

Q1 2024

HIPA Guide

HIPA Hungarian Investment
Promotion Agency Non-Profit
Private Company Limited by Shares

ECONOMIC ANALYSIS DEPARTMENT

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Closed on 18 April 2024

Summary

- In Q4 2023, according to the raw data, the volume of the gross domestic product stagnated in Hungary compared to the same period of the previous year.
- Out of the 27 countries of the European Union, GDP decreased in 10 member states on an annual basis in the last quarter of 2023.

GDP

GDP volume: -0.9% (2023)

Prognosis (2024): 2.0–3.0% (MNB),
2.2% (IMF), 2.4% (EC)



- In the first two months of 2024, the production value of manufacturing amounted to HUF 8,398.6 billion.

- In the above period, the key sectors of manufacturing production were the vehicle production, the food industry and the production of electrical equipment.

- Manufacturing production in the region has still not recovered and is lagging behind the stable growth it used to have.

Manufacturing

Share of value added in the national economy: 20.1% (2022)

Production value: -2.1% (January–February 2024)



- Between 2019 and 2023 the Li-ion battery exports increased more than eightfold (from EUR 1.2 to 9.6 billion).

- In 2023, more than one third of Hungarian exports came from electrical machinery, apparatus and appliances (17.8%) and road vehicle (17.0%) exports.

- According to MNB, the weak European economy will restrain it in the short-term, but in the medium term new FDI investments will stimulate Hungarian exports.

Foreign trade

Goods exports: +4.7%, EUR 149.2 billion (January–December 2023)

Goods exports: +1.3–2.7% (prognosis, 2024)



- In March 2024, the Harmonised Index of Consumer Prices (HICP) fell the most in Hungary in 1 year within the EU (from 25.6% to 3.6%).

- The Hungarian HICP exceeded the EU average (2.6%) by only 1 percentage point in March 2024.

- According to MNB, inflation will permanently return to the central bank target rate (3.0% ± 1%) in 2025.

Inflation

Harmonized Index of Consumer Prices: 3.7% (annual, January–March, 2024)

Annual average inflation: 3.5–5.0% (prognosis, 2024)



- In Q4 2023 the Hungarian unemployment rate (4.4%) was the ninth lowest in the EU and was significantly below the EU average (6.0%).

- In Q4 2023 the Hungarian employment rate (64.9%) exceeded the EU average (61.5%) and was the 3rd highest among Central European member states.

- In the first month of 2024, the average gross salary increased by 13.6% (to HUF 611,400) on an annual basis in the competitive sector, with a consumer price index of 3.8%.

Labour market

Unemployment rate: 4.2–4.3% (prognosis, 2024)

Average gross earnings in the competitive sector: +10.0–11.0% (prognosis, 2024)



- Based on the FDI stock data for 2022, South Korea is the largest investor outside of Europe in our country, since the Asian country is responsible for 8.8% of the total FDI stock.

- In Hungary, the value of FDI stock from Germany amounted to some EUR 18.7 billion in 2022, thus it remains the most important relation.

FDI

Value of FDI stock from South Korea: EUR 8.9 billion (2022)

Value of FDI stock from Germany: EUR 18.7 billion (2022)



1. Economic growth

Last year, the value of the gross domestic product in Hungary was HUF 74,992 billion, and its volume decreased by 0.9% compared to 2022. Starting from a low base, agriculture increased the volume of GDP in 2023 by 2.1 percentage points, meanwhile industry decreased it by 1.0, services by 0.8, and construction by 0.3 percentage points. On the expenditure side, the balance of foreign trade increased the volume of the gross domestic product by 4.9 percentage points, while gross capital formation contributed 5.0 and actual final consumption 0.8 percentage points to the decrease in economic performance.

In the fourth quarter (Q4) of 2023, according to the raw data, the volume of the gross domestic product stagnated in Hungary compared to the same period of the previous year.¹ The performance of manufacturing in Q4 of last year also fell short of that registered in the same period of the previous year (this time by 6.3%), which can be mostly explained by the decline in the manufacturing of machinery and mechanical equipment not classified elsewhere, as well as by the decline in the manufacturing of electrical equipment. The construction industry is still characterized by moderate performance, and its value added is 7.4% lower than what was measured in Q4 2022. The volume of construction industry production decreased by 5.0% in 2023, and the contract portfolio at the end of last year was also 23.5% lower than the year before. Agriculture sought to offset the larger economic decline, after the weaker, drought-prone year of 2022, it expanded by 80.9% in the last three months of last year.

After almost two years of continuous growth, the gross value added of services has now decreased for the third consecutive quarter (this time by 0.9%), driven mainly by a decrease in trade and vehicle repair (-8.7%), professional, scientific and technical activities (-4.5%), as well as transportation and storage (-4.4%). In contrast, human health and social care (8.5%), as well as information and communication (5.2%) expanded. **For the volume stagnation of the gross domestic product in Q4 2023, agriculture contributed positively (2.4 percentage points), while a negative contribution was seen in industry (-1.1 percentage points), construction (-0.6 percentage points) and services (-0.5 percentage points).²**

On the expenditure side, the actual final consumption of households increased by 1.4% compared to the Q4 2022. The household final consumption expenditure also increased (by 0.3%), however, at the same time it should be noted that for a 12 month period from December 2022, a decrease in volume was registered every month in the case of retail trade.³ In the first two months of this year, however, it was already in the positive range (0.6% and 1.1%, respectively), i.e. one of the drivers of economic growth this year may be once again internal demand. It is also important to note that in line with the weakness of the construction industry, the volume of both construction investments and investments in machinery and equipment has dropped.

¹ Source: [KSH](#)

² Source: [KSH](#)

³ Source: [KSH](#)

Overall, the balance of foreign trade contributed 4.0 percentage points to the performance of the GDP in Q4 2023, while final consumption contributed 0.2 percentage points, in contrast, gross capital formation restrained it by 4.2 percentage points.⁴

The gradual revitalization of the economy will be supported by real wage increase in parallel with disinflation, the gradual recovery of consumer confidence, the dynamization of residential and corporate credit markets (thanks to this also the expansion of investments), as well as the recently announced capacity-expanding foreign direct investments. **The forecasts of almost every analyst consider the key to the growth of economic performance can be the growth of internal demand: due to the positive real wage dynamics, the first six months may be characterized by the use of savings accumulated in the previous period, along with an increase in the consumption rate.**

GDP growth in Hungary (% , compared to the same period of the previous year, based on unadjusted, raw data)



Source: KSH (Hungarian Central Statistical Office)⁵

The Magyar Nemzeti Bank (Hungarian National Bank, MNB) has expected a growth of 2.0-3.0% for 2024 and 3.5-4.5% for 2025.⁶ According to the central bank's expectations, in the first half of this year, market services, the expansion of household consumption, and the dynamization of corporate and residential investments might support the gradual increase of GDP. In the first months of this year, industry is still characterized by a more subdued performance in addition to a weaker confidence index and a decline in new orders.

