

Hungary

An overview of the economy and of the business environment



On July 1, Hungary took over the rotating Presidency of the Council of the European Union, and it will hold this position until December 31. The Council of the EU, also known simply as the Council, is one of the seven EU institutions. It consists of ministers from each EU country and debates legislation proposed by the European Commission, often in consultation with the European Parliament. The country holding the rotating presidency organizes and chairs meetings and represents the Council in its relations with other EU institutions.



Building on trends from recent years, Hungary's GDP saw a significant rebound after the COVID-19 pandemic's impact lessened. Despite this, the economy experienced four consecutive quarters of contraction from mid-2022 to mid-2023, driven by high inflation, stricter fiscal and monetary policies, and weak external demand.

Following that anticipated recession in 2023, improved growth prospects are expected for 2024. Economic activity is likely to be fueled by an increase in domestic demand and a modest rebound in growth within the Eurozone.

GDP increased by 1.1% in the first quarter of the year. The services sector grew at a rate above the average, while the industry sector experienced significant shrinkage for over a year, primarily due to the poor performance of the automotive industry, its largest sector. Growth in Q1 2024 was driven by a moderate recovery in private consumption and positive net exports, despite a sharp decline in gross fixed investments. Looking forward, private consumption is expected to remain the main driver of growth this year.

The agricultural sector, once the cornerstone of Hungary's economy, now accounts for 3.2% of GDP and employs 4% of the workforce (World Bank, latest data available). Hungary has an agricultural area of 5,278k hectares, representing about 56.7% of its territory (FAO). Key crops include cereals, fruits, maize, vegetables, and wine, with major crops being wheat, corn and oilseeds, mainly sunflower and rapeseed.



Hungary

An overview of the economy and of the business environment



Hungary's most important natural endowments, particularly in its western and central regions, are its fertile soil and abundant water resources, including Lake Balaton, a significant asset for tourism. Fossil fuel resources are relatively modest. Lignite (brown coal) is mined in the Northern Mountains and Transdanubia. While coal once met half of Hungary's energy needs, it now accounts for less than one-fifth of energy production.

Hungary's only significant mineral resources are manganese in the Bakony Mountains and the undeveloped copper and zinc deposits in Recsk.

Under the communist government's policy of forced industrialization, Hungary's industry grew rapidly until the late 1980s, making up about two-fifths of GDP. Key sectors like mining, metallurgy, and the chemical and engineering industries expanded significantly, contributing to half of the industrial output. However, lacking modern technology and infrastructure, Hungarian industry struggled to compete globally after the collapse of state socialism. In the early 1990s, industrial employment fell to one-fourth of the workforce, and total output declined by nearly one-third, with mining, metallurgy, and engineering output halving. Engineering output specifically dropped from nearly one-third to about one-fifth of the total during this period.



During the early 1990s, Hungary underwent economic restructuring and modernization, including privatization efforts and improvements in product and service quality. Among the industries that adapted more successfully to these changes were food, tobacco, wood, and paper industries.

These sectors showed resilience and began to grow again, contrasting with other industries that struggled initially. The chemical industry, in particular, demonstrated significant resilience, rebounding from a substantial production decline earlier in the decade and showing signs of growth by the mid-1990s.

Now, industry constitutes 24.6% of Hungary's GDP and employs 31% of the workforce. The Hungarian industry is highly receptive to foreign investment, with manufacturing frequently being the top recipient of foreign direct investment. The automotive and electronics sectors are the primary industrial sectors, with manufacturing alone contributing 17% of GDP. The electronics industry is one of the largest in Hungary, accounting for one-fifth of total manufacturing production.

Hungary

An overview of the economy and of the business environment



The automotive sector stands as a cornerstone of Hungary's economy, contributing nearly 21% to total exports. Over 600 companies employ approximately 100,000 people in this sector. Four major automotive Original Equipment Manufacturers (OEMs)—Suzuki, Audi, Opel, and Daimler—operate production facilities in Hungary. Mercedes-Benz initiated serial production in Kecskemét in March 2012, while Audi has expanded since 2008, establishing one of the world's largest engine plants in Győr, alongside an R&D center and car assembly facilities. These substantial investments have attracted a wide array of equipment manufacturers and suppliers. Additionally, local small- and medium-sized automotive companies have emerged as reliable partners for both local and Western European manufacturers and Tier 1 suppliers.

