Q4 2023

HIPA Guide

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

ECONOMIC ANALYSIS DEPARTMENT

Contents

Closed on 15 January 2024

Summary

- The GDP moderation in Q3 2023 was resulted by the decline in industry, construction, services, final consumption and gross capital formation.
- Based on the forecasts of the IMF, the European Commission and the OECD, growth of around 2.4–3.1% is expected in Hungary this year.

GDP

GDP volume: -0.4% (Q3 2023)

Prognosis (2024): 2.5–3.5% (MNB), 3.6% (Ministry of Finance)

- In the first 10 months of 2023, Hungary's largest non-EU export partner was the United States with a share of 3.8%.
- In the first 10 months of 2023, after Germany, the largest amount of imported goods (EUR 8.0 billion) came to Hungary from China.
- In the first 10 months of 2023, most of the foreign trade surplus of EUR 7.9 billion achieved in German relation (EUR 6.6 billion).

Foreign trade

Goods exports: +6.6%, EUR 125.6 billion (January–October 2023)

Goods imports: -6.1%, EUR 117.7 billion (January–October 2023)

- In Q3 2023 the Hungarian unemployment rate (4.1%) was 70% of the EU average (5.9%) and the 7th lowest in the EU.
- In Q3 2023 the Hungarian employment rate (64.8%) exceeded the EU average (61.6%) and is the third highest among Central European member states.
- In the first 10 months of 2023, average gross wages increased by 16.7% (to HUF 569,400) on an annual basis in the competitive sector, with a inflation rate of 19.8%.

Labour market

Gross amount of minimum wage: +15.0%, HUF 266,800 /month (2024)

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

- In January–November 2023, the total production value of the manufacturing amounted to HUF 48,335.2 billion.
- In the above period, the key sectors of manufacturing production were vehicle production, the food industry and the production of electrical equipment.
- In a regional comparison, the average volume index of Hungarian manufacturing production is in the middle range.

Manufacturing

Share of value added in the national economy: 20.2% (2022)

Production value: +1.0% (January–November 2023)

- In November 2023, the Harmonized Index of Consumer Prices measured in Central European member states (4.5–8.0%) exceeded the EU average (3.1%) without exception.
- In December 2023, consumer prices in Hungary increased by an average of 5.5%.
- According to MNB, inflation will permanently return to the central bank target (3.0%) in 2025.

Inflation

Average inflation rate: 17.6% (annual, January–December 2023)

Annual average inflation: 4.0–5.5% (prognosis, 2024)

- In the first half of 2023, the value of the global FDI flows decreased by about 30%.
- In the first half of 2023, the United States was the most important destination country for FDI flows.
- The United States was also the largest investing country, with China and Japan also making it to the TOP3.

FDI

Value of global FDI flows: USD 727 billion (first half year, 2023)

FDI flows to USA: USD 189.5 billion (first half year, 2023)

1. Economic growth

In the third quarter (Q3) of 2023, the volume of the gross domestic product in Hungary decreased by 0.4% compared to the same period of last year, [1] which can mostly be explained by the decline in the performance of industry (including the manufacturing and the energy industry), the construction industry, and services. Within the manufacturing, the food industry, as well as the rubber, plastic and construction materials industry decreased to the greatest extent, while the production of transport equipment increased.

In the third quarter (Q3) of 2023, on the production side, the value added of industry increased by 5.4% (including the manufacturing by 4.1%), while that of the construction industry decreased by 1.6% on an annual basis. The performance of agriculture expanded significantly compared to the low base in the same period of the previous year, with its value added increasing by 88.2%.[2]

After almost two years of continuous growth, the gross value added of services has now decreased for the second consecutive quarter (this time by 3.1%), which is primarily driven by the declines in trade, vehicle repair (-11.6%) and transport, storage (-8.0%). On the other hand, information and communication (2.1%), as well as accommodation an food service activities (0.8%) were also able to expand. **Industry contributed 0.9 percentage points, the construction industry 0.1 percentage points, and services 1.7 percentage points to the 0.4% decrease in the gross domestic product in the third quarter (Q3) of 2023. In contrast, the agricultural sector improved the balance sheet by 3.4 percentage points.**[3]

On the consumption side, the actual consumption of households decreased by 0.9% compared to the first nine months of 2022. The consumption expenditure of households also decreased (by 2.7%); it is worthy of note here that from December 2022 to November 2023 a decrease in volume was registered in the case of retail sales.[4] The volume of construction investment fell by a significant extent; however, at the same time, investment in machinery and equipment was already able to demonstrate growth.

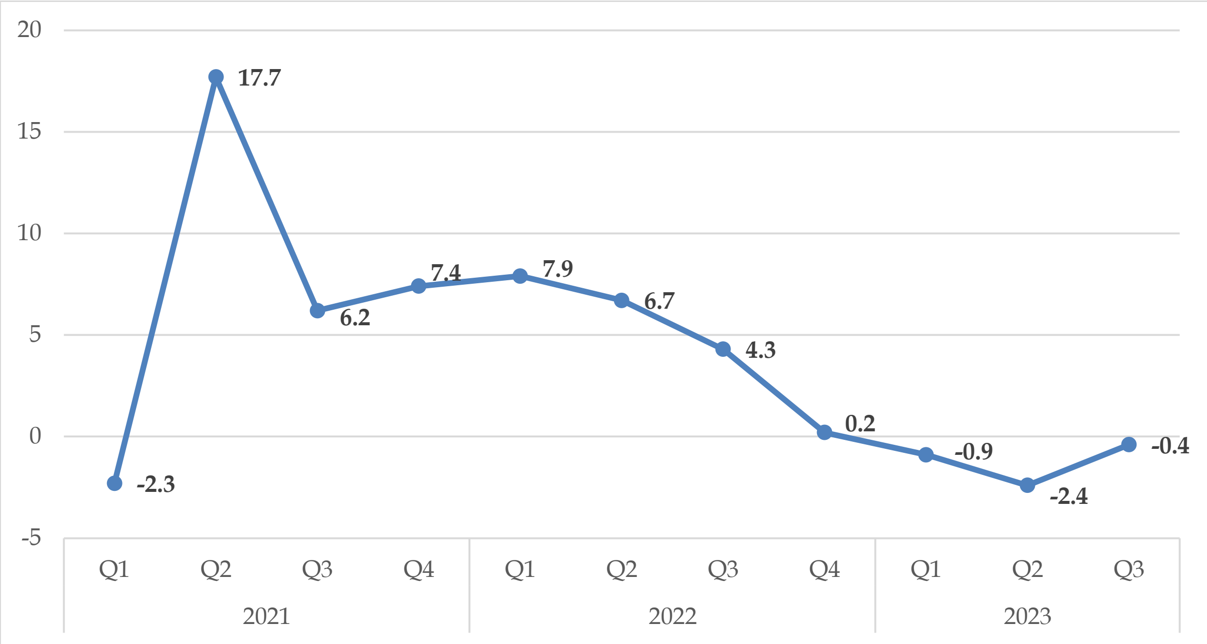
Overall, the decline of the gross domestic product **in the third quarter (Q3) of 2023 is the result of a 5.3 percentage point drop in gross capital formation. On the other hand, the balance of foreign trade dampened the decline in economic performance by 5.0 percentage points.**[5]

The decrease in domestic demand is mainly due to the drop in household consumption, which was explained on the one hand by the strengthening of the precautionary motive, the increase in the savings rate, and by high inflation. The level of state developments and investment also decreased, which was due to the increased costs and the decline in domestic demand. It is worthy of note however, that at the same time, many export-oriented companies managed to expand and develop.

