HUNGARIAN CENTRAL STATISTICAL OFFICE

Hungary 2014

WITH INTERNET ANNEX

Summary

1. DEMOGRAPHIC SNAPSHOT

• The population number of Hungary was 9 million 849 thousand on 1 January 2015, 28 thousand fewer than one year before. In 2014, major demographic processes developed favourably: the number of births and marriages increased compared to the previous year, while the number of deaths and divorces fell, that of induced abortions decreased considerably and infant mortality rate sank to a record low. At the same time, the positive international net migration continued to decline compared to previous years.

• The **estimated population number** of the country calculated from the 2011 census data was **9 million 849 thousand** on 1st January 2015. On the present territory of Hungary, the population number was the highest in 1981 (10 million 713 thousand), a number continuously decreasing since that time. The main reason for this is the low **fertility** combined with in European comparison a steadily high-level mortality. The annual number of **births** has been continuously below 100 thousand since 1998. In 2014, 91,500 children were born, 3.2% more than in the previous year.

• The number of **deaths** in last two decades showed basically a declining trend: it fell below 130 thousand in 2011 for the first time and has remained below this level since that time. In the past decades, mortality was the lowest (126,100 deaths) in 2014.

• In 2014, the rate of **natural decrease** declined compared to the previous year: the number of deaths was 34,600 more than that of births, which difference was 9.2% lower than in 2013. Natural decrease could only be moderated by the positive international net migration (6.6 thousand persons).

• In the last half century, partnerships and their social acceptance changed considerably. In parallel with the decreasing inclination to get married, cohabitation has become more and more common. As a result of this, nearly one out of every two children was born outside marriage in 2014. In the last four years, the fall in the number of **marriages** stopped and turned to a slow increase. In 2014, 38.7 thousand marriages were registered at the registrars' offices 1700 more than in the previous year.

• Similarly to the other European countries, one of the greatest demographic challenges is the **ageing society** in Hungary as well. As a result of the persistently low fertility and the increase of life expectancy, the proportion of the child population is lowering, while that of the older age-groups is rising, and so, the dependency burden on the active age-groups is significant.

• In EU comparison, Hungary has been among the countries with low but positive **international net migration** since the 1990s. In recent years, the rate of emigration accelerated; therefore imigration surplus moderates the pace of natural decrease at a lower extent.

Summary data

Denomination	2012	2013	2014
Population number, thousand[a)]	9,909	9,877	9,849
Dependency rate, %[b)]	46.2	47.0	47.9
Ageing index, %[c)]	118.9	121.5	123.6
Vital events per thousand population			
live births	9.1	9.0	9.3
deaths	13.0	12.8	12.8
natural increase or decrease (–)	–3.9	–3.9	–3.5

a) 31st December.
b) Child-age (0–14 year-old) and elderly (65 year-old and older) population as a percentage of the population aged 15–64, 31st December.
c) Elderly (65 year-old and older) population as a percentage of the child-age (0–14 year-old) population, 31st December.

2. LABOUR MARKET SITUATION, EDUCATION

• Due to the negative impact of the economic crisis on the **labour market**, in the period 2008–2010 employment decreased and unemployment increased significantly. However, more favourable labour market trends were characteristic of the last years: employment continuously expanded in the last four years, while unemployment has been declining for two years.

• In 2014, the **number of employed** people aged 15–64 rose by 210 thousand to 4 million 70 thousand and the **employment rate** of 61.8% was 3.7 percentage points higher than one year earlier.

• In Hungary, the regular weekly working hours of the vast majority of employed people were between 36 and 40 hours in 2014. Last year, the regular weekly working hours of women employed full-time were 40.5 hours, while those of men were 41.3 hours. The former was 0.5 hour longer and the latter was 1.1 hours shorter than the EU average.