Looking at the Q4 2023, economic growth in the majority of European economies developed in accordance with analysts' expectations, at the same time the labour market remained tight even amidst the slower recovery from the recession. The recent period was characterized by a decrease in the volume of industrial production, nevertheless, the outlook

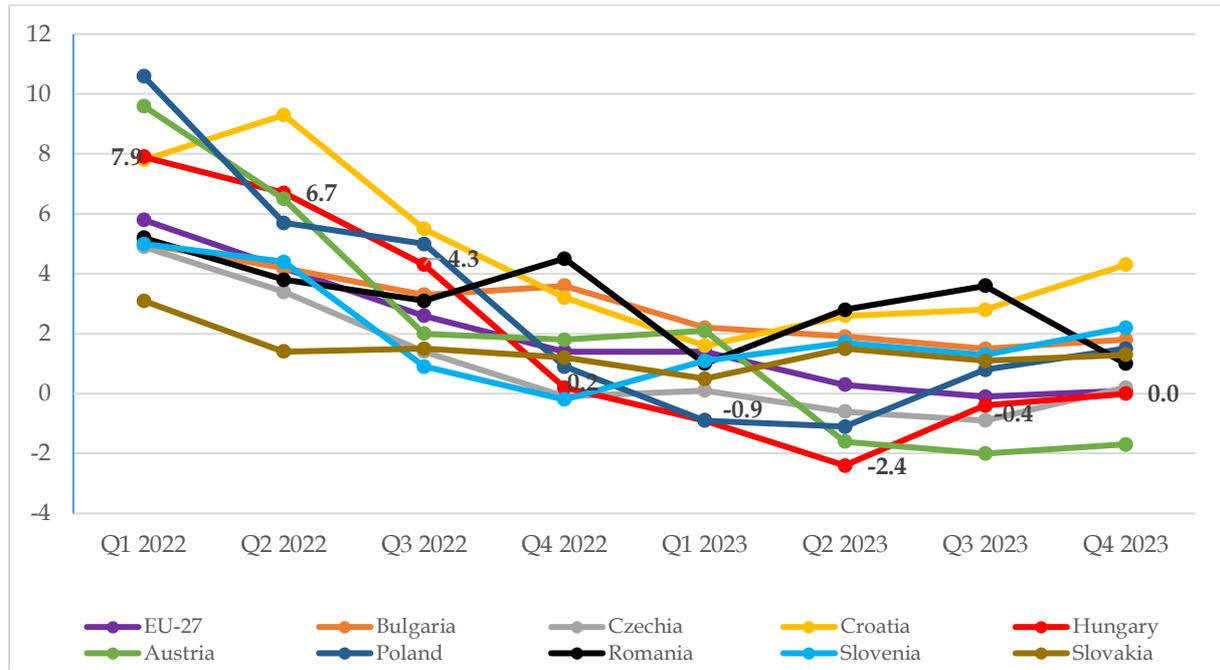
⁴ Source: [KSH](#)

⁵ Source: [KSH](#)

⁶ Source: [MNB](#)

is not positive either. The disinflation continued after the previous quarters, but at the same time, consumer confidence and the business atmosphere stayed at a low level, and geopolitical tensions also persist. It is important to note that although supply chains have normalized and global commodity prices have decreased, global industrial production and trade have not been able to grow significantly. Out of the 27 countries of the European Union, GDP decreased in 10 member states on an annual basis.

GDP growth of regional countries on an annual basis (% , Q1 2022–Q4 2023)



Source: Eurostat⁷

According to Eurostat data, an expansion of 1.5% in Poland, 1.3% in Slovakia, and 0.2% in Czechia was registered among the Visegrád countries in Q4 2023, while stagnation was registered in Hungary. The economic performance of the Eurozone also stagnated, and overall, we can state that among the Central and Eastern European countries, the growth in Croatia (4.3%) stands out in a positive sense, while the decline in Austria (-1.7%) can be highlighted in a negative context.⁸

GDP growth of regional countries (% , forecast)

Country	IMF		European Commission	
	2024	2025	2024	2025
Hungary	2.2	3.3	2.4	3.6
Eurozone	0.8	1.5	0.8	1.5
Austria	0.4	1.6	0.6	1.4
Bulgaria	2.7	2.9	1.9	2.5
Czechia	0.7	2.0	1.1	2.8
Croatia	3.0	2.7	2.6	2.8

⁷ Source: [Eurostat](#)

⁸ Source: [Eurostat](#)

Poland	3.1	3.5	2.7	3.2
Romania	2.8	3.6	2.9	3.2
Slovakia	2.1	2.6	2.3	2.6
Slovenia	2.0	2.5	1.9	2.7

Source: IMF,⁹ European Commission¹⁰

It is a positive development that international organizations expect expansion in all the countries of the region for 2024 and 2025, but nowhere will it reach 4.0%, and in the case of several states, earlier estimates have also been revised downwards. **Based on the forecasts of the IMF and the European Commission, growth in Hungary is expected to be around 2.2–2.4% this year, and around 3.3–3.6% next year, which means that we will be among the better performing countries at regional level.**

2. Manufacturing

In the first two months of 2024, the production value of manufacturing amounted to HUF 8,398.6 billion, which represents a 2.1% decrease compared to the same period of the previous year, and a decrease of 1.3% was also registered based on the volume index.¹¹ Vehicle production accounted for 26.6%, the food industry for 12.2%, and the manufacturing of electrical equipment sub-sector for 11.7% of the production value.¹²

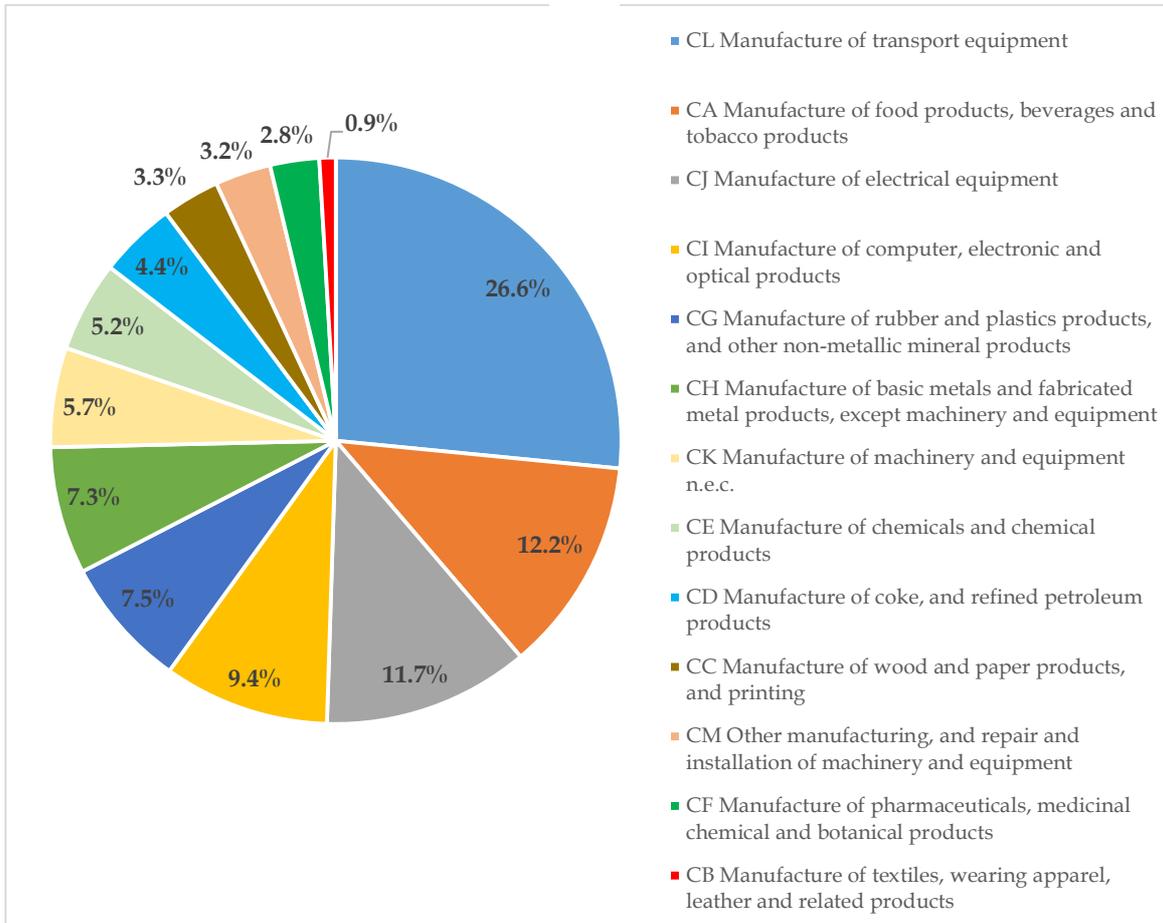
⁹ Source: [IMF](#)