[1] Source: KSH
[2] Source: KSH
[3] Source: KSH
[4] Source: KSH
[5] Source: KSH

The gradual revitalization of the economy will be supported by real wages increasing in parallel with disinflation, the gradual recovery of industrial and consumer confidence, the dynamism of the residential and corporate credit markets, as well as the newly announced capacity-expanding foreign direct investments. At the same time, it is important to mention that the energy needs of the economy will continue to increase with the manufacturing capacities that will be built in the future, and our import exposure with it. The restoration of internal demand is also supported by the increase in the guaranteed minimum wage and the minimum wage, as well as wage competition caused by the tight labour market.

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



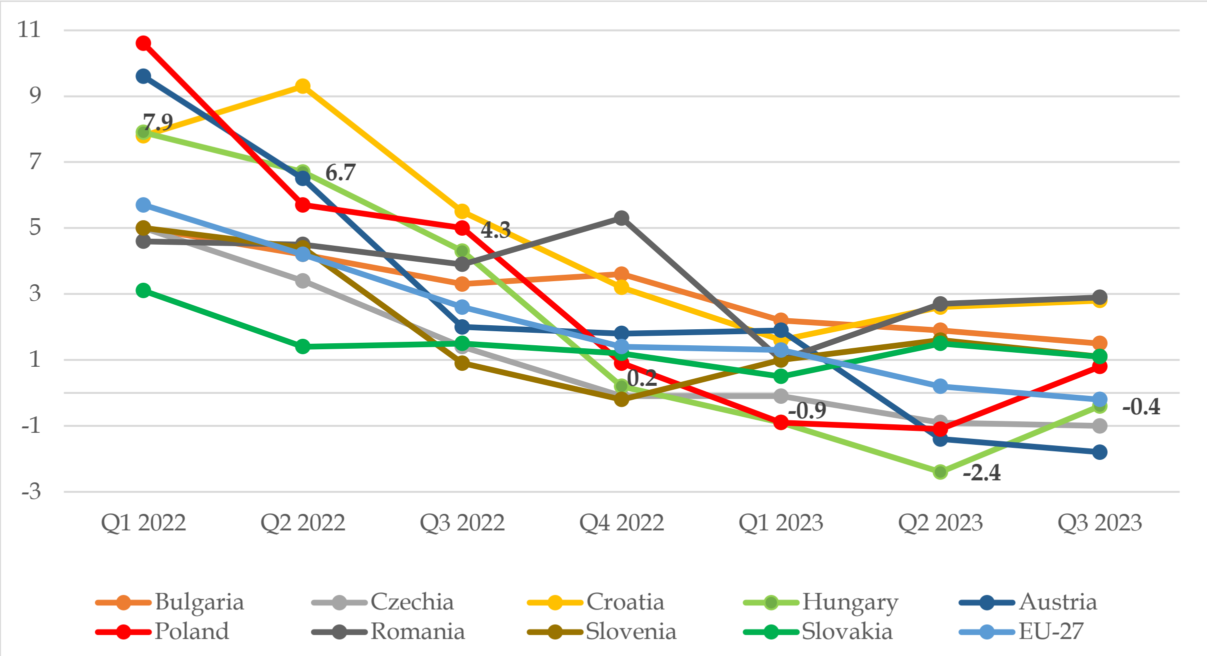
Source: KSH (Hungarian Central Statistical Office)[6]

The Magyar Nemzeti Bank (Hungarian National Bank, MNB) expects an economic decrease of 0.4-0.6% for 2023 and GDP increase of 2.5–3.5% for 2024.[7] The Macroeconomic and Budget Forecast of the Ministry of Finance published in December 2023 is somewhat more optimistic, as it calculates a 0.4% decline for 2023 and a 3.6% expansion for 2024.[8]

Looking at the third quarter (Q3) of 2023, economic growth in the majority of European economies was below analysts' expectations, and the performance of individual countries varied. The disinflation process continued after the previous quarters, and despite this, real wages decreased in many countries, and as a result household consumption dropped. It is important to note that although the supply chains have normalized and the prices of raw materials on the world market have also 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 11 member states on an annual basis.

[6] Source: KSH
[7] Source: MNB
[8] Source: Ministry of Finance

GDP growth of regional countries on an annual basis (%, Q1 2022–Q3 2023)



Source: Eurostat[9]

According to Eurostat data, an expansion of 1.1% was registered in Slovakia and 0.8% in Poland in the third quarter (Q3) of 2023, respectively, in Hungary a 0.4%, while in the Czechia a 1.0% decline was recorded. The economic performance of the Eurozone also decreased (by 0.3%), and overall, it can be stated that among the Central and Eastern European countries, only Romania (2.9%) and Croatia (2.8%) had significant growth.[10]

GDP growth of regional countries (%, forecast)

Country	IMF		European Commission		OECD	
	2023	2024	2023	2024	2023	2024
Hungary	**-0.3**	**3.1**	**-0.7**	**2.4**	**-0.6**	**2.4**
Euro zone	**0.7**	**1.2**	**0.6**	**1.2**	**0.6**	**0.9**
Austria	0.1	0.8	-0.5	1.0	-0.4	0.6
Bulgaria	1.7	3.2	2.0	1.8	1.7	2.8
Czechia	0.2	2.3	-0.4	1.4	-0.3	1.6
Croatia	2.7	2.6	2.6	2.5	2.5	2.6
Poland	0.6	2.3	0.4	2.7	0.4	2.6
Romania	2.2	3.8	2.2	3.1	1.9	3.0
Slovakia	1.3	2.5	1.3	1.7	1.1	1.8
Slovenia	2.0	2.2	1.3	2.0	1.4	1.8

Source: IMF,[11] European Commission,[12] OECD[13]

