

FOCUS ON INTERNATIONAL TRADE

HUNGARY

THE REPUBLIC OF HUNGARY TODAY

Location	The Republic of Hungary (known as the Hungarian People's Republic between August 1949 and October 1989) lies in Eastern Europe, bounded to the north by Slovakia, to the east by Ukraine and Romania, to the south by the Serbian province of Vojvodina (Serbia and Montenegro) and Croatia, and to the west by Slovenia and Austria.
Size	93,028 Sq. K.M. (35,921 Sq Miles).
Population	9,699,577 (estimated for 2022).
Population Density	104 per sq. km. (estimated for 2022).
Population Growth Rate	-0.3 (estimated for 2022).
Birth Rate	8.65/1000. (estimated for 2022).
Death Rate	12.88/1000. (estimated for 2022).
Life expectancy	77.55 years. 73.55 years (men) and 81.06 years (women). (estimated for 2022).
Capital City	Budapest
Other Large Cities	Szabolc-Szatmar-Bereg, Tolna, Vas, Veszprem and Zala.
Literacy	99.1%. Male 99.1% and female 99.0%. (2015 Est.).
Religion	There is a large Romany community (numbering between 5,00,000 and 7,00,000 people), and also Croat, German, Romanian, Serbian, Slovak, Slovene and Jewish minorities. Most of the inhabitants profess Christianity, and the largest single religious denomination is the Roman Catholic Church, representing about 62% of the population. Other Christian groups are the Calvinists (20%), the Lutheran Church (5%) and the Hungarian Orthodox Church.
Language	Hungarian 93.6% (Magyar).
Climate	The climate is continental, with long, dry summers and severe winters. Temperatures in Budapest are generally between -3°C (27°F) and 28C (82°F).
Internet domain	.hu
International dialing code	+36
International Relations	Hungary is a member of the UN, WTO, BIS, NATO, OECD, EU, Council of Europe, OSCE, CEFTA, CERN, CEI, Danube Commission, IOM, Antarctic Treaty, and is an Associate Partner of WEU. Hungary held a referendum on EU membership on 12 April, 2003, in which 83.8% of votes cast were in favour of accession, with 16.2% against, although turn-out was only 45.6%. It became a member of EU on 1 May 2004. In 2000 Hungary introduced a visa requirement for Russians entering the country as one of the conditions for EU membership.
Currency	The unit of currency is the forint (HUF) of 100 filler.

NATIONAL ECONOMY

On February 1, 2023, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Hungary. A succession of shocks, including Russia's war in Ukraine, widened economic imbalances which, together with loose fiscal policy in late 2021-early 2022, intensified inflation, now among the highest in Europe at 24.5 percent y/y, and widened the current account deficit. Appropriately, monetary policy significantly tightened, and the government plans a large fiscal adjustment in 2023. Strong growth in 2022 led by buoyant domestic demand and a tight labor market is expected to slow considerably in 2023 as domestic and external demand wane. Inflation is expected to remain elevated but decelerating, as global energy and commodity price pressures ease. Uncertainty remains high, and sizeable risks could significantly worsen the outlook.

Executive Board Assessment

Executive Directors noted that, following a robust recovery from the COVID-19 crisis, Hungary is now facing high inflation, slowing growth, and large economic imbalances. Against this backdrop and given elevated downside risks to the outlook, Directors stressed that a tight and consistent policy mix is needed to reduce economic imbalances and vulnerabilities. They also recommended structural reforms to sustain medium-term growth, strengthen energy security, and unlock EU funds to support the country's digital and green transitions.

Directors supported the government's planned front-loaded fiscal tightening, which will complement monetary policy in fighting inflation, help rebuild buffers, and safeguard fiscal sustainability. They emphasized the importance of growth-friendly fiscal adjustments by prioritizing productivity-enhancing expenditures and avoiding revenue measures that may discourage investment. Directors recommended relying more on direct support to vulnerable households rather than on costly and ineffective price caps. In that context, they considered that direct support to vulnerable groups and further refinement of regulated household energy tariffs would improve price signals, be fairer, and be more cost-effective. Directors considered that contingency measures would also be important given the significant uncertainty.

Directors welcomed the significant monetary tightening and emphasized the need to maintain a well-communicated, tight policy stance until inflationary pressures clearly and sustainably ease. They noted that interest rate caps hamper monetary policy transmission and called for their abolishment. Directors agreed that maintaining exchange rate flexibility remains important as a shock absorber. While noting the soundness of overall banking sector buffers, Directors agreed that continued financial supervisory vigilance is needed, as credit risk may rise due to slower growth and higher interest rates.