¹⁰ Source: [European Commission](#)

¹¹ Source: [KSH](#)

¹² Source: [KSH](#)

Distribution of manufacturing production by sub-sector (January–February 2024)



Source: KSH

Examining the volume index of production, in the period January–February 2024, the highest expansion was achieved by the coke production, petroleum processing sub-sector (+9.6%), followed by the manufacturing of food, beverages and tobacco sub-sector (+8.9%), and in third place was the manufacturing of basic metals and fabricated metal products (+0.5%). **However, a decrease was recorded in seven of the 13 manufacturing sub-sectors.** The largest decline was experienced by the manufacturing of machinery and mechanical equipment (-11.7%), followed by the manufacturing of computers, electronics and optical products (-10.5%), as well as of textiles, wearing apparel and leather with a 9.5% decline.¹³

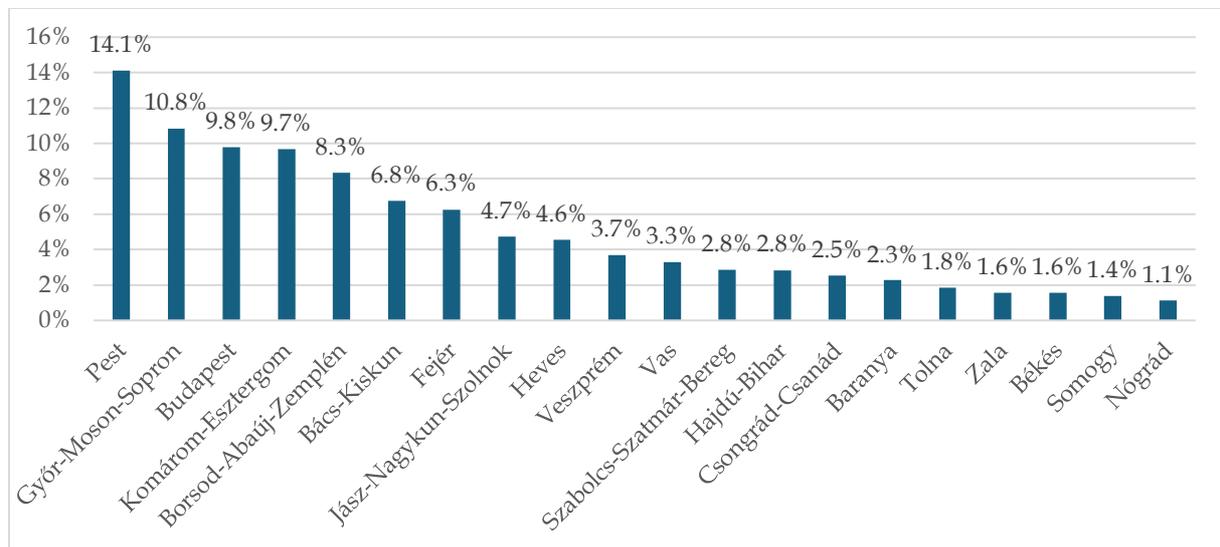
The subdued performance of the industry may be primarily due to the slowdown in the export markets. Manufacturing is highly export-oriented, so it is largely determined by the development of foreign markets. In Germany, i.e. one of our largest trading and economic partners, the downtrend in industrial production continued, showing a decrease in both monthly and annual comparisons; moreover, the German economic indices also indicate a mixed picture. Nevertheless, **in the mid-term, the significant capacity expansions going into production (primarily in the automotive industry and in the field of battery production) might result in a significant boost in output.** Manufacturing was also in an active capacity

¹³ Source: [KSH](#)

expansion phase despite the investment downturn of the last year and a half, which gives it the opportunity to be integrated into global product chains. It seems however, that for the time being performance is much more negatively affected by the weakening of external demand, and no signs of recovery are visible.

Examining the territorial distribution of total industrial production, **based on the data for the period January–February 2024, eight counties were able to show growth**, the largest in Tolna County by 21.7%, in Csongrád-Csanád County by 6.5%, while in Baranya County the **volume of industrial production increased by 6.3%**. **In contrast, the volume of production decreased by 14.1% in Jász-Nagykun-Szolnok County**, while industry performance dropped by 12.7% in Veszprém County, and by 7.4% in Bács-Kiskun County.¹⁴

Share of industrial production by county (January–February 2024)