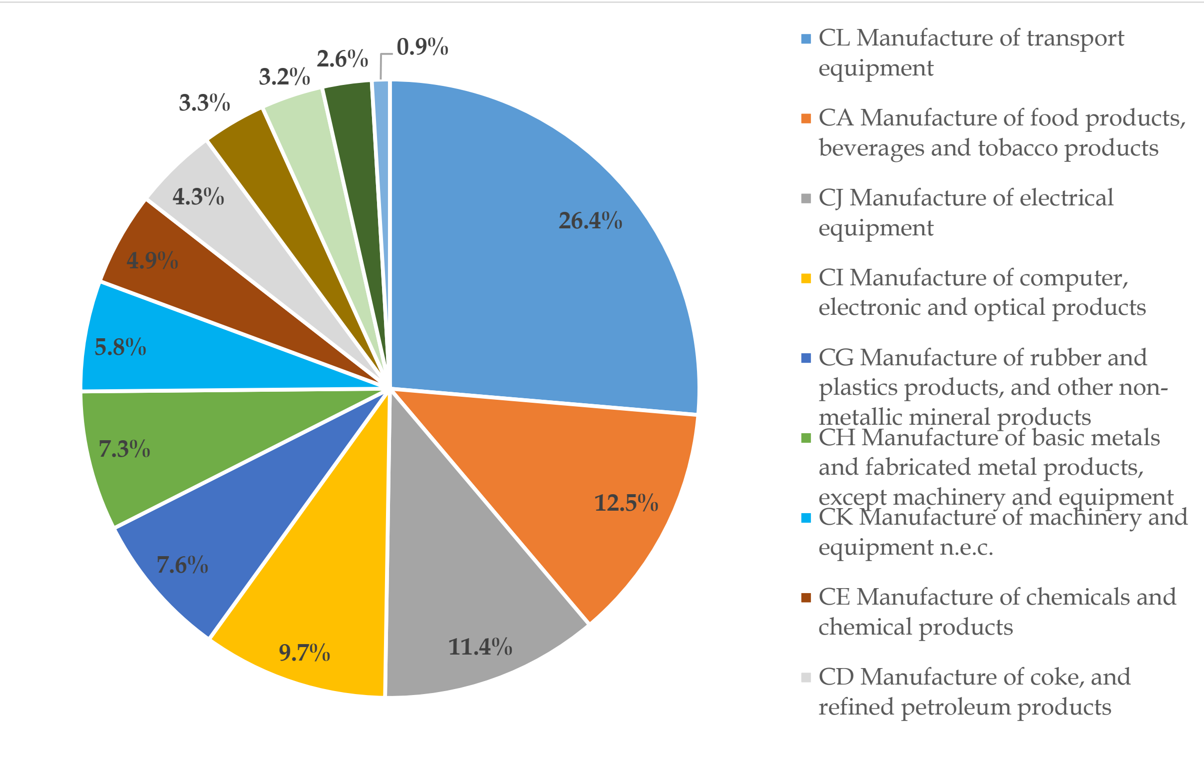
[9] Source: Eurostat
[10] Source: Eurostat
[11] Source: IMF
[12] Source: European Commission
[13] Source: OECD

It is a positive development that international organizations expect expansion in every country in the region by 2024, but nowhere will it reach 4.0%. **Based on the forecasts of the IMF, the European Commission and the OECD, an increase of around 2.4–3.1% is expected in Hungary this year, by which we will be positioned in the middle range at the regional level.**

2. Manufacturing

In the first 11 months of 2023, the total production value of the manufacturing reached HUF 48,335.2 billion, which means an increase of 1.0% compared to the same period of the previous year; however, based on the volume index, a decrease of 3.6% was registered.[14] Vehicle production accounted for 26.4%, the food industry accounted for 12.5%, and electrical equipment manufacturing accounted for 11.4% of the production value.[15]

Distribution of manufacturing production by sub-sector (January–November 2023)



Source: KSH

Examining the volume index of production, in the period January–November 2023, the highest expansion was achieved by the manufacturing of electrical equipment (+12.5%), followed by vehicle production (+9.9%), and in third place by the other processing industry; installation and repair of industrial machines and equipment (+5.8%). **However, a decrease was recorded in the other 10 of the 13 manufacturing industry sub-sectors.** The largest decline was experienced by the production of rubber, plastic and non-metallic mineral

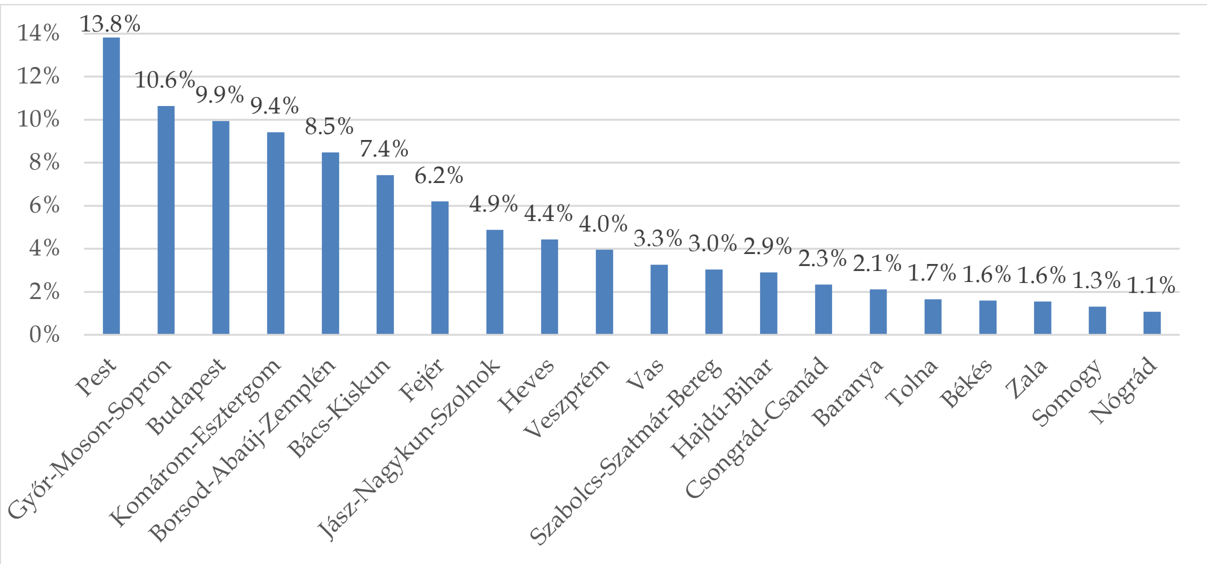
[14] Source: KSH
[15] Source: KSH

products (-18.4%), followed by the production of chemicals and chemical products (-18.1%), and the production of coke and petroleum processing by a decrease of 14.1%.[16]

The subdued performance of industry can primarily be attributed to the rise in energy costs and the slowdown in the global demand. An improvement is expected in the former, as gas and electricity contracts are renewed in the coming months; however, for the time being, the prospects are rather deteriorating in the latter. The deterioration of the outlook is indicated by the development of all new orders in the manufacturing sectors. In Germany, i.e. one of our largest trading and economic partners, the decline of industrial production continued in November, showing a decrease both by monthly and annual comparison, and the German economic indices also predict a mixed picture. In addition to weak internal demand, industrial production was also restrained by weak external demand. The government intends to support domestic companies with economic stimulus packages, including the expansion of the Széchenyi Card Programme MAX Plusz, the continuation of the Gábor Baross Reindustrialization Loan Programme, and the Food Industry Supplier Development Programme.