Directors emphasized the importance of pressing ahead with structural reforms and of meeting the requirements needed for the full and timely receipt of EU funds that will help finance reforms in critical areas such as energy transition, digitalization, and governance. They generally agreed on the importance of enhancing energy security given near-term risks to energy supply. Directors also stressed that strengthening governance and transparency, the rule of law, judicial independence, and the anti-corruption and AML/CFT frameworks will help improve the business environment, the efficiency of public spending, and medium-term growth.

Hungary: Selected Economic Indicators, 2018–2022

	2018	2019	2020	2021	2022
					<i>Proj.</i>
Output					
Real GDP growth (%)	5.4	4.9	-4.5	7.1	4.9
Employment					
Unemployment rate (average %)	3.7	3.5	4.1	4.1	3.6
Prices					
Inflation	2.8	3.4	3.3	5.1	14.5
General government finances (% of GDP)					
Revenue	44.0	44.0	43.5	41.3	43.9
Expenditure	46.2	46.1	51.1	48.4	50.0
Fiscal balance	-2.1	-2.0	-7.5	-7.1	-6.1
Primary structural balance (percent of potential GDP)	-0.7	-1.1	-4.7	-4.0	-2.1
Public debt	69.1	65.3	79.3	76.8	76.4
Gross financing need	21.1	23.4	24.6	21.4	17.5
Money and credit					
Broad money (% change)	11.8	8.1	21.1	16.3	11.5
Credit to the private sector (flow based, % change)	10.6	15.3	11.8	12.8	10.9
Government bond yield (5-year, average, %)	2.2	1.6	1.5	2.4	9.5
5-year sovereign CDS (average in bps)	86.6	80.4	67.2	68.2	69.2
External sector					
Current account (% of GDP)	0.2	-0.8	-1.1	-4.2	-8.1
Reserves (percent of short-term debt at remaining maturity)	162.1	160.8	150.8	139.4	98.1
External debt (% of GDP)	79.2	73.1	81.0	84.7	85.4
Exchange rate					
Exchange rate, HUF per euro, period average	319.3	325.2	351.2	358.5	391.1
REER (% change, "-" = appreciation)	1.8	0.7	4.8	-0.2	...
Sources: Hungarian authorities, OECD, and staff projections.					

"NATIONAL ECONOMY" is based on IMF Executive Board Concludes 2022 Article IV Consultation with Hungary February 3, 2023.

FOREIGN TRADE

Hungary's total exports in 2017 were of the order of US\$ 113,382 million. It increased to US\$ 141,157 million in 2021. Exports during the period from 2017 to 2021, in terms of percentage, grew highest (17.66%) in 2021 and fell maximum (-1.81%) in 2020 in comparison with 2020 and 2019 respectively. The annual average compound growth rate worked out at 5.63%.

Imports, on the other hand, were of the order of US\$ 139,132 million in 2021 while in 2017 it was US\$ 104,284 million. Imports during the period from 2017 to 2021, in terms of percentage, grew highest (22.67%) in 2021 and fell maximum (-3.32%) in 2020 as compared to 2020 and 2019 respectively. The annual average compound growth rate worked out at 7.47%.

Volume of trade registered an annual average (compound) rate of growth of 6.53% from US\$ 217,666 million in 2017 to US\$ 280,289 million in 2021. Hungary enjoyed surplus balance of trade during the period 2017 to 2021.

Hungary's export and import, volume and balance of trade between 2017 and 2021 along with their growth rates are given in **Table-I**.

Major export commodities of Hungary are food and live animals, chemicals and related products, basic manufactures, machinery and transport equipment, power-generating machinery and equipment, office machines and automatic data-processing machines, telecommunications and sound equipment, other electrical machinery apparatus, road vehicles and parts and clothing and accessories etc.

Main import items are food and live animals, mineral fuels, lubricants etc., petroleum, petroleum products etc., gas (natural and manufactured), chemical and related products, textile yarn, machinery and transport equipment, power-generating machinery and equipment, telecommunications and sound equipment etc.

Principal trading partners are Austria, Belgium and Luxembourg, China PR, Czech Republic, Finland, France, Germany, Ireland, Italy, Japan, Korea Republic, Netherlands, Poland, Romania, Russia, Singapore, Slovakia, Spain, Sweden, Switzerland and Liechtenstein, UK and USA etc.

