

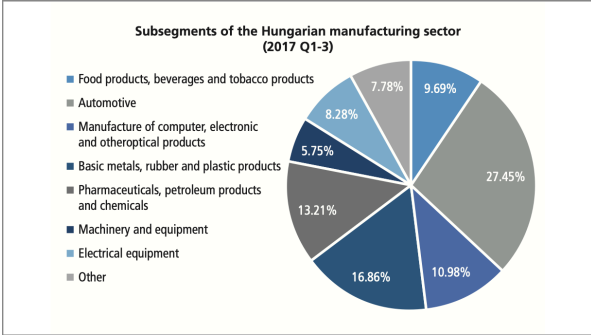
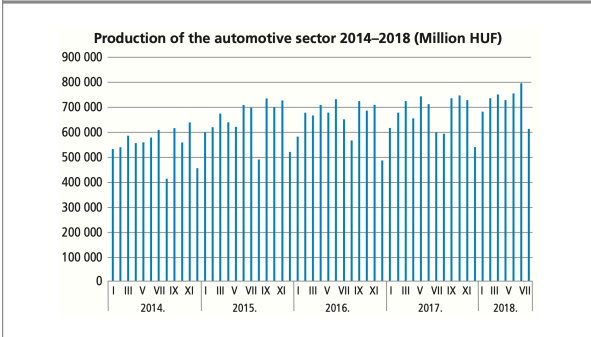
V4VN Workshop

Kecskemét, Hungary

18th and 19th November 2019

Partner Country Economic Profile/Hungary

| Item | Heading | Information | Date/source |
|------|---|--|---|
| 1 | What is the population of your country? | 9,798 millions 9,778 millions 9,773 millions | (2017) (2018) (2019) |
| 2 | Is this growing, static or falling and what rate? | falling with 0,2%, natural reproduction: - 40.097 - 41.238 | (2017) (2018) |
| 3 | What is the employment rate between age 15-64 | 70,3% | (09/07/2019 http://www.ksh.hu/gyorstajekoztatok/#/hu/document/fog1909) |
| 4 | What is the Gross Domestic Product? | 5,1% | (2018) https://ec.europa.eu/eurostat/web/national-accounts/statistics-illustrated |
| 5 | What are the major industries? | Top 5: - automotive industry - electronics industry - pharmaceutical and medical technology industry - ICT industry - food industry | 22/02/2018 https://www.companyincorporationhungary.com/top-5-industries-in-hungary |