Examining the territorial distribution of total industrial production, **based on the data for the period January–November 2023, five counties were able to show growth**, the largest in **Baranya County by 10.8%**, in Bács-Kiskun County by 7.3%, while in Komárom-Esztergom County **the volume of industrial production increased** by 6.9%. **In contrast, the volume of production decreased by 19.2% in Fejér County**, while industry performance dropped by 14.5% in Borsod-Abaúj-Zemplén County, and by 13.0% in Jász-Nagykun-Szolnok County.[17]

Distribution of industrial production by county (January–November 2023)



Source: KSH[18]

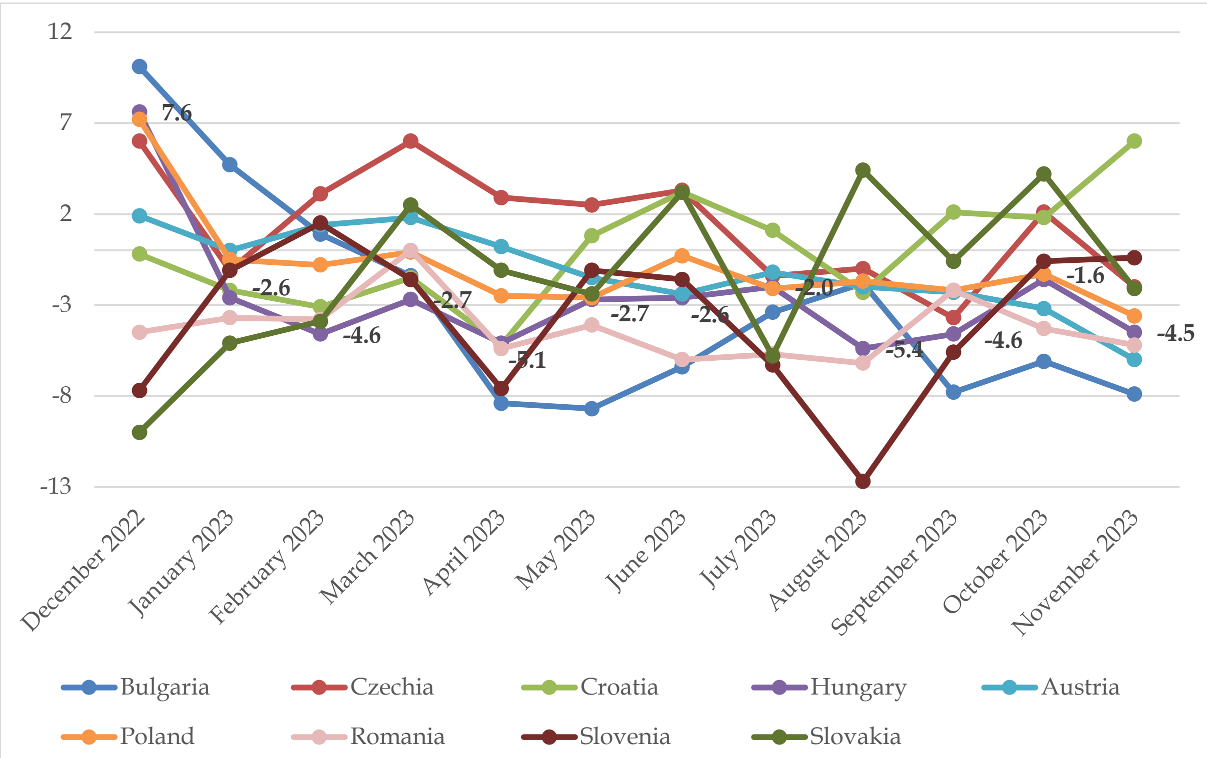
In respect to industrial production in Hungary, the counties of Pest, Győr-Moson-Sopron and Budapest are worthy of note, the three territorial units in total accounted for more

[16] Source: KSH
[17] Source: KSH
[18] Source: KSH

than one third of the total industrial output in the first 11 months of 2023. The lowest weight was represented by the counties of Nógrád, Somogy and Zala, with shares of 1.1%, 1.3% and 1.6%, respectively.

Observing the 12 months, it can be seen that the volume of the regional manufacturing production from the range of (-10.0)–(+10.1)% in December 2022 narrowed to a band of (-7.9)–(+6.0)% by November 2023. The countries' former exposure to the manufacturing decreased, while the regional volume indices are getting closer to each other, which is largely due to the base effect. **Looking at the above period, the average monthly decrease of the production volume index of Hungary's manufacturing was 2.6%, in the region we were ahead of Bulgaria (-3.0%), Slovenia (-3.7%) and Romania (-4.3%).** It is worthy of note that in the 12 months examined, only the Czech manufacturing had a positive monthly average growth (1.4%).

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



Source: Eurostat[19]

3. Foreign trade

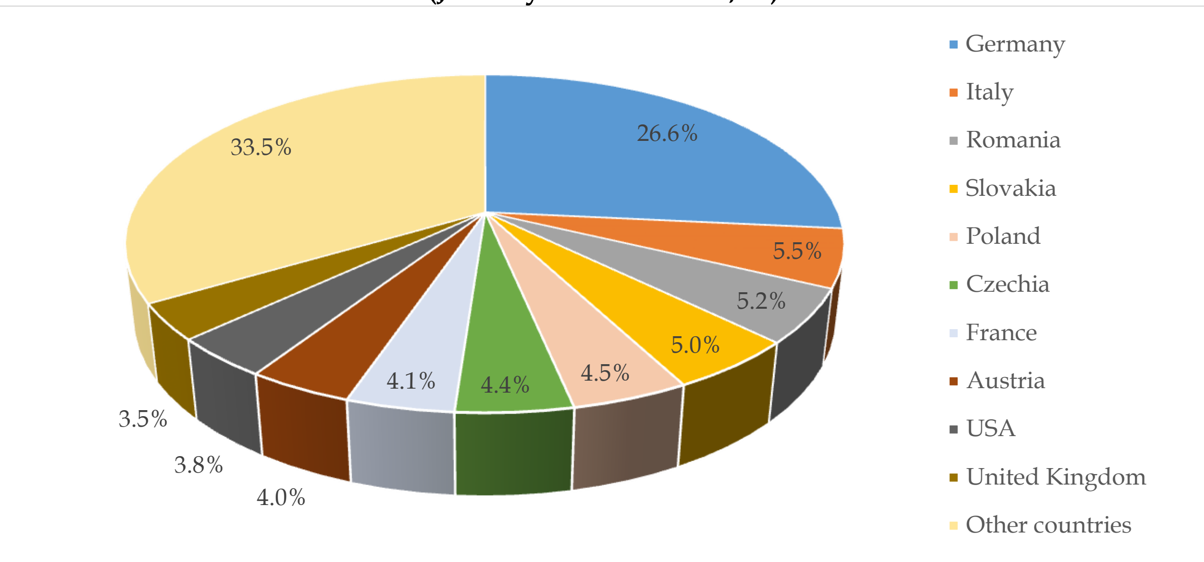
In January–October 2023, the value of Hungarian goods exports increased by **6.6%** on an annual basis **to EUR 125.6 billion,** while **goods imports decreased by 6.1% to EUR 117.7 billion.** As a result of the stable expansion of exports and the considerable decline in imports, **the foreign trade deficit of EUR 7.4 billion registered in the first ten months of 2022 turned into a surplus of EUR 7.9 billion in January–October 2023. The spectacular**

[19] Source: Eurostat

improvement in the foreign trade balance was mainly **due to the moderation in energy prices and the general contraction of domestic demand.**[20]