Source: KSH¹⁵

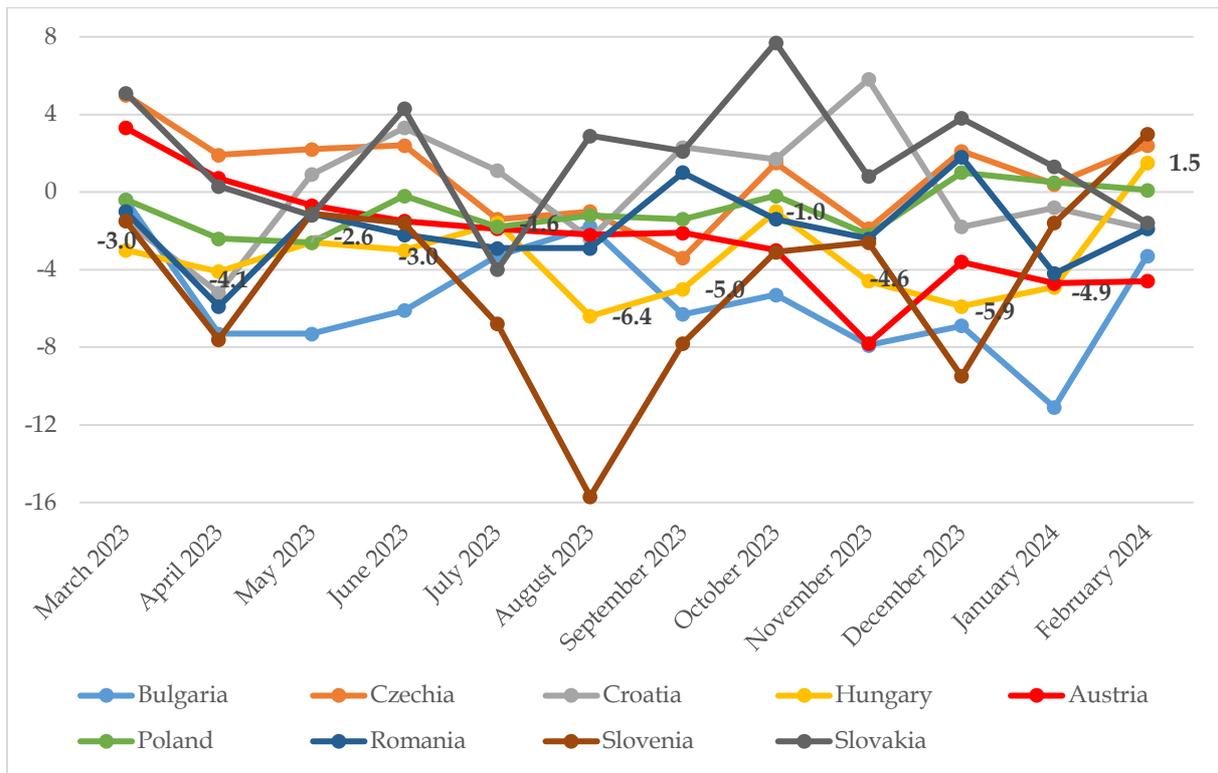
From the perspective of industrial production in Hungary, the counties of Pest, Győr-Moson-Sopron and Budapest can be highlighted; the three territorial units in total accounted for more than one third (34.7%) of the total industrial output in the period January–February 2024. The lowest weight was represented by the counties of Nógrád, Somogy, Békés and Zala, with shares of 1.1%, 1.4% and 1.6–1.6%, respectively.

When examining the 12 month period from March 2023 to February 2024, it can be concluded that manufacturing production in the region has still not recovered and is lagging behind the stable growth it used to have. In the given period, the average monthly growth was positive in only three countries: in Slovakia (1.8%), Czechia (0.9%) and Croatia (0.1%). **Looking at the above time interval, the average monthly decrease of the production volume index of Hungary’s manufacturing industry was 3.4%, ahead of Slovenia (-4.7%) and Bulgaria (-5.6%) in the region.**

¹⁴ Source: [KSH](#)

¹⁵ Source: [KSH](#)

Manufacturing production volume index of the countries of the region on an annual basis (%, calendar-adjusted)



Source: Eurostat¹⁶

3. Foreign trade

In 2023, the value of Hungarian goods exports increased by 4.7% on an annual basis to EUR 149.2 billion, while goods imports decreased by 7.7% to EUR 140.0 billion. As a result of the sharp decline in goods imports and the moderate expansion of exports, the foreign trade deficit of EUR 9.1 billion registered in 2022 **turned into a surplus of EUR 9.2 billion in 2023.**¹⁷

Between 2019 and 2023, Hungarian goods exports increased significantly by EUR 40.1 billion (from EUR 109.1 billion to EUR 149.2 billion). Despite the coronavirus pandemic, **the export of electrical machinery, apparatus and appliances increased by 86.5%** (from EUR 14.2 billion to EUR 26.5 billion) **in four years, which is more than double the growth rate of the average goods exports (36.8%).** **More than two-thirds of the EUR 12.3 billion increase in the exports of electrical machinery, apparatus and appliances was due to the export expansion of Li-ion batteries** (EUR 8.4 billion). **The export of Li-ion batteries, one of the most important components of electric and hybrid vehicles, jumped more than eightfold between 2019–2023** (from EUR 1.16 billion to EUR 9.56 billion).

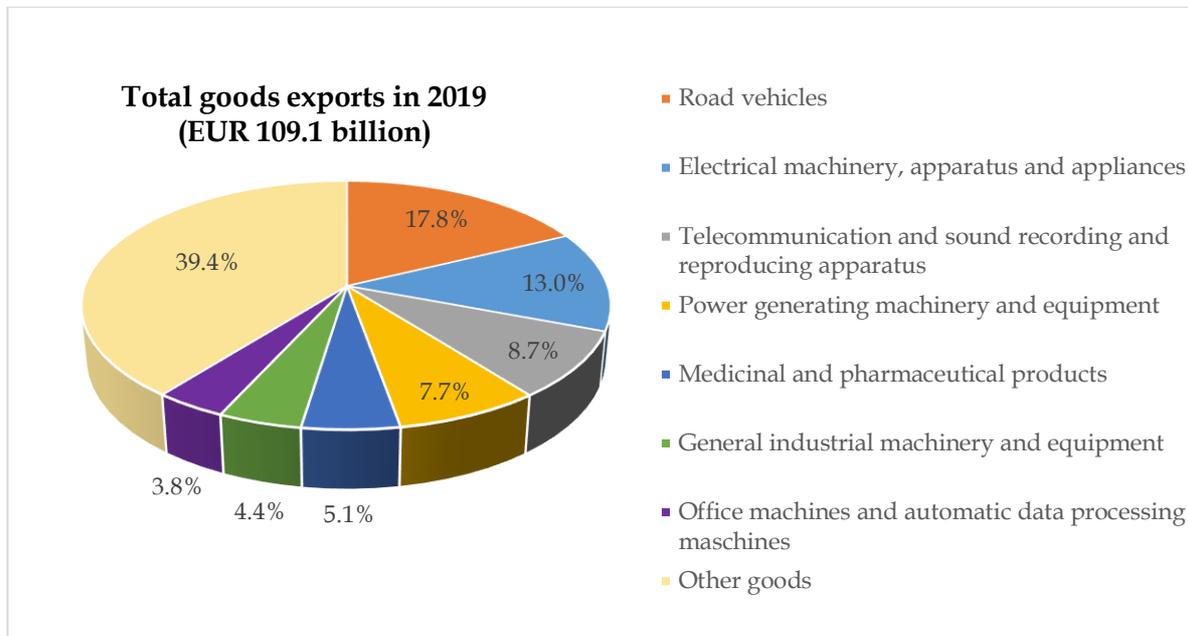
Another important pillar of the Hungarian exports increase was the 31.1% rise in road vehicle exports (from EUR 19.4 billion to EUR 25.4 billion). **Chiefly behind the EUR 6.0 billion increase in exports was the 27.5% (EUR 3.1 billion) export expansion of passenger cars and**

¹⁶ Source: [Eurostat](#)

¹⁷ Source: [KSH](#)

the **36.1%** (EUR 2.4 billion) **increase in the export of automotive parts and accessories**. In addition, out of the seven most important export product ranges, the **export of medicinal and pharmaceutical products was able to expand at an above-average pace, by 43.2%** (from EUR 5.6 billion to EUR 8.0 billion) **in the period 2019–2023**.