The Ferihegy international airport is 16 km from the center of Budapest. Balatonkiliti airport, near Siofok in western Hungary, reopened to international traffic in 1989. Public internal air services resumed in 1993, after an interval of 20 years, between Budapest and Nyiregyhaza, Debrecen, Szeged, Pecs, Szombathely and Gyor. The national carrier is Malev, 65% state-owned. Aeroflot, Air Engiadina, Air France, Air Kazakhstan, Air Lithuania, SABENA, SAS, and Swissair etc also provide services.

Navigable waterways had (1993) a length of 1,622 km. River craft included: passenger ships, 63; tugs, 35; self-propelled barges and other ships, 21; banges, 170. The Hungarian Shipping Company (MAHART) has agencies at Amsterdam, Alexandria, Algiers, Beirut, Rijeka and Trieste. It has three sea-going ships.

BILATERAL TRADE WITH INDIA

Indo-Hungary bilateral trade in 2017-18 was of the order of Rs.4,341.31 crores. It increased to Rs 6,293.50 crores in 2021-22. The annual compound growth rate of volume of trade during the period from 2017-18 to 2021-22 was 9.73%. India enjoyed a surplus balance of trade during the said period (**see table II**). The average annual compound growth rates of exports and imports worked out at 12.15% and 5.80% respectively.

India's exports to, and imports from Hungary of Merchandised Goods during 2017-178and 2021-22 along with their growth rates are presented in **Table II**.

India's top ten merchandise goods exported to and imported from Hungary, during 2017-18 to 2021-22, along with their growth rates are depicted in **Table III & IV** respectively.

SOME IMPORTANT LINKS

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Names and addresses of the organizations engaged in foreign trade in Hungary and are:-

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***Source:* The Statesman Year Book, the Europa World Year Book, Monthly Bulletin on Statistics UN Publication, IMF, World Bank.org, BBC News, the World Fact Book, World Development Indicator, indianembassy.org, MEA, wikipedia.org, and D.G.C.I & S etc.**

“NOTICE”

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TABLE I**HUNGARY'S TOTAL EXPORTS AND IMPORTS, VOLUME AND BALANCE OF TRADE****BETWEEN 2017 TO 2021.***(Figures in US MILLION DOLLARS)*

<i>Year</i>	<i>Exports</i>	<i>Percentage Growth in Exports</i>	<i>Import</i>	<i>Percentage Growth in Imports</i>	<i>Volume of Trade</i>	<i>Percentage Growth in Vol. of Trade</i>	<i>Balance of Trade</i>
2017	113382		104284		2,17,666		9098
2018	123958	9.33	117382	12.56	2,41,340	10.88	6576
2019	122181	-1.43	117324	-0.05	2,39,505	-0.76	4857
2020	119971	-1.81	113423	-3.32	2,33,394	-2.55	6548
2021	141157	17.66	139132	22.67	2,80,289	20.09	2025
Annual							
Compound Growth Rate	5.63		7.47		6.53		
NOTE	: Figures relate to calendar year, January to December.						
SOURCE	: UN COMTRADE PUBLICATION						

TABLE - II

INDIA'S EXPORT TO AND IMPORT FROM HUNGARY MERCHANDISE GOODS DURING 2017-2018 TO 2021-2022

(Value in Rs. CRORES)

Year	Exports	Percentage Growth in Exports	Import	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2017-18	2595.49		1745.82		4341.31		849.67
2018-19	3204.67	23.47	1683.69	-3.56	4888.36	12.60	1520.98
2019-20	3003.49	-6.28	1329.88	-21.01	4333.37	-11.35	1673.61
2020-21	3667.61	22.11	1620.11	21.82	5287.72	22.02	2047.50
2021-22	4106.39	11.96	2187.11	35.00	6293.50	19.02	1919.28

**Annual
Compound
Growth
Rate**

12.15

5.80

9.73

NOTE : Figures relate to Financial Year April to March.

SOURCE : Directorate General of Commercial Intelligence & Statistics,
Ministry of Commerce & Industry, Kolkata 700 107.