• While unemployment was stagnant in 2012, it declined in 2013 to a smaller and in 2014 to a larger extent. The **number of unemployed** people aged 15–64 fell by 98 thousand to 343 thousand over one year, while the **unemployment rate** diminished from 10.2% to 7.8%. The decrease in unemployment indicators was slightly more considerable among men than among women.

• As a result of the improving labour market indicators, Hungary's position has become more favourable in **EU comparison** as well. In the 20–64 age-group, the lagging behind of the Hungarian employment rate compared to the EU average halved over one year (decreased from 5.4 percentage points to 2.5 percentage points), while the unemployment rate of the population aged 15–64 was 2.5 percentage points lower than the EU average.

• In the past two years, the **number and rate of job vacancies** increased considerably. On the level of the national economy, the average number of job vacancies was 36.6 thousand in 2014, 11% more than in the previous year. Compared to a year earlier, the number of job vacancies to be filled grew by 31% in the business sector, fell by 13% in the public sector and essentially stagnated at non-profit organizations.

• The **educational level** of the population is steadily improving. The proportion of people with at least GCSE was nearly 55% in 2014, while those with university or college degree accounted for more than 23% of the population aged 25–64 years.

• In the school-year 2014/2015, the total number of students in **formal education** – public education and higher education together – was 1 million 927 thousand, 3% fewer than a year earlier and 15% fewer than in 2005. This is basically determined by demographic processes even besides an improving participation rate in education.

• The number of **kindergarten children** was lower than that of kindergarten places: it amounted to 321 thousand, 2.6% fewer than in the previous year and 1.6% fewer than in 2005. The number of places is increasingly higher than that of kindergarten children.

• The number of full-time students in **primary schools** was 748 thousand, slightly more than in the school-year 2013/2014. The number of students per teacher fell below 10. The proportion of students receiving after-school care (54%) and those receiving meals at school (78%) increased.

• The proportion of the so-called **early school leavers**, i.e. those 18–24 year-old people who have primary educational attainment at most and do not take part in formal education or adult education, decreased somewhat, and was 11.1% in 2014, slightly lower than the EU average.

• The number of students in **secondary education** decreased by 6.2% compared the previous year and amounted to 471 thousand. The proportion of students in vocational, special vocational schools decreased and was 21% in 2014, while that of students in secondary grammar schools increased to 39%, thus nearly reaching the proportion of students in secondary vocational schools.

• The number of students in **tertiary education institutions** continued to decline and was 370 thousand in the academic year 2014/2015. 71% of them were full-time students. The total number of students at present corresponds to that around the turn of the millennium, but in the academic year 1999/2000, more than two fifths of students were not studying full-time.

• Among full-time students, the number and proportion of **foreign students** have more than doubled since 2005. In the academic year 2014/2015, the number of foreign students was about 22 thousand and their proportion was nearly 11%.

Summary data

Denomination	2012	2013	2014
Employment rate, %[a]	56.7	58.1	61.8
Unemployment rate, %[a]	11.1	10.2	7.8
Number of students having passed vocational examination			
total	64,839	58,409	55,353
in vocational, special vocational schools	32,642	26,855	26,573
in secondary vocational schools	32,197	31,554	28,780
Students in full-time tertiary education as a percentage of the population aged 18–22	37.5	36.5	36.6

[a] Within the population aged 15–64.

3. LIVING CONDITIONS

• In 2014, the changes of **earnings** were affected by the agreement on minimum and guaranteed minimum wages for the year, the salary adjustment for those working in fields of social care, the carry-over affect of the wage rise for teachers in September 2013 and the change in the headcount of public workers alike. Average gross monthly earnings of full-time employees amounted to HUF 237,700 in 2014, that – excluding family tax benefit – totalled HUF 155,700 in net terms. Due to the unchanged rules of contributions and personal income tax, both average gross and net earnings were 3.0% higher than those in 2013. Last year, real earnings – taking into account family tax benefit – were 4.0% higher than in 2013.