Distribution of Hungarian goods exports among the seven most important export product ranges (2019, %)



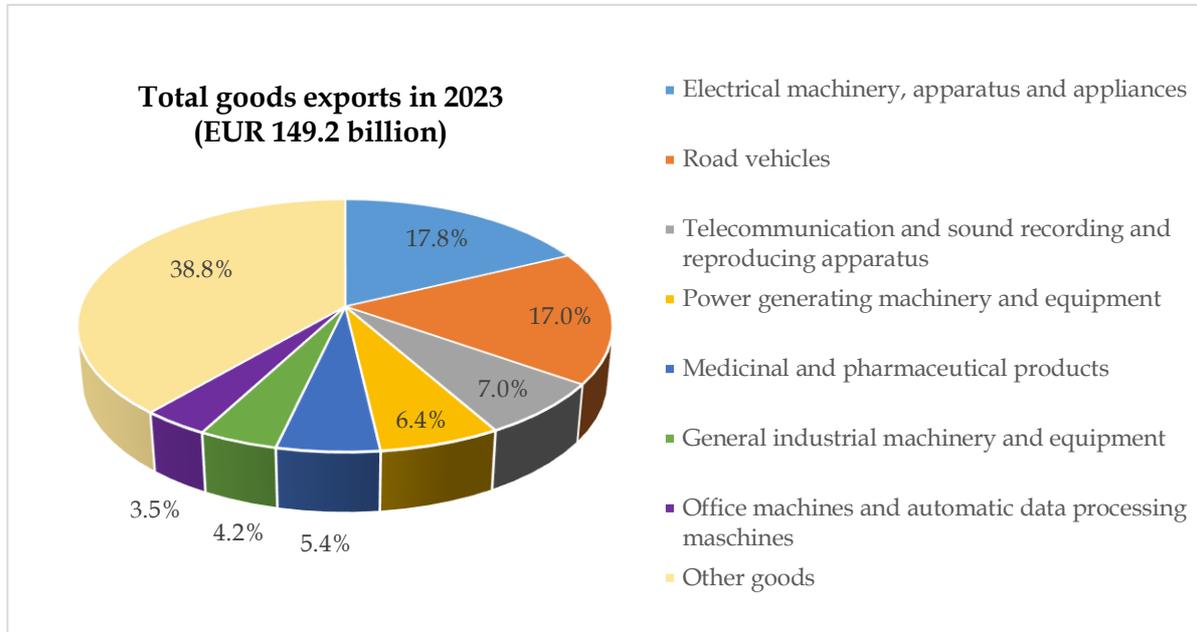
Source: KSH

In 2019 and 2023, the above-mentioned seven product ranges accounted for **60.6%** and **61.2%**, respectively, of Hungarian goods exports, but at the same time, **there were changes in the composition of exports**. In 2019, road vehicles were still the most important export item, accounting for **17.8%** of Hungarian goods exports. In 2023 – thanks to the ramp-up in Li-ion battery exports – the **electrical machinery, apparatus and appliances product range gained first place; its export share increased from 13.0% to 17.8% in four years, surpassing the export share of road vehicles (17.0%)**. Consequently, due to the traditionally strong vehicle production and the dynamically expanding battery industry, **electrical equipment production made up more than one third of Hungarian goods exports last year**. Considering that a **significant increase is expected in the manufacturing of export-oriented vehicle industry and battery production** as a result of the remarkable inflow of FDI, a **further increase in the export share of the above two product ranges is expected** in the coming years.

Except for the first two places, no reorganization took place between 2019 and 2023 in relation to the seven most important export product ranges. In four years, the export share of telecommunication and sound recording, reproducing apparatus in third place decreased from **8.7% to 7.0%**, since the export of the product range only expanded by **10.1%** between 2019 and 2023. Similarly, as a result of the moderate expansion of **12.9%** in the export of **power generating machinery and equipment**, the export share of this product range decreased from **7.7% to 6.4%** in four years. At the same time, **the share of medicinal and pharmaceutical**

products, which are the fifth most important export item, increased from 5.1% to 5.4% between 2019 and 2023 in total goods exports.

Distribution of Hungarian goods exports among the seven most important export product ranges (2023, %)



Source: KSH

In January 2024, the value of Hungarian goods exports decreased by 6.8% on an annual basis to EUR 11.5 billion, while goods imports dropped by 14.3% to EUR 10.9 billion.¹⁸ Forces in the opposite direction affect Hungarian export performance. The weak European economy is restraining exports, however, the ongoing and recently announced considerable capacity-expanding foreign direct investments will stimulate exports over time. In the first half of 2024, the weaker performance of industrial sectors producing for export, and the sluggish new foreign orders make the further decrease of exports likely. At the same time, according to the MNB's expectations, parallel to the improvement of the European economy, Hungarian exports may also expand substantially from the second half of the year. Although Hungarian exports decreased in the second half of 2023, export capacities were not affected negatively, so exports will once again support GDP growth in the mid-term. MNB forecasts an export expansion of 1.3–2.7% for 2024 and 6.1–7.9% for 2025.¹⁹

4. Inflation

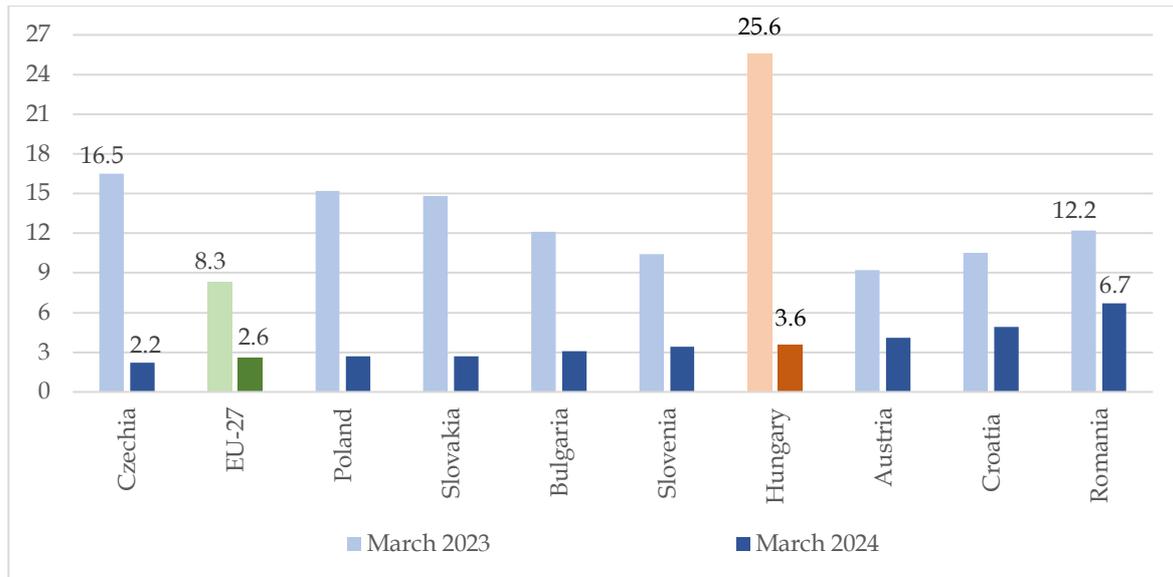
In March 2024, the Harmonised Index of Consumer Prices (HICP) used by Eurostat in the European Union was 2.6% (8.3% a year earlier). Among the member states, the highest rate of average price increases was measured in Romania (6.7%), Croatia (4.9%), Austria and Estonia (4.1–4.1%). The lowest HICP rates in March were Lithuania (0.4%), Finland (0.6%) and Denmark (0.8%). In the EU member states of the Central European region, the HICP was