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|--|---|--|--|------------|---|-------|------------|--------|--|-------|---|-------|---|-------|-------------------------|--------|----------------------|--------|-------|--------|------|----|----|----|----|------|----------|----------|----------|----------|------|----------|----------|----------|----------|------|----------|----------|----------|----------|------|----------|----------|----------|----------|------|----------|----------|----------|----------|--|
| 6 | What percentage of the GDP is for Manufacturing Industry? | In 2017, the share of agriculture in Hungary's gross domestic product was 3.75 percent, industry contributed approximately 25.63 percent and the services sector contributed about 55.24 percent. | Statistica 2019 https://www.statista.com/statistics/339742/share-of-economic-sectors-in-the-gdp-in-hungary/ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 | What percentage of the GDP is for the Service Industries? | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8 | How big is the Automotive Sector, in terms of contribution to GDP, number of OEMs, key OEMs in the country Global Tier 1 companies Supply Chain SMEs? | <p>The production value of the automotive industry amounted to EUR 26.1 billion in 2017, was 27,45% of GDP.</p>  <table border="1"> <caption>Subsegments of the Hungarian manufacturing sector (2017 Q1-3)</caption> <thead> <tr> <th>Subsegment</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Food products, beverages and tobacco products</td> <td>7.78%</td> </tr> <tr> <td>Automotive</td> <td>27.45%</td> </tr> <tr> <td>Manufacture of computer, electronic and other optical products</td> <td>9.69%</td> </tr> <tr> <td>Basic metals, rubber and plastic products</td> <td>8.28%</td> </tr> <tr> <td>Pharmaceuticals, petroleum products and chemicals</td> <td>5.75%</td> </tr> <tr> <td>Machinery and equipment</td> <td>13.21%</td> </tr> <tr> <td>Electrical equipment</td> <td>16.86%</td> </tr> <tr> <td>Other</td> <td>10.98%</td> </tr> </tbody> </table>  <table border="1"> <caption>Production of the automotive sector 2014-2018 (Million HUF)</caption> <thead> <tr> <th>Year</th> <th>Q1</th> <th>Q2</th> <th>Q3</th> <th>Q4</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>~500,000</td> <td>~550,000</td> <td>~600,000</td> <td>~650,000</td> </tr> <tr> <td>2015</td> <td>~550,000</td> <td>~600,000</td> <td>~650,000</td> <td>~700,000</td> </tr> <tr> <td>2016</td> <td>~600,000</td> <td>~650,000</td> <td>~700,000</td> <td>~750,000</td> </tr> <tr> <td>2017</td> <td>~650,000</td> <td>~700,000</td> <td>~750,000</td> <td>~800,000</td> </tr> <tr> <td>2018</td> <td>~700,000</td> <td>~750,000</td> <td>~800,000</td> <td>~850,000</td> </tr> </tbody> </table> | Subsegment | Percentage | Food products, beverages and tobacco products | 7.78% | Automotive | 27.45% | Manufacture of computer, electronic and other optical products | 9.69% | Basic metals, rubber and plastic products | 8.28% | Pharmaceuticals, petroleum products and chemicals | 5.75% | Machinery and equipment | 13.21% | Electrical equipment | 16.86% | Other | 10.98% | Year | Q1 | Q2 | Q3 | Q4 | 2014 | ~500,000 | ~550,000 | ~600,000 | ~650,000 | 2015 | ~550,000 | ~600,000 | ~650,000 | ~700,000 | 2016 | ~600,000 | ~650,000 | ~700,000 | ~750,000 | 2017 | ~650,000 | ~700,000 | ~750,000 | ~800,000 | 2018 | ~700,000 | ~750,000 | ~800,000 | ~850,000 | Hungarian Investment Promotion Agency - HIPA |
| Subsegment | Percentage | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Food products, beverages and tobacco products | 7.78% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Manufacture of computer, electronic and other optical products | 9.69% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Pharmaceuticals, petroleum products and chemicals | 5.75% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Year | Q1 | Q2 | Q3 | Q4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2014 | ~500,000 | ~550,000 | ~600,000 | ~650,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2015 | ~550,000 | ~600,000 | ~650,000 | ~700,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | | 4 OEMs have already chosen Hungary (Audi, Mercedes, Opel, Suzuki), the 5 th (BMW) will launch with assembling next years. More than 700 suppliers in the automotive industry in Hungary. | |
| 9 | How many people are employed in the Automotive Sector including directly in Supply Chains and others? | 175,800 – The number of people employed in the automotive industry in 2017 Q4, which is 4% of total employment | Hungarian Investment Promotion Agency - HIPA |
| 10 | What has been the trend in growth, no growth or reduction of economic performance of the Automotive Sector over the last 10 years and five years? | The production value of the automotive industry achieved an annual average growth of 13% between 2010 and 2017. | Hungarian Investment Promotion Agency - HIPA |
| 11 | What is the prediction going forward for the next five and ten years? | According to KPMG Study, production in Hungary is estimated to grow with a compound annual growth rate of roughly 8% (2017-2024) – vs. ~ 3% for China and less than 1% for Western Europe | Source: HCSO, 2017, Q4 * KPMG Automotive Executive Survey, 2018 |
| 12 | What is the Economic Development Strategy for the next ten years? | Overall goals <ul style="list-style-type: none"> - Strengthening the value-creating ability of a company with strong growth potential - Provide the entire SME sector with the predictable framework needed to operate | Governmental Doc. ITM – 05/11/2019- Strategy for strengthening hungarian micro, small and medium-sized enterprises - 2019-2030 https://www.kormany.hu/download/5/f7/b1000/KKV_Strategia.pdf |