Our most important trading partner is still **Germany**. **In the first 10 months of 2023, 26.6%** (EUR 33.4 billion) **of total Hungarian goods exports were directed here**, while the **goods coming from there accounted for 22.7%** (EUR 26.8 billion) **of the total goods imports. After Germany, Italy and Romania were our most important export destination countries** with an export share of 5.5% (EUR 7.0 billion) and 5.2% (EUR 6.5 billion), respectively. **Our largest non-EU export partner was the United States**, the value of goods destined there amounted to EUR 4.8 billion in January–October 2023. The **United States** was **our ninth largest export market** with a share of 3.8%. **About two-thirds of Hungarian exports went to the ten most important export partner countries.**

Distribution of goods exports among Hungary's TOP10 export partners (January–October 2023, %)

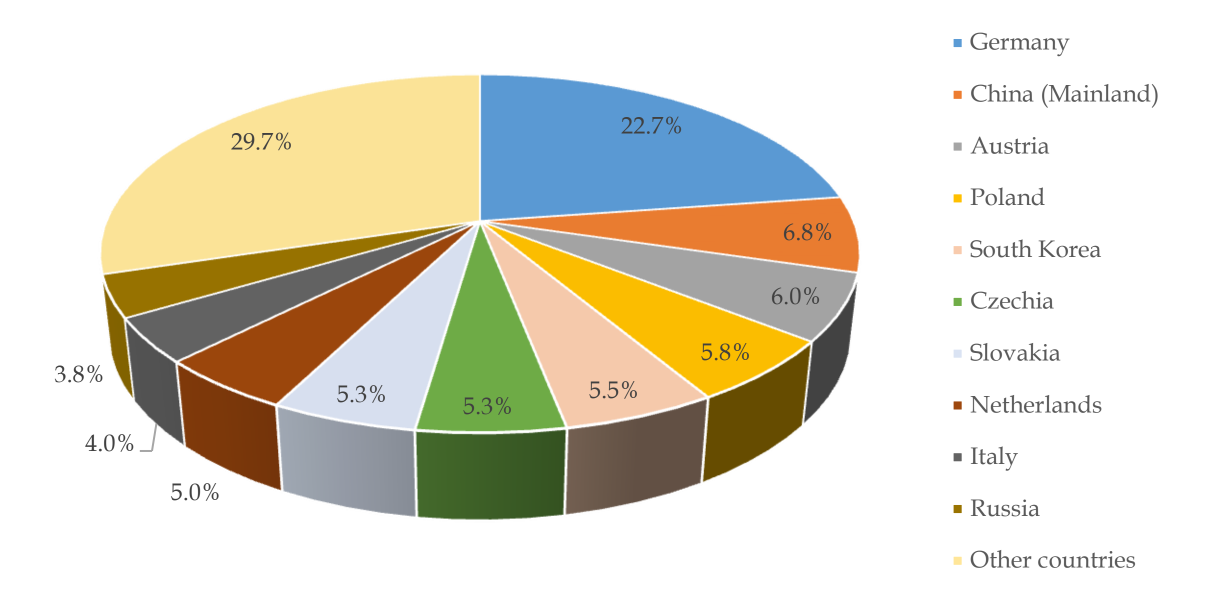


Source: KSH

In January–October 2023, after Germany, **China**[21] **was our second most important import partner country** with an import share of 6.8% (EUR 8.0 billion), ahead of Austria with an import share of 6.0% (EUR 7.1 billion). **South Korea**, which has a dominant position in domestic battery production, **advanced to the 5th place in the ranking of import partners. South Korea's import share** of 5.5% (EUR 6.5 billion) **is comparable to Poland's 5.8%, and the Czechia's and Slovakia's 5.3–5.3% import shares.** The geographical concentration of imports is indicated by the fact that **more than 70% of Hungarian imports came from the ten most important import partner countries.**

[20] Source: KSH
[21] Note: Mainland China (excluding Hong Kong, Macau and Taiwan)

Distribution of goods imports among Hungary's TOP10 import partners (January–October 2023, %)



Source: KSH

In the first ten months of 2023, **the largest foreign trade surplus** was with **Germany** (EUR 6.6 billion), the **United Kingdom** (EUR 3.2 billion), **Romania** (EUR 3.1 billion), the **United States** (EUR 2.5 billion), **Italy** (EUR 2.2 billion) and **Spain** (EUR 2.0 billion). **The highest foreign trade deficits** were with **China** (EUR 6.5 billion), the **South Korea** (EUR 6.0 billion), **Russia** (EUR 3.5 billion), **Austria** (EUR 2.1 billion) and the **Netherlands** (EUR 1.9 billion).

According to the MNB's expectations, the economic performance of Hungary's most important foreign trade partners will remain subdued in 2024. Although the moderate European economy may restrain domestic exports, at the same time **the ongoing and newly announced significant foreign direct investments are expected to offset this effect.** Hungary's export market share may increase further in the mid-term **with the ramp-up of the production of the new industrial capacities built.**[22]

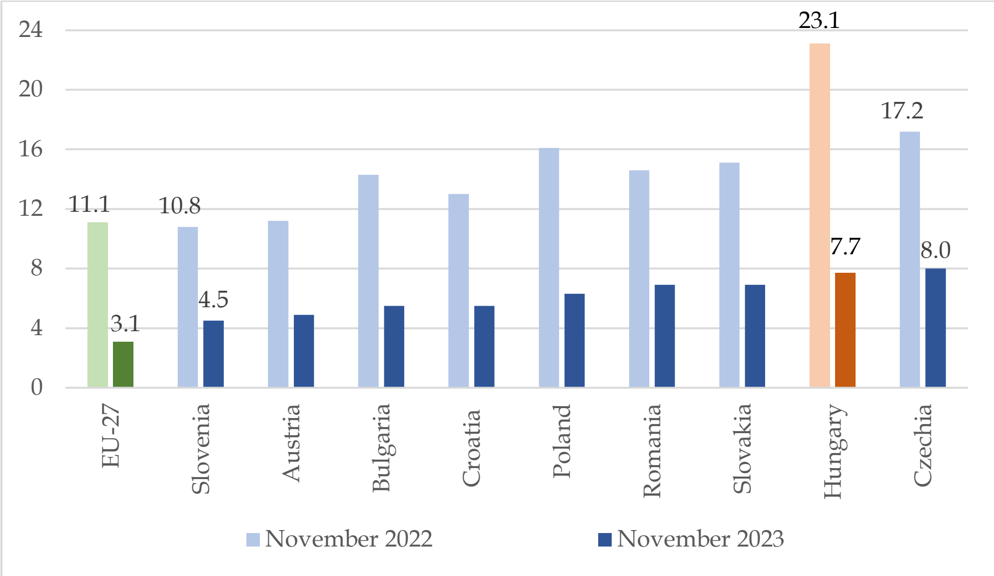
4. Inflation

In November 2023, **the Harmonised Index of Consumer Prices (HICP)** used by Eurostat **in the European Union was 3.1%** (11.1% a year earlier). Among the member states, **the fastest average price increase was measured in the Czechia** (8.0%), **Hungary** (7.7%), **Slovakia and Romania** (6.9–6.9%). Belgium (-0.8%), Denmark (0.3%) and Italy (0.6%) had the lowest inflation rates in November. **In the EU member states of the Central European region**, the HICP was **above the EU average. The highest inflation rate in the region was measured in the Czechia** (8.0%), and **the lowest in Slovenia** (4.5%). **Among the Central European EU member states,** the annual inflation rate decreased at the fastest pace **in Hungary** (by 15.4