TABLE -III										
INDIA'S MAJOR ITEMS OF MERCHANDISE EXPORT TO HUNGARY										
2017-2018 TO 2021-2022 AND THEIR GROWTH RATES										
(Value in Rs. CRORES)										
Sl. No.	Name of the Merchandise Commodities	Value of Exports					Annual Growth Rates			
		2017-18	2018-19	2019-20	2020-21	2021-22	18-19 over 2017-18	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21
1	Telecom Instruments	35.37	137.81	112.60	516.48	789.14	289.62	-18.29	358.69	52.79
	Share in total export	1.36	4.30	3.75	14.08	19.22				
2	Electric Machinery And Equipments	394.50	412.86	425.18	372.97	482.96	4.65	2.98	-12.28	29.49
	Share in total export	15.20	12.88	14.16	10.17	11.76				
3	Drugs Formulations, Biologicals	408.98	451.58	484.16	429.64	429.93	10.42	7.21	-11.26	0.07
	Share in total export	15.76	14.09	16.12	11.71	10.47				
4	Electronic Instruments	285.78	502.48	354.86	269.55	269.45	75.83	-29.38	-24.04	-0.04
	Share in total export	11.01	15.68	11.81	7.35	6.56				
5	Residul Chemical & Allied Products	224.93	275.72	307.81	365.75	251.02	22.58	11.64	18.82	-31.37
	Share in total export	8.67	8.60	10.25	9.97	6.11				
6	Indl. Machinery For Dairy Etc.	109.05	82.32	98.51	117.02	199.03	-24.51	19.67	18.79	70.08
	Share in total export	4.20	2.57	3.28	3.19	4.85				
7	Auto Components/Parts	73.71	91.66	99.99	76.05	180.40	24.35	9.09	-23.94	137.21
	Share in total export	2.84	2.86	3.33	2.07	4.39				
8	RMG Cotton Including Accessories	11.28	13.43	13.69	132.57	124.58	19.06	1.94	868.37	-6.03
	Share in total export	0.43	0.42	0.46	3.61	3.03				
9	Products Of Iron And Steel	119.48	95.36	93.34	93.02	121.94	-20.19	-2.12	-0.34	31.09
	Share in total export	4.60	2.98	3.11	2.54	2.97				
10	Bulk Drugs, Drugs Intermediates	134.19	191.39	156.58	149.13	116.95	42.63	-18.19	-4.76	-21.58
	Share in total export	5.17	5.97	5.21	4.07	2.85				
	Total export to HUNGARY	2595.49	3204.67	3003.49	3667.61	4106.39	23.47	-6.28	22.11	11.96

NOTE : Figures relate to Financial Year, April to March.

SOURCE : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.

TABLE -IV**INDIA'S MAJOR ITEMS OF MERCHANDISE IMPORT FROM HUNGARY****2017-2018 TO 2021-2022 AND THEIR GROWTH RATES****(Value in Rs. CRORES)**

Sl. No.	Name of the Merchandise Commodities	Value of Imports					Annual Growth Rates			
		2017-18	2018-19	2019-20	2020-21	2021-22	18-19 over 2017-18	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21
1	Electronic Instruments	175.86	157.12	132.00	157.15	249.09	-10.66	-15.99	19.05	58.50
	Share in total imports	10.07	9.33	9.93	9.70	11.39				
2	Bulk Drugs, Drugs Intermediates	159.85	197.80	159.92	162.71	212.22	23.74	-19.15	1.74	30.43
	Share in total imports	9.16	11.75	12.03	10.04	9.70				
3	Residual Chemical And Allied Prod.	98.79	182.36	67.16	171.63	197.13	84.59	-63.17	155.55	14.86
	Share in total imports.	5.66	10.83	5.05	10.59	9.01				
4	Telecom Instruments	86.17	223.32	45.68	46.79	1333.62	159.16	-79.55	2.43	2750.22
	Share in total import	4.94	13.26	3.43	2.89	60.98				
5	Ceramics, And Allied Products	11.30	2.57	40.86	135.15	117.02	-77.26	1489.88	230.76	-13.41
	Share in total import	0.65	0.15	3.07	8.34	5.35				
6	Organic Chemicals	29.51	62.56	104.28	124.10	113.14	112.00	66.69	19.01	-8.83
	Share in total import	1.69	3.72	7.84	7.66	5.17				
7	Computer Hardware, Peripherals	67.22	59.27	30.06	55.53	104.78	-11.83	-49.28	84.73	88.69
	Share in total import	3.85	3.52	2.26	3.43	4.79				
8	Electronic Components	130.23	74.91	51.59	56.05	88.47	-42.48	-31.13	8.65	57.84
	Share in total import	7.46	4.45	3.88	3.46	4.05				
9	Other Crude Minerals	0.06	5.93	41.01	68.83	73.03	9783.33	591.57	67.84	6.10
	Share in total import	0.00	0.35	3.08	4.25	3.34				
10	Indl. Machinery For Dairy Etc.	59.11	46.74	60.75	27.40	63.29	-20.93	29.97	-54.90	130.99
	Share in total import	3.39	2.78	4.57	1.69	2.89				
	Total import from HUNGARY	1745.82	1683.69	1329.88	1620.11	2187.11	-3.56	-21.01	21.82	35.00

NOTE : Figures relate to Financial Year, April to March.**SOURCE** : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.