for specialized and non-specialized food shops, 9.5% for non-food retail shops and 5.9% for automotive fuel stations. With increasing turnover, the number of retail shops has steadily declined, with almost 2,300 fewer shops waiting for customers at the end of 2019 than a year earlier.



Transport, accidents

→ In 2019, freight transport performance expressed in freight tonne-kilometers was 1.5% higher than in the previous year, with pipeline transport playing the largest role in the growth. Passenger-kilometre performance increased by 2.8%

2 PERFORMANCE OF DIVISIONS

for interurban passenger transport, almost exclusively due to air transport. 0.6% fewer passengers were registered in local public transport during the year. 6.4% more cars were registered for the first time, hitting again a new record in 2019 just as in 2018.

- In 2019, road accidents involving personal injuries totalled 16,627, or 1.9% fewer than in 2018. Fewer accidents involving fatalities, serious injuries, and minor injuries resulted in fewer injured people. In 2019, Budapest had the highest (47) and Pest county the fewest (26) number of traffic accidents involving personal injury per ten thousand registered motor vehicles.



Tourism, food services

- In 2019, visits by foreign citizens to Hungary grew by 6.5% and international trips taken by Hungarian residents from Hungary rose by 9.0% compared to 2018. Arrivals grew year-on-year by 2.0% and tourism nights by 0.8% in domestic commercial accommodation establishments. Revenues from commercial accommodation, on the other hand, increased more than this. Food service sales were 6.9% higher in volume than in 2018.



Telecommunications, internet

- Mobile and internet services have become dominant in telecommunications since the turn of the millennium. 5.9% more mobile phone subscriptions, 3.2% more internet subscriptions and 1.5% fewer fixed phone lines were registered at the end of 2019 than a year earlier. Data traffic on mobile networks increased by 54% in 2019 compared to the previous year. 3.7 million television subscriptions were recorded at the end of the year, 1.6% fewer than a year earlier.



Population number, age structure

- The population of Hungary was 9 million 769 thousand on 1 January 2020. The number of births decreased slightly and that of deaths reduced at a higher rate in 2019 compared to one year earlier, so the rate of natural decrease of the population decelerated. The natural decrease of the population was lowered by the international immigration surplus, so the population of the country actually decreased by 3.3 thousand people.
- The age structure of the population is getting ever older. There were 137 old-aged people per hundred children on 1 January 2020, compared with 133 a year earlier.



Factors forming population number

- 0.7% less or 607 fewer children were born in 2019 than one year earlier. The decline in the number of births was paralleled by a decrease of nearly 18 thousand in the number of females of child-bearing age. The total fertility rate (1.49) was the same as in 2016–2018, i.e. the inclination to have children did not diminish.
- The number of deaths went down slightly, by 1.1% in 2019 compared to the previous year: 129.6 thousand persons died, 1,445 fewer than in 2018.
- 335 children died before one year of age in 2019; infant death rate (3.8 per mille) was 0.4 per mille point higher than a year earlier.
- The natural decrease of the population by 40.4 thousand calculated as the balance of live births and deaths, was down by 2.0% or 838 compared to 2018.
- International immigration and emigration resulted in a population increase of 37.1 thousand. In 2019, 21.9 thousand Hungarian citizens moved abroad and 23.2 thousand Hungarian citizens born in Hungary returned home.



Marriages, divorces

- The number of marriages rose spectacularly: 65.3 thousand couples got married in 2019, 14.5 thousand (28%) more than in 2018. There has not been such a large number of marriages since 1990.
- Courts dissolved 17.4 thousand marriages, 2.6% more than in the previous year, which has been though one of the lowest values since 1960.

3 DEMOGRAPHIC SNAPSHOT



Internal migration

→ 283 thousand people changed permanent and 297 thousand changed temporary place of residence, which together was a growth of 0.7% in total internal migration compared to 2018.



Labour market

- The improving labour market trend continued in 2019. Major indicators – similarly to previous years – took a turn for the better, as a record high employment rate was accompanied by record low unemployment.
- In 2019, the number of employed people aged 15–64 was 4 million 436 thousand, that is, 25 thousand more than a year earlier, while the employment rate increased by 0.9 percentage points to 70.1%.
- The number of unemployed people aged 15–64 was 159 thousand, or 13 thousand fewer than a year earlier, while the unemployment rate of 3.5% was 0.3 percentage points lower.
- The potential labour reserve decreased by 16.5 thousand people to 301 thousand, while the job vacancy number diminished, too. The number of job vacancies in the national economy as a whole lagged behind the 2018 data by 5.8%, within this, job vacancies at enterprises employing at least five people fell by 10%, while at budgetary units and not-for-profit organisations significant from the point of view of employment, their number increased by 6.9% and 4.6%.
- The employment rate improved in the majority of the counties, while the unemployment rate decreased approximately in as many counties as it increased in compared to the previous year.



Education

- A total of 1 million 838 thousand persons participated in the formal education system – initial education and tertiary education combined – in the 2019/2020 school-year in Hungary.
- In 2019, a total of 331 thousand children attended kindergartens, 720 thousand pupils were in full-time primary school education, and 411 thousand were in full-time secondary education, 2.5 thousand children with severe and multiple disabilities fulfil their compulsory educational tasks through developmental education.
- Tertiary education registered a total of 285 thousand students, 71% of them participating in full-time education. Student numbers declined in non-full time training starting from 2005, and 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 2019 from 15 thousand to 33 thousand.
- Budgetary expenditures on education were HUF 1.7 thousand billion in 2017, representing 4.3% of the GDP. This amount was 7.6% higher at current prices compared to the previous year.