[22] Source: MNB

percentage points) **and in Poland** (by 9.8 percentage points), while the **HICP** decreased by 8.0 percentage points on average in the EU-27 **compared to November 2022**.[23]

Evolution of the Harmonized Index of Consumer Prices (HICP) in the Central European Union member states (November 2022–November 2023, %)



Source: Eurostat

Based on **KSH (Hungarian Central Statistical Office)** data[24], in December 2023 the **average inflation rate was 5.5%**, and **core inflation[25] was 7.6%**. Compared to December 2022, **the price of services rose at the fastest rate (12.4%)**, including, for example, highway usage, car rental, parking increased by 20.5%, and vehicle repair and maintenance by 13.3%. **The prices of alcoholic beverages, tobacco products (10.3%) and clothing items (6.9%) also increased at an above-average pace.** The **average price level of food rose by 4.8%.** Over the course of a year, the prices of sugar (42.1%), chocolate and cocoa (17.2%), non-alcoholic soft drinks (16.1%), and coffee (14.1%) increased the most. Among food, the price of eggs decreased by 18.1%, flour by 17.8%, cheese by 15.5%, butter and butter cream by 14.5%, dry pasta by 11.0%, and milk by 10.3% compared to December 2022. **Household energy costs an average of 13.9% less**, including 29.6% less for natural gas and 3.5% less for electricity. **The average price level of consumer durable goods decreased by 1.0%.** Within this, the price of second-hand cars decreased by 10.3%, while that of new cars increased by 2.3%. **Vehicle fuels became cheaper by an average of 4.2%** compared to December 2022.

After peaking at 25.7% in January 2023, the inflation rate gradually moderated in Hungary, and by the end of 2023 it fell close to the regional average. Disinflation is jointly supported by a disciplined monetary policy, the government's actions to strengthen market competition, subdued internal demand and a lower than before external cost environment (energy and raw material prices). In Q1 2024, strong disinflation is expected to continue, and

[23] Source: Eurostat
[24] Source: KSH
[25] 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.

then from Q2 onwards, due to the run-out of base effects and the regulatory and tax effects at the beginning of the year it will slow down, **thus inflation is expected to return permanently to the central bank's tolerance band (3%±1 percentage point) only in 2025.**[26] Due to the considerable uncertainty surrounding the evolution of consumer prices, **MNB also gave a range forecast in its Inflation Report on 21 December 2023.**

MNB inflation prognosis in December 2023 (2022–2026 annual average, %)

	2022 (actual)	2023	2024	2025	2026
Inflation	14.5	17.6–17.7	4.0–5.5	2.5–3.5	2.5–3.5
Core inflation	15.7	18.1–18.2	4.4–6.0	3.0–3.5	3.0–3.5

Source: MNB

5. Labour market

Earnings

Based on KSH data, **in January–October 2023**, **the average monthly gross earnings** of full-time employees **in the corporate sector**[27] **amounted to HUF 569,400**, which is a **16.7% increase** compared to the same period in 2022. In this sector, **the median value of monthly gross earnings was HUF 440,000**, which is 17.5% higher than the base value. **In October 2023, at the level of the national economy** (calculated without fostered workers), **the average monthly gross salary was HUF 573,800**, which means an **annual increase of 14.4%**. The average gross earnings were **the highest in the financial services sector** (HUF 928,100), and **the lowest in the accommodation and food services sector** (HUF 367,900). In October 2023, **real earnings increased by 3.7%** compared to the same period of the previous year.[28] According to the **MNB**'s December 2023 forecast, **average gross earnings in the competitive sector may increase by 10.0–11.0% in 2024 and by 7.1–8.2% in 2025.**[29]

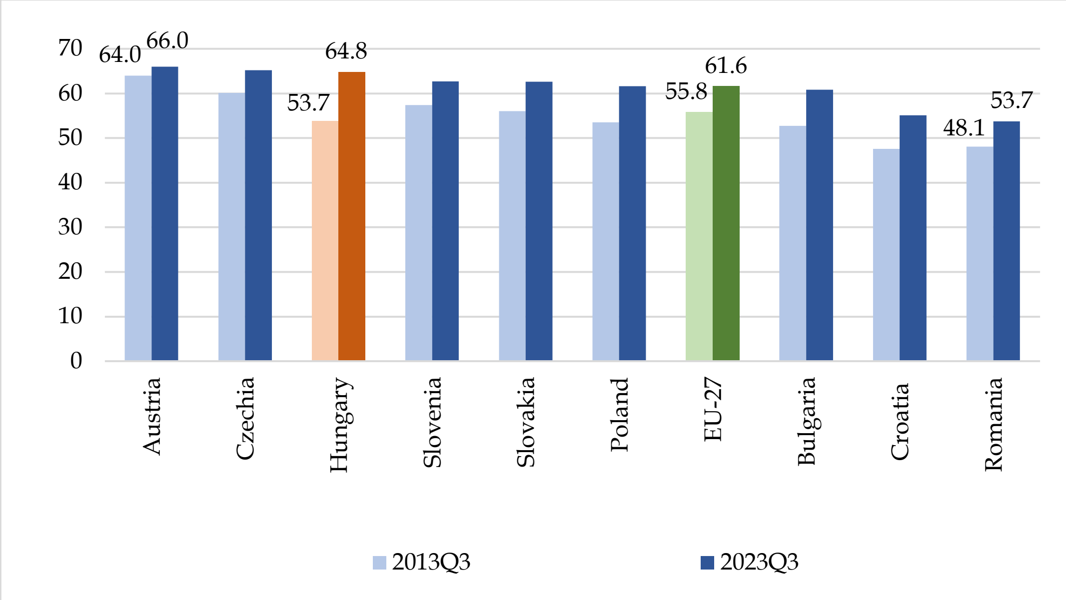
As of December 1, 2023, the gross amount of the monthly minimum wage increased by 15.0% to HUF 266,800, and the guaranteed minimum wage by 10.0% to HUF 326,000 based on the agreement reached at the Permanent Consultation Forum of the Competitive Sector and the Government (VKF). On the level of national economy, the minimum wage and the guaranteed minimum wage increase directly affect nearly 1 million employees (i.e. nearly 20% of employees).[30]

Employment

Based on **Eurostat** data, the **Q3 2023 Hungarian employment rate** (64.8%) **exceeded the EU average** (61.6%) **by 3.2 percentage points**, and thus **Hungary has the third highest employment rate among Central European member states** – after Austria and the Czechia. **In ten years, the Hungarian employment rate increased by 11.1 percentage points**, which – after Malta, Greece and Portugal – is considered **the fourth largest increase in the EU.**

[26] Source: MNB
[27] Note: calculated without fostered workers, for all businesses with employees
[28] Source: KSH
[29] Source: MNB
[30] Source: kormany.hu