The automotive sector collaborates closely with educational and academic institutions, particularly in research and development (R&D). Several multinational companies, including Audi, Bosch, Knorr-Bremse, Thyssen-Krupp, Arvin Meritor, Denso, Continental, Visteon, WET, Draxlmaier, Edag, Temic Telefunken, and ZF, have established R&D centers in Hungary, underscoring the country's importance in automotive innovation and technology development.



The electronics industry is a leading sector in Hungary, constituting 22% of the country's manufacturing output and making it the largest electronics producer in Central and Eastern Europe (CEE), contributing 26% of regional production. Approximately 112,000 people are employed in this sector. Hungary hosts several renowned Original Equipment Manufacturers (OEMs) and six of the top 10 Electronic Manufacturing Services (EMS) providers in Europe, including Jabil, Flextronics, Foxconn, Sanmina, Zollner, and Videoton. Companies like National Instruments and Jabil also engage in significant research and development (R&D) activities within the country.

Hungary's pharmaceutical industry, boasting a century-long tradition, stands as one of the most efficient and successful sectors in its economy. With highly developed pharmaceutical and biotechnology sectors in Central and Eastern Europe, Hungary serves as an optimal hub for life science companies aiming to expand into the Balkan states, as well as other Eastern European and Asian markets.

Hungary

An overview of the economy and of the business environment



The ICT sector contributes 10% to Hungary's GDP and employs over 100,000 individuals. Encompassing telecommunications, IT outsourcing, IT services, and software and hardware production, Hungary's ICT market has experienced rapid growth in recent years and leads the region in computer assembly and communications equipment manufacturing.

Central Transdanubia, particularly Komárom with NOKIA, and central Hungary, including Vác with IBM, are strongholds for hardware production. Budapest hosts the majority of large software companies. Numerous IT firms operate technology service centers in Hungary, with many also relocating their R&D activities to the country.



The food processing industry, although its relative contribution to Hungarian industry has declined in recent years, remains a pivotal sub-sector of the economy. Employing 124,000 people in 2011, it plays a crucial role in Hungary's trade balance through substantial export revenues. Hungary stands out as the sole net exporter of agricultural and food products in the Central and Eastern European (CEE) region, contributing 6% to the country's total exports.

The majority of food industry companies (over 85%) are micro-enterprises with fewer than 10 employees, and nearly half of the industry's capital is foreign-owned. Sectors like meat processing, coffee and tea, and soft drink manufacturing attract the highest levels of foreign direct investment (FDI) within Hungary's food industry. Multinational corporations dominate segments such as vegetable oil processing, confectionery, and snacks, with approximately two-thirds of the 200 largest food producers in Hungary owned by foreign investors. These large producers primarily utilize Hungarian raw materials.

FDI inflows have notably increased in vegetable oil production and other segments like fruit and vegetable processing and pet food manufacturing. Key foreign investors include companies like Bonduelle, Bunge, Givaudan, Globus, Mars, Nestlé, POPZ, and Unilever, highlighting their significant presence and investment in Hungary's food processing sector.

Hungary

An overview of the economy and of the business environment



The services sector contributes 57.2% of GDP and employs nearly 64% of the labor force. Trade, tourism, and finance are the largest segments within the tertiary sector. In recent years, the added value produced by the ICT sector has increased by more than 20%, reaching USD 20 billion, with the digital economy now comprising over 20% of Hungary's overall gross value added. The banking sector includes 40 institutions: 21 commercial banks, 11 specialized credit institutions (mortgage banks, building societies, development and trade finance banks), and 8 foreign bank branches (European Banking Federation).



Hungary's top export destinations are Germany, Italy, Romania, the Slovak Republic, Poland, the Czech Republic, France, Austria, the USA, and the United Kingdom.

The top exported commodities are motor cars and other motor vehicles, electric accumulators, including separators, parts and accessories of the motor vehicles, automatic data processing machines and units, magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, medicaments.

Hungary mostly imports from Germany, China, Austria, Poland, the Slovak Republic, Korea, the Czech Republic, the Netherlands, Russia, and Italy and the country's most imported commodities are parts and accessories of motor vehicles, electrical apparatus for telephony or line telegraphy, petroleum gases, electronic integrated circuits.



Hungary

An overview of the economy and of the business environment



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- Company registration particulars retrieved from local registries, including registration number, company ID, fiscal code, and other relevant data.
- Insight into company structure, such as board of directors, shareholders, and affiliated companies.
- Financial data, including balance sheets and profit and loss statements where disclosed by the company.
- Credit rating and recommended credit limits.
- Payment information.
- Activity specifics, detailing the company's sector, industry, and, where available, import-export activities. Employee count.
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Hungary

An overview of the economy and of the business environment



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