5 LIVING CONDITIONS



Income

→ In 2019, monthly gross average earnings of full-time employees grew by 11.4% and monthly net earnings calculated considering tax allowances increased by 11.5% year-on-year. The real value of insurance-linked infant- and child care allowance increased, while that of child care provisions and family allowance based on subjective rights diminished. Almost the entire elderly population and 8.0% of those under 64 received some sort of provisions. In 2018, 18.9% of the population were at risk of poverty or social exclusion, a number which, following a steady decrease since 2013, is 0.7 percentage points lower than a year earlier.



Households' consumption

→ Households' monthly average consumption expenditure per capita increased in real value by 35% in 2018, compared to 2010. The largest part of household expenditures, one fourth, were spent on food. After paying for basic needs related items – food, housing, transportation – households disposed of an ever growing sum to cover other expenses. People in the highest income fifth spent 3.6 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

→ The number and proportion of children under 3 years of age without access to day care in their own settlements decreased for the second year in a row. It was the fifth consecutive year in which the number of children taken under protection increased due to the fact that since 2012, a number of 50 unjustified absence hours in school (20 in kindergartens) may result in a child being taken under protection. In 2018, close to 8 thousand children needed temporary protection due to housing, custody, behavioural or abuse related problems.



Health

→ Life expectancy at birth increased in 2018: for men it is 72.6 years and for women 79.2. There are significant differences based on area, settlement type as well as educational attainment. Life expectancy in health was 13 and 18 years shorter. 61% of respondents considered their own health condition to be good or very good. The number of family doctor and family paediatrician private practices decreased by 7% between 2008 and 2018 while the number of practices run in replacement, not having their own doctor grew by almost three times. The number of empty practices grew by one-fifth in 2018 compared to the previous year.



Housing conditions

→ In 2019, close to three times more dwellings were built than during the 2013 nadir. Close to a half of the dwellings have been put into use in Budapest and Pest county. The weight of construction shifted towards enterprises for the fifth year now. Based on building permits and registrations, the number of dwellings to be built decreased for the second year.



Cultural consumption

→ Cultural expenses of the budget amounted to HUF 448.0 billion in 2018, 1.1% of the GDP. That same year, households spent on a monthly level HUF 7100 per person on culture and entertainment, and HUF 6964 on communications. In 2019, 2.3% more books (titles) were published, the number of copies decreased by 0.9% compared to 2018. Museum visits increased by 5.1% in 2019.



Digital society

→ Households' internet access is continuously increasing, it was 86%: in 2019 approximating the EU-28 average. Three-quarters of the population aged 16–74 used the internet on a daily basis in 2019. Every fourth person in Hungary has above basic level digital skills. Electronic administration and e-commerce are gaining popularity. In 2019, during the three months preceding the survey, 35% of people belonging to the 16–74 age group placed orders or purchased products or services online; this proportion was only 10% in 2010.



Subjective well-being

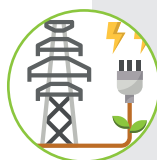
→ Life satisfaction of the population aged 16 years or older was 6.33 in 2019 on a scale from 0 to 10, which is higher than the value around 6.10 measured between 2013 and 2017, but lower than in 2018 (6.51). Satisfaction with the financial situation of households was between 5.17 and 5.28 from 2013 to 2017, it increased to 5.54 by 2018; however it slightly declined in 2019 (5.45). The population's sense of security and trust in other people also decreased.

6 ENVIRONMENT AND ENERGY MANAGEMENT



Environment

- The volume of greenhouse gas emissions in 2017 was similar to previous years. Compared to 2010, the energy industry polluted less, while agriculture and manufacturing polluted more.
- The size of areas involved in organic farming increased, within which the proportion of areas eligible for organic production, which have already completed the transition period, increased significantly to 82% in 2018.
- In 2018, the number of nature reserves in Hungary increased by one to 172. New forests continued to be planted in only a few places and the health of existing ones continued to deteriorate. Compared to 2010, big game populations, with the exception of wild boar, increased.
- The proportions of dwellings connected to the public drinking water supply as well as to the sewerage network are constantly increasing. More than 42,000 pipe breaks in the drinking water system were reported in 2018.
- Separately collected waste continued to grow in proportion, accounting for 30% of the total in 2018. Landfilling, the most harmful waste management method, remained the most common.



Energy management

- After a three-year increase, Hungary recorded a 1.2% drop in energy consumption in 2018. Producing one unit of GDP required 85% more energy than the EU28 average.
- Within total final domestic energy consumption, 33% is used by the population, 27% by transport and 25% by industry. Household energy demand fell by 7.6%, whilst energy demand from industry and transport was higher than a year earlier.
- Hungary's dependence on energy imports decreased in 2018 after having increased in the previous year. Hungary is one of the moderately energy import dependent countries in the EU.
- The share of energy from renewable sources fell to 12.5% of consumption in 2018, which was lower than the EU28 average (18.0%).
- In 2018, electricity production decreased by 2.7%, half of which was provided by the Paks Nuclear Power Plant and almost four-tenths by fossil energy sources (primarily the combustion of natural gas).