Employment rate among the population aged 15–74 of the Central European Union member states (Q3 2013–Q3 2023, %)



Source: Eurostat

For more than 13 years, the guideline of employment policy in Hungary has been that the Government undertook to create one million new jobs with the goal of **achieving full employment.** Based on KSH data, in the first quarter (Q1) of 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 Q3 2023, more than 4.7 million people** (4,737,200 people) **were registered as employed, and the employment rate reached 64.8%.** Compared to the Q3 2022, **the number of employed people increased by 25.0 thousand, and the employment rate rose from 64.3% to 64.8%.** In July–September 2023, **the employment rate was the highest in Budapest and the county of Győr-Moson-Sopron** (70.5%), in addition only **Komárom-Esztergom** (68.7%), **Pest** (67.3%), **Fejér** (67.3%), **Veszprém** (65.6%) and **Jász-Nagykun-Szolno**k (65.4%) counties exceeded the national average. In the country**, the employment rate was the lowest** in the counties of **Tolna** (56.3%), **Békés** (57.5%) and **Somogy** (58.1%).

In September–November 2023, out of 4,755.0 thousand employed 4,580.4 thousand worked in the domestic primary labour market, 110.2 thousand employed people worked in foreign locations, and 64.4 thousand people were employed as fostered workers. While t**he number of people working in the domestic primary labour market increased by 34.3 thousand people**, and **the number of people working abroad by 13.1 thousand people, the number of fostered workers decreased by 5.5 thousand people** compared to the same period of the previous year.[31] The **number of people employed in the national economy rose to a historical peak again in Q3 2023,** therefore, according to the December 2023 forecast of the **MNB, employment in the competitive sector increased by 0.9% last year. In**

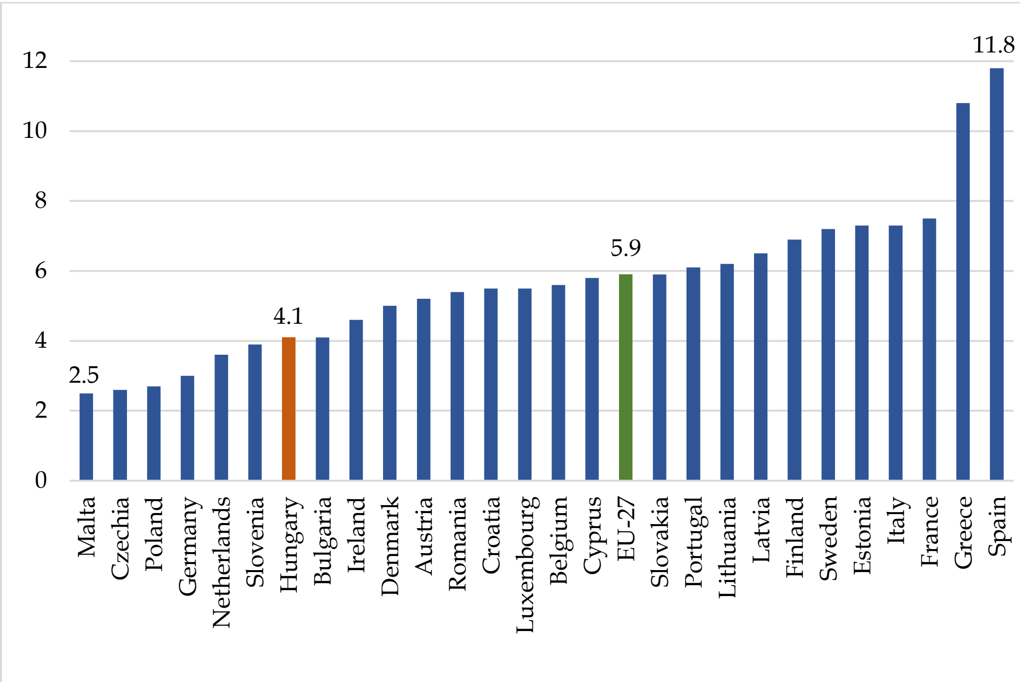
[31] Source: KSH

2024, due to the slightly decreasing demand for labour and the limitations of demographic processes, the MNB expects a moderate expansion of employment.[32]

Unemployment

Based on **Eurostat** data, in **Q3 2023, Hungary's unemployment rate of 4.1% was the seventh lowest in the EU,** tied with Bulgaria. The Hungarian **unemployment rate was about 70% of the EU average** (5.9%) and – after the Czechia, Poland and Slovenia – it **was the fourth lowest among the Central European EU member states.** In Hungary, **unemployment rate decreased from 9.5% to less than half in ten years.**

Unemployment rate among the population aged 15–74 in the EU member states (Q3 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 rate of unemployment amounted to 11.4%. **In July–September 2023, the number of unemployed people was 200.3 thousand**, and **the unemployment rate was 4.1%.** Compared to Q3 2022, **the number of unemployed people decreased by about 22.1 thousand**, and **the unemployment rate increased from 3.6% to 4.1%. Significant geographical differences can be observed** with regard to the unemployment rate. **In Q3 2023, the unemployment rate was the lowest in Budapest** (1.9%) and **Győr-Moson-Sopron county** (2.0%), and the **highest** (9.1%) **in Békés and Szabolcs-Szatmár-Bereg counties. The unemployment rate was higher than the national average in the counties of the Northern Great Plain and Southern Transdanubia regions**, as well as **in the counties of Borsod-Abaúj-Zemplén, Nógrád and Békés. Almost half of the country's potential labour force reserve** (294.5 thousand people)

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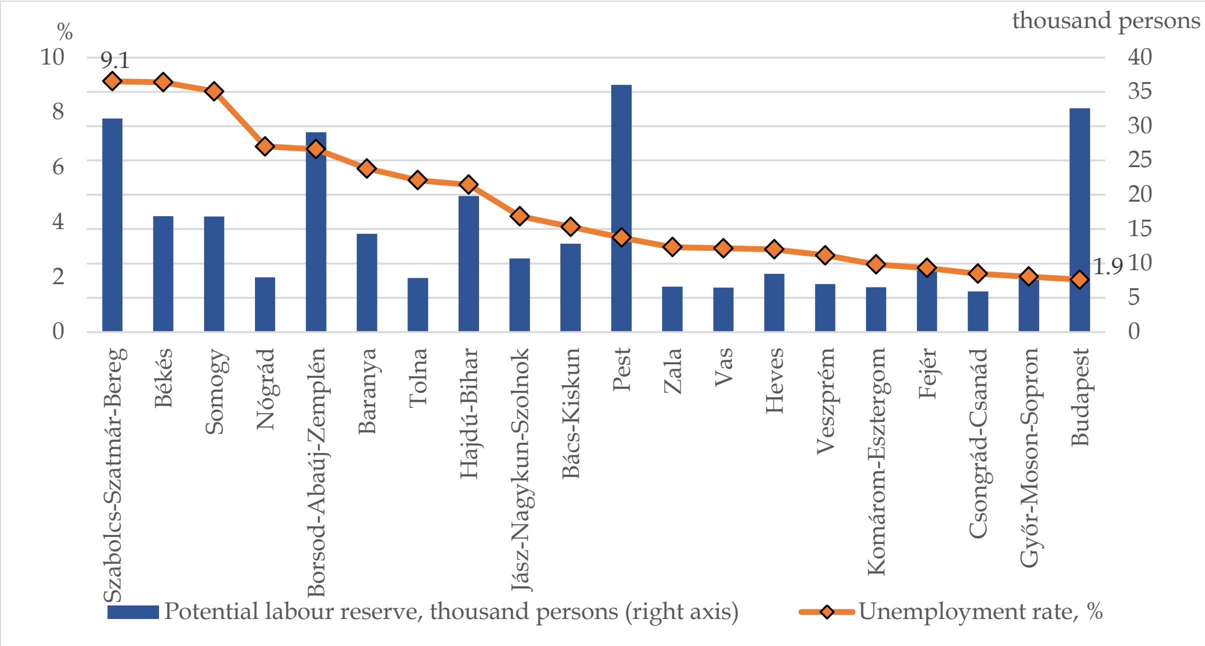
[32] Source: MNB