¹⁸ Source: [KSH](#)

¹⁹ Source: [MNB](#)

typically above the EU average. The highest inflation rate in the region was measured in Romania (6.7%), and the lowest in Czechia (2.2%). Over the course of a year, among the Central European EU member states, the rate of price increases fell the fastest in the Visegrád countries. Compared to March 2023, the HICP decreased by 22.0 percentage points in Hungary, 14.3 in Czechia, 12.5 in Poland, and 12.1 percentage points in Slovakia.²⁰

Evolution of the Harmonised Index of Consumer Prices (HICP) in the Central European Union member states (March 2023–March 2024, %)



Source: Eurostat

Based on KSH data²¹, in March 2024, the average consumer price index in Hungary was 3.6%, and core inflation²² was 4.4%. Compared to March 2023, the price of services rose at the fastest rate (9.9%), including, for example, rent cost more by 14.1%, motorway tolls, car rental and parking by 10.7%, repair and maintenance of vehicles by 10.5%, sports and museum tickets by 8.7%, and recreational services by 6.8%. At the same time, travel to work or school became 21.7% cheaper. The prices of alcoholic beverages and tobacco (4.4%) as well as clothing and footwear (4.4%) increased at an above-average rate. The average price level of food rose by 0.7%. In one year, primarily sugar (30.9%), chocolate and cocoa (11.6%), buffet products (10.4%), pork (9.1%), and non-alcoholic beverages (7.5%) became more expensive. Within the product group, flour prices decreased by 20.3%, the price of eggs by 19.7%, that of pasta products by 13.1%, cheese prices by 13.0%, the price of milk by 11.0% and that of bread by 10.5% compared to March 2023. Household energy costs an average of 3.1% less, including 6.9% less for natural gas and 3.2% less for electricity. The average price level of consumer durable goods decreased by 1.8%. Within this category, the price of second-hand cars

²⁰ Source: [Eurostat](#)

²¹ Source: [KSH](#)

²² Note: Since April 2021, KSH has been applying a new methodology for calculating core inflation, the index no longer includes price changes for alcoholic beverages and tobacco products.

decreased by 9.3%, while that of new cars increased by 2.5%. **Motor fuels became more expensive by an average of 2.3%** compared to March 2023.

At the beginning of 2024, inflation fell into the central bank's tolerance band (3%±1 percentage points) and also decreased during the Q1 2024. The slowdown in inflation is noticeable in a wide range of products, which is caused by a combination of disciplined monetary policy, the government's measures to strengthen competition, subdued demand, base effects and a significantly lower external cost environment than last year (e.g. the price of energy sources). **In the middle of 2024, inflation is expected to temporarily increase again** due to base effects and retrospective pricing of services. Moreover, two opposing effects shape the underlying inflationary dynamics. The weakening of the HUF exchange rate points in the direction of increasing imported inflation, while the weak economic performance tends to have more of a disinflationary effect. **Inflation is expected to permanently return to the central bank's tolerance band only in 2025.**²³ Due to the significant uncertainty surrounding the development of consumer prices, the MNB also gave a range forecast in its Inflation Report published on 28 March 2024.

MNB inflation forecasts in March 2024 (2023–2026 annual average, %)

	2023 (actual)	2024	2025	2026
Inflation	17.6	3.5-5.0	2.5-3.5	2.5-3.5
Core inflation	18.2	4.0-5.6	2.8-3.4	2.7-3.3

Source: MNB

5. Labour market

Earnings

In January 2024, based on KSH data, the average monthly gross earnings of full-time employees in the corporate sector²⁴ amounted to HUF 611,400 which is a **13.6%** increase compared to the same period in 2023. In this sector, **the median value of monthly gross earnings was HUF 480,000**, which is 15.2% higher than the base value. **In January 2024, at the level of the national economy (calculated without fostered workers), the average monthly gross salary was HUF 615,100**, which indicates an annual **increase of 14.6%**. The average gross earnings were **the highest in the financial services sector (HUF 977,100)**, and the **lowest in the accommodation and food service sector (HUF 398,100)**. **In January 2024, real earnings increased by 10.4%** compared to the same period of the previous year.²⁵ Wage dynamics in 2024 are primarily determined by easing labour market tightness and the moderation of anticipated inflation rates. According to the MNB's March 2024 prognosis, **average gross earnings in the competitive sector may increase by 10.0-11.0% this year and by 7.1-8.2% in 2025.**²⁶

²³ Source: [MNB](#)

²⁴ Note: excluding fostered workers, for all enterprises with employees

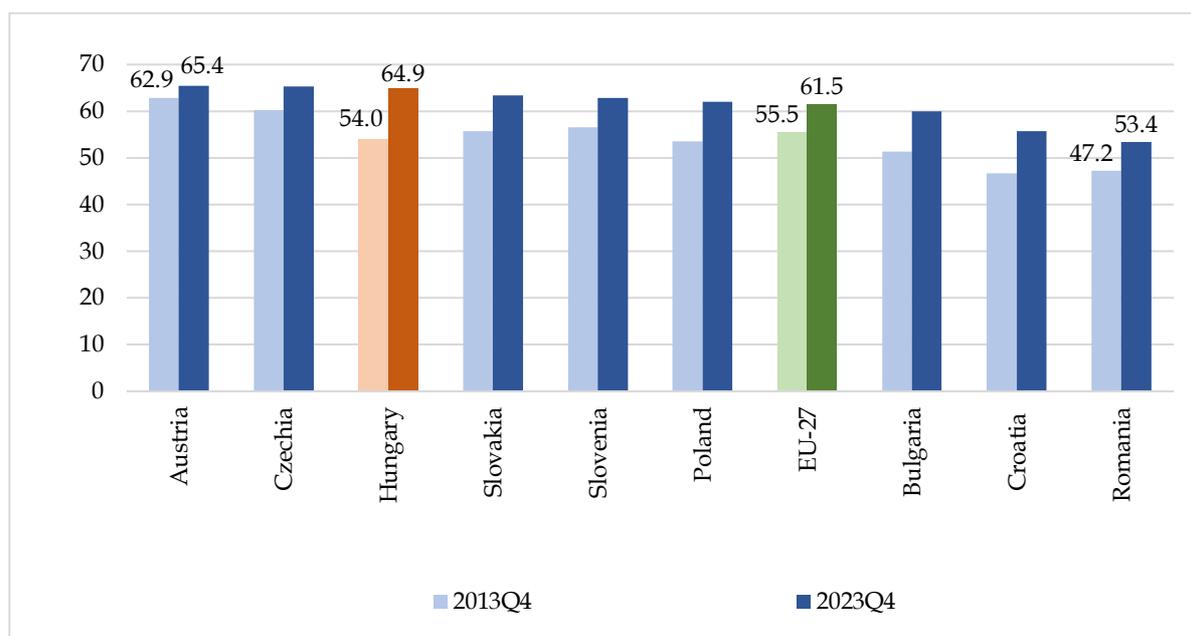
²⁵ Source: [KSH](#)

²⁶ Source: [MNB](#)