| | | <p>Secondary Goals</p> <ul style="list-style-type: none"> - Increase the productivity of SMEs - Increase the adding value contain of products to domestic-owned SMEs - Increasing the export capacity of SMEs <table border="1"> <thead> <tr> <th>Purpose</th> <th>KPI</th> <th>present value</th> <th>2030</th> </tr> </thead> <tbody> <tr> <td>Increase the productivity of SMEs</td> <td>Gross value added per person employed by SMEs</td> <td>17,8 ths euró</td> <td>22,5 ths euró</td> </tr> <tr> <td>Increasing the value added contain generated by domestic SMEs</td> <td>Value-added by domestic-owned enterprises within total value added</td> <td>48,6%</td> <td>65,0%</td> </tr> <tr> <td>Increasing the export capacity of domestic-owned SMEs</td> <td>Contribution of domestic enterprises to the domestic value added of exports</td> <td>30,0%</td> <td>45,0%</td> </tr> </tbody> </table> | Purpose | KPI | present value | 2030 | Increase the productivity of SMEs | Gross value added per person employed by SMEs | 17,8 ths euró | 22,5 ths euró | Increasing the value added contain generated by domestic SMEs | Value-added by domestic-owned enterprises within total value added | 48,6% | 65,0% | Increasing the export capacity of domestic-owned SMEs | Contribution of domestic enterprises to the domestic value added of exports | 30,0% | 45,0% | |
|---|--|--|--|-----|---------------|------|-----------------------------------|---|---------------|---------------|---|--|-------|-------|---|---|-------|-------|--|
| Purpose | KPI | present value | 2030 | | | | | | | | | | | | | | | | |
| Increase the productivity of SMEs | Gross value added per person employed by SMEs | 17,8 ths euró | 22,5 ths euró | | | | | | | | | | | | | | | | |
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| 13 | What resources have been allocated to enable the strategy to be delivered? | <p>Description of enforcement tools:</p> <p>Three types of measures are listed separately:</p> <ul style="list-style-type: none"> - Flagship Projects - Included in the draft government decision - Annual Action Plan Measures - Tasks Controlled by the Strategic Implementation System - Lines of action - content and responsibilities are under development and will be included in subsequent action plans as they are finalized | <p>Governmental Doc. ITM – 05/11/2019- Strategy for strengthening hungarian micro, small and medium-sized enterprises - 2019-2030 https://www.kormany.hu/download/5/f7/b1000/KKV_Strategia.pdf</p> | | | | | | | | | | | | | | | | |
| 14 | What is the make-up of business support initiatives? Are they coordinated at national level, regional level or local | <p>Execution financing system</p> <ul style="list-style-type: none"> - The resources required for the performance of regulatory, administrative and co-ordination tasks are realized within the framework of governmental operation. | <p>Governmental Doc. ITM – 05/11/2019- Strategy for strengthening hungarian micro, small and medium-sized enterprises - 2019-2030 https://www.kormany.hu/download/5/f7/b1000/KKV_Strategia.pdf</p> | | | | | | | | | | | | | | | | |

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| | <p>level? How do you measure the success of these initiatives? Are there plans to expand these services?</p> | <ul style="list-style-type: none"> - In the case of joint operations in 2019-2020, which are provided for by the rules of EDIOP, the Government provide resources by reallocating the EDSP resources for 2014-2020. - In the 2021-27 cycle, the Government plan to mobilize EU funds to implement future projects that are likely to be in line with the European Union's development objectives. - Programs for SMEs based on the policies of different ministries operate from earmarked funds and earmarked funds. - Government looking into the involvement of direct European Union resources in the financing of certain planned programs. - For those programs that cannot be funded from the above sources, an indicative target for the implementation of the Strategy will be required as part of the ITM chapter. | |
|--|--|---|--|