is in the Great Plain and Northern Hungary (142.9 thousand people, 48.5%), **more than a quarter in Transdanubia** (83.0 thousand people, 28.2%), and **nearly one quarter is located in the capital and Pest County** (68.6 thousand people, 23.3%). **Pest** (36.0 thousand people), **Budapest** (32.6 thousand people), **Szabolcs-Szatmár-Bereg** (31.1 thousand people) and **Borsod-Abaúj-Zemplén counties** (29.1 thousand people) have **the largest potential labour force reserves**, but **the potential labour force reserves of Hajdú-Bihar** (19.8 thousand people), **Békés** (16.9 thousand people) and **Somogy counties** (16.8 thousand people) **are also significant.**

Hungary's unemployment rate and potential labour force reserve among the population aged 15–74 broken down by county (Q3 2023, % and thousand people)



Source: KSH

In September–November 2023, the number of unemployed people aged 15–74 increased by 28.5 thousand to 212.4 thousand compared to the same period of the previous year. In line with this, the **unemployment rate** increased **by 0.5 percentage points to 4.3%** in one year.[33] **Based on the data of the National Employment Service** (NFSZ) **224,961 jobseekers were registered in December 2023, which means a decrease of 5,384 people** (2.3%) **compared to the same period of the previous year.** Registered **jobseekers accounted for 3.6% of the working-age population.**[34]

Due to the **increase in labour market activity and labour demand** in recent quarters, the number of unemployed people also increased in parallel with the increase in the number of employed people. According to the **MNB**'s December forecast, the **unemployment rate may reach 4.0–4.1% in 2023 and 3.6–3.9% in 2024.**[35]

[33] Source: KSH
[34] Source: NFSZ
[35] Source: MNB

6. Foreign Direct Investments (FDI)[36]

Based on OECD data, the value of global FDI flows increased to USD 727 billion in the first half of 2023 compared to the low base in the second half of 2022. Compared to the same period of the previous year, however, the value of global foreign direct investments was still 30% lower. The value of FDI flowing into OECD countries increased to USD 275 billion compared to the previous half year but was still 42% below the value of the first half of 2022. Compared to the values of the second half of 2022, the performance of Luxembourg and the Netherlands improved considerably in relation to inflowing FDI, and a significant increase was also registered in Germany and Mexico. **However, a decrease was recorded in more than two-thirds of the OECD countries.**

The aggregate value of cross-border mergers and acquisitions (M&A) continued to show a downward trend in the first six months of 2023 due to rising prices, increasing interest rates and geopolitical uncertainties. The value of closed transactions fell by 23% in developed economies and by 49% in emerging and developing economies.

In the first six months of 2023, the United States was the number one destination country for FDI flows, as nearly one third of the global value was directed to the USA.

The USA was followed by Brazil, Canada, Mexico and China. The United States was also the largest investing country, and China and Japan also made it to the TOP3. **More than 75% of global foreign direct investment flows was directed to the TOP15 countries.**

The FDI value of the TOP15 destination countries in the first half of 2023

Ranking	Country	Million USD	Ratio
1	United States of America	189,515	31.6%
2	Brazil	34,410	5.7%
3	Canada	29,283	4.9%
4	Mexico	29,041	4.8%
5	China	27,254	4.5%
6	France	18,796	3.1%
7	India	16,671	2.8%
8	Netherlands	16,192	2.7%
9	Switzerland	15,920	2.7%
10	Germany	15,626	2.6%
11	Spain	15,554	2.6%
12	Poland	13,214	2.2%
13	Italy	10,786	1.8%
14	Indonesia	10,484	1.7%
15	Sweden	9,965	1.7%
	World total	**599,481**	

Source: OECD

In emerging and developing countries, the total value of announced **greenfield investments** continues to present a favourable picture, after **their value increased by 21% in**

[36] Source: OECD

the first half of 2023 compared to the previous half. In contrast, statistics recorded a 21% drop in developed countries.

The total value of the announced greenfield investments based on the nationality of the investing company is concentrated: **the United Kingdom, China and the United Arab Emirates account for about a third of the total volume.**

7. Education[37]

In the period between 2014 and 2022, **the number of foreign students studying in Hungarian institutions of higher education increased significantly.** In 2014, some 25,000 (24,598) foreign students pursued higher education studies in Hungary, while in 2022, there was nearly 42,000 (41,730). So, **between 2014 and 2022, the number of foreigners studying in higher education in our country increased by nearly 70%.** Their share of the total number of students increased from 8.0% to 14.4% in the same period.

According to the country classification of foreign students by nationality, **Germany is in first place**, since 8.0% of all foreign students can be linked to Europe's largest economy. Even Romania and China represent a share of over 5%.

Regarding the increase of 17,132 people registered between 2014 and 2022, the biggest role was played by the citizens of China (+1,756 students), Iran (+1,028), Pakistan (+1,020), India (+1,001) and Jordan (+973).

The number of foreign students in Hungarian higher education institutions by country of citizenship (TOP15 countries in 2022)

Ranking	Country	Number of Students	Ratio in the whole
1	**Germany**	**3,341**	**8.0%**
2	**Romania**	**2,869**	**6.9%**
3	**China**	**2,481**	**5.9%**
4	Iran	2,019	4.8%
5	Serbia	1,986	4.8%
6	Slovakia	1,688	4.0%
7	Ukraine	1,190	2.9%
8	India	1,098	2.6%
9	Pakistan	1,098	2.6%
10	Nigeria	1,079	2.6%
11	France	1,070	2.6%
12	Jordan	1,034	2.5%
13	Turkey	934	2.2%
14	Vietnam	900	2.2%
15	South Korea	857	2.1%
TOP15 total		**23,644**	**56.7%**
Total foreign students		**41,730**	100.0%

[37] Source: KSH Information database

Source: KSH

Based on the data for 2022, **almost half of the foreign students (19,900 people) participated in higher BSc education**, 26.9% studied in undivided education, while 16.5% continued their studies in higher MSc education. More than 3,100 people, i.e. 7.5% of the total number of foreign students, participated in PhD courses.