Employment

Based on Eurostat data, the **Q4 2023 Hungarian employment rate (64.9%) exceeded the EU average (61.5%) by 3.4 percentage points**, and thus Hungary has the **third highest employment rate among Central European member states – after Austria and Czechia. In ten years, the Hungarian employment rate increased by 10.9 percentage points**, which – after Malta and Greece – means **the third largest increase in the EU.**

Employment rate among the population aged 15–74 of the Central European Union member states (Q4 2013–Q4 2023, %)



Source: Eurostat

For more than 13 years, the guideline of employment policy in Hungary has been the **Government's undertaking to create one million new jobs and to achieve full employment.** Based on KSH data, in Q1 2010, the number of employed people among the population aged 15–74 was still around 3.8 million (3,821,800 people), and the employment rate was below 50% (49.8%). **In Q4 2023, over 4.7 million people (4,740,200 people) were registered as employed.** Compared to Q4 2022, the number of employed people increased by 37.7 thousand, and the employment rate rose from 64.3% to 64.9%. In October–December 2023, the employment rate was the highest in the counties of Győr-Moson-Sopron (71.2%) and Budapest (71.1%), apart from this only Komárom-Esztergom (68.2%), Pest (68.1%), Fejér (67.1%) and Jász-Nagykun-Szolnok (65.0%) counties exceeded the national average. In the country, the employment rate was the lowest in Tolna (56.1%), Somogy (56.5%) and Békés County (58.4%).

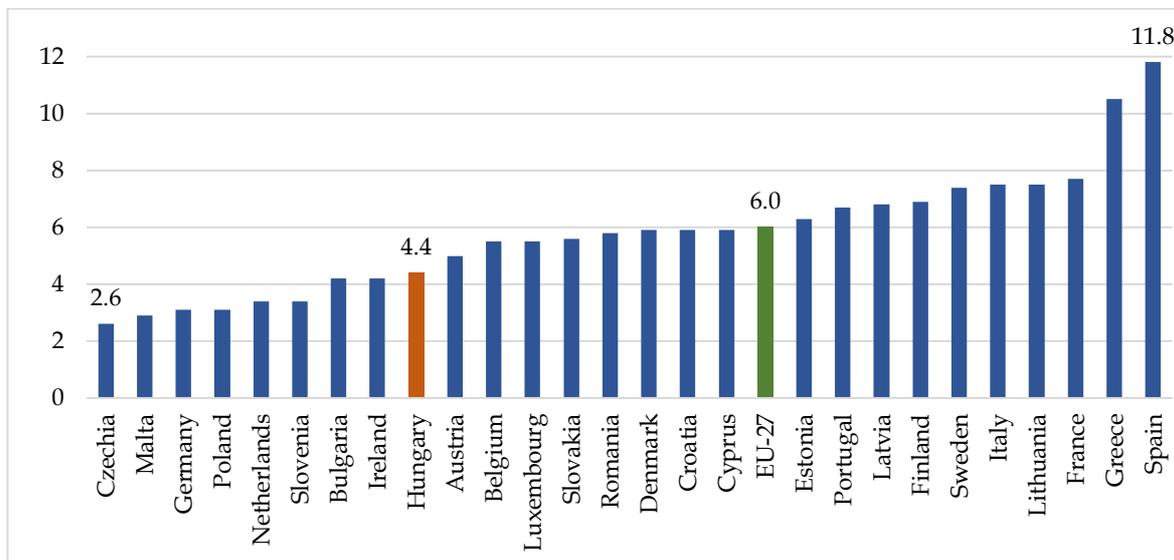
During December 2023–February 2024, out of 4,721,100 employees, 106,500 employees worked in foreign locations, and the number of fostered workers was 64,600. The number of people working abroad increased by 5,000, while the number of fostered workers decreased by 4,100 compared to the same period of the previous year. The number of people employed in the national economy is **historically high**, so after last year's 1.0% increase in employment in the competitive sector, the central bank does not expect any further growth this year.

According to the MNB, the declining labour demand, the slow recovery of the economy and the demographic trends are limiting the further substantial expansion of employment.²⁷

Unemployment

Based on Eurostat data, the Hungarian unemployment rate of 4.4% in the fourth quarter (Q4) of 2023 was the ninth lowest in the EU. The Hungarian unemployment rate (4.4%) is less than three-quarters of the EU average (6.0%) and – after Czechia, Poland, Slovenia and Bulgaria – the fifth lowest among the Central European EU member states. In Hungary, unemployment rate has fallen from 8.8% to half of that in ten years.

Unemployment rate among the population aged 15–74
in the EU member states (Q4 2023, %)



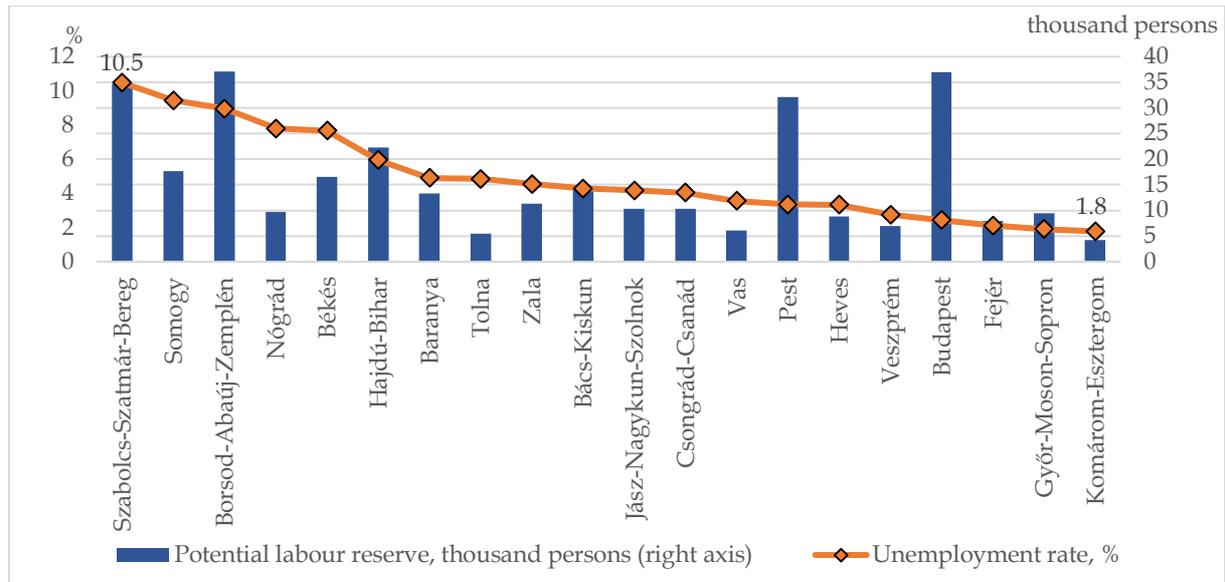
Source: Eurostat

According to KSH data, in Q1 2010, the number of unemployed among the population aged 15–74 was still close to half a million people (493.8 thousand people), and the unemployment rate was 11.4%. In October–December 2023, the number of unemployed people was 219.8 thousand, and the unemployment rate was 4.4%. Compared to Q4 2022, the number of unemployed people increased by about 30,900 people, and the unemployment rate increased from 3.9% to 4.4%. Significant geographical differences can be observed with regard to the unemployment rate. In Q4 2023, the lowest unemployment rates were in the counties of Komárom-Esztergom (1.8%), Győr-Moson-Sopron (1.9%) and Fejér (2.1%), while the highest were in Szabolcs-Szatmár-Bereg (10.5%), Somogy (9.4%) and Borsod-Abaúj-Zemplén (9.0%) counties. The unemployment rate was higher than the national average in the counties of the Southern Transdanubia region, as well as in the counties of Szabolcs-Szatmár-Bereg, Borsod-Abaúj-Zemplén, Nógrád, Békés, Hajdú-Bihar and Zala. More than half of the country’s potential labour reserve (315.8 thousand people) reside in the Great Plain and Northern Hungary (164.3 thousand people, 52.0%), more than a quarter in Transdanubia (82.3 thousand people, 26.1%), and more than a fifth in the capital and Pest

²⁷ Source: [MNB](#)

County (69.2 thousand people, 21.9%). **Borsod-Abaúj-Zemplén County** (37.1 thousand people), **Budapest** (37.0 thousand people), **Szabolcs-Szatmár-Bereg** (34.6 thousand people), **Pest** (32.2 thousand people) and **Hajdú-Bihar County** (22.3 thousand people) have the largest potential labour reserves, but the **potential labour reserves of Somogy** (17.7 thousand people) and **Békés County** (16.6 thousand people) are also considerable.

Hungary's unemployment rate and potential labour reserve among the population aged 15-74 broken down by county (Q4 2023, % and thousand people)



Source: KSH

During December 2023–February 2024, the number of unemployed people aged 15-74 increased by 33.2 thousand to 232.0 thousand compared to the same period of the previous year. In line with this, the unemployment rate increased by 0.6 percentage points to 4.7% in one year.²⁸ Based on the data of the National Employment Service (NFSZ) 236,051 jobseekers were registered in March 2024, which means a decrease of 7,782 people (3.2%) compared to the same period of the previous year. Registered jobseekers accounted for 3.8% of the working-age population.²⁹

As a result of the increase in labour market activity and labour demand in recent quarters, the number of unemployed people also rose in parallel with the increase in the number of employed people. The labour market tightness is easing, and labour demand is moderating. In Q4 2023, there were 47,001 vacant positions in the competitive sector, which is 9,860 (17.3%) lower than in the same period of the previous year. Based on KSH data, the number of vacant positions is decreasing annually in many sectors, within which the largest decrease is registered in the information and communication sector (33.6%), in manufacturing (28.7%), in the construction industry (19.9%) and in the field of transport and storage (16.5%). The increase in unemployment is mainly due to jobseekers returning from inactivity. After last

²⁸ Source: [KSH](#)

²⁹ Source: [NFSZ](#)

year's 4.1%, according to the MNB's prognosis, **the unemployment rate could be 4.2–4.3% in 2024 and 3.5–4.0% in 2025.**³⁰

6. Foreign Direct Investments (FDI)³¹

Based on the data of the MNB published on 27 March 2024, compiled according to the country of the final investor regarding 2022, **Germany remains the most important investing country in terms of the FDI stock in Hungary.** The total value of investments from Europe's largest economy amounted to some **EUR 18.7 billion in 2022, which equals to 18.6% of the total domestic FDI stock of more than EUR 100.9 billion.** Germany's share has decreased significantly compared to 26.3% in 2014. The second largest investing country is Austria, since investments from the neighbouring country exceeded EUR 9.1 billion, which is 9.1% of the total value of FDI stock. All this represents a considerable increase compared to the 6.2% share in 2014.

South Korea is the largest investor outside of Europe, since the Asian country is responsible for 8.8% of the total FDI stock. In 2014, the value of investments from South Korea accounted for only 1.2% of the total value. **The United States dropped to fourth place,** but even so, the value of the FDI stock coming from the country is still more than EUR 8.8 billion. **The distribution of investments is concentrated, considering that the TOP10 countries are responsible for nearly 70% of the total value.**

Foreign direct investment stock (FDI) in Hungary based on the approach according to the country of the final investor (2022, TOP10 countries)

Ranking	Country	EUR million	Ratio
	<i>Total</i>	<i>100,948.4</i>	
1	Germany	18,738.5	18.6%
2	Austria	9,136.7	9.1%
3	South Korea	8,913.6	8.8%
4	United States of America	8,847.3	8.8%
5	France	5,152.6	5.1%
6	Israel	4,320.5	4.3%
7	United Kingdom	4,277.5	4.2%
8	China	3,527.7	3.5%
9	Switzerland	3,404.1	3.4%
10	Japan	3,084.7	3.1%

Source: MNB

Among the 10 largest investing countries are three East Asian states (South Korea, China, Japan), which account for 15.4% of the total FDI stock together. Another three countries are members of the European Union (Germany, Austria, France), which account for nearly one third of the total value together.

³⁰ Source: [MNB](#)

³¹ Source: [MNB](#)

7. Education³²

In the 2023/2024 school year, 1.9 million people in Hungary participate in initial education, vocational training and higher education at various levels.

About 324,000 of them receive kindergarten education, 716,000 primary school education, and 546,000 secondary school education. 2.6 thousand severely and cumulatively disabled children participate in education for severely disabled children. More than 310,000 people are studying in tertiary educational institutions.

Compared to the previous academic year, the number of children in kindergarten, in secondary schools and at institutes of higher education increased, while the number of primary school pupils decreased.

Nearly 428,000 people participate in full-time education at institutions of secondary school level – the same number as last year. Among them, 194 thousand study in secondary schools (45.4% of the students), 171 thousand (39.9%) in technical and vocational schools, 56 thousand (13.1%) in specialized technical schools, and 6.7 thousand (1.6%) in vocational schools and special skills development schools. More than 42,000 full-time teachers and trainers work in secondary schools.

Compared to the previous year, 7.4 thousand more people, i.e. 215 thousand, study in full-time courses at institutes of higher education. Over 92% of the students (198,000) participate in higher level bachelor's, master's or undivided education. 9.7 thousand PhD, DLA candidates, and nearly 6.6 thousand are in tertiary level vocational training. Only 200 people take part in further professional training. **The number of teachers and instructors working in institutes of higher education is currently 27,000.**

Following the trend of previous years, **the number of foreign students in domestic higher education continued to increase in 2023.** Considering all types of courses in the current academic year, approximately 43,000 foreign students study in Hungarian institutes of higher education, which is nearly 14% of the total number of students.

Preliminary higher education statistical data for the 2023/2024 academic year

Level of training	Students in full-time and part-time education	Of which:		Students in full-time education	Of which:	
		foreigner	women		foreigner	women
Tertiary level vocational training	11,045	133	6,221	6,551	109	3,546
BA/BSc training	189,354	20,967	99,875	137,858	19,750	68,932
MA/MSc training	37,394	6,798	20,516	20,856	6,256	10,948
Undivided training	45,368	11,605	26,848	39,562	11,476	23,280
Postgraduate specialisation	16,523	524	11,078	200	84	96
PhD, DLA training	10,730	3,110	5,300	9,741	3,017	4,859
Total	310,414	43,137	169,838	214,768	40,692	111,661

Source: Ministry of Culture and Innovation (FIR-OSAP)

³² Source: [KSH](#)