• In 2014, HUF 3,478 billion, 11% of the GDP was spent on **pensions, benefits, annuities and other provisions**. The average number of provision recipients was 2 million 755 thousand, 28% of the total population.

• In December 2014, the number of **old-age pensioners** was 2 million 18 thousand in the country, 0.6% fewer than one year before. The average monthly amount of provision per recipient was HUF 116 thousand, 2.7% higher in nominal terms and, beside a 99.4% consumer price index for pensioners, 3.5% higher in real terms than in the previous year.

• The at-risk-of-poverty of families is increasing along with **having children.** According to the terminology used in the EU, 8.2% of childless households and 21% of households with children lived in relative income poverty in 2013.

• In **households with children**, the net income per capita was HUF 793 thousand in 2013, 1.1% more than in the previous year. Taking into account the 1.7% inflation, the income position of all households with children – except for those with two children – improved.

• In 2012, **social protection expenditure** represented a similar share (21.8% of the GDP) as in the middle of the last decade, much less than the EU average. Despite this, we spend relatively much on social protection among the member states having joined in and since 2004.

• All over Europe, the largest item of social protection expenditure having an increasing share is the **provision for the elderly** including pension benefits as well. The share of the provision for the elderly within social protection expenditure increased between 2005 and 2012.

• In the past seven years, the proportion of **benefits in cash** was growing and amounted to 70% in 2012. The share of means-tested benefits – depending typically on income – within social protection benefits declined slightly in recent years and was less than half of the EU average.

• A typical form of provisions depending on income is the **social assistance**. In 2013, HUF 138.9 billion was spent on this, 4.4% less at current prices than in the previous year. Partly the phasing out of home maintenance support provided on equitable basis and partly the preference of active labour market policies caused the decrease.

• The number of people living in **social residential institutions**, two thirds of whom live in homes for the aged, continued to increase since 2005. In 2013, more than 77 thousand people lived in long-term and 14 thousand in short-term social residential institutions.

• Nearly 37 thousand children received **infant nursery care**, 22% more than in the middle of the last decade. Another 12 thousand children received care in family day care institutions, the number of which is growing relatively fast. The number of recipients of **child welfare services** grew until 2011, and in 2013, 141 thousand children received this form of provision, fewer than in the previous year. Similarly to the previous years, the number of children and young adults under **professional child protection** was nearly 22 thousand in 2013 – among them, 19 thousand were minors.

• The availability of social and child welfare services continued to improve in recent years; family assistance services, domestic care and child welfare services are widely available.

• In 2014, after almost 8 years of decline or stagnation, **household consumption** grew by 2.7% in real terms. The largest item of household expenditure continued to be expenditures on food in 2014 as well: households spent about one fourth of their total expenditure on meals.

• After paying the **expenditures on basic needs**, i.e. food and housing, 52% of households' income remained to be spent on transport and other expenditures (e.g. culture and entertainment) which represented a 2.1 percentage points increase compared to 2013.

• In 2014, the average per capita consumption of households with several persons and without children as well as that of single households increased the most, while the consumption of households with children decreased to varying degrees.

• In addition to the reduction of regulated energy prices, the moderate demand environment and the low foreign inflation also contributed to the gradual deceleration and low level of **inflation** during 2014. The new official price cut, which came into force in September, as well as the significant drop in fuel prices at the end of the year continued to strengthen the disinflation effect. Thus, in 2014, **consumer prices** were 0.2% lower on the whole than a year earlier. Among the main commodity groups, only alcoholic beverages and tobacco as well as services became more expensive compared to 2013.

• In 2014, there was also a turnaround in **housing construction**, the willingness to build slightly increased, 8,358 new homes were built, 15% more than one year before. The number of building permits issued by building authorities was 9,633, 28% more than in 2013. Since the turn of the millennium, the proportion of homes built by natural persons has been usually more than half of the homes built; in 2014, their share increased from 57% to 59%. Similarly to the previous year, the average floor area of homes put to use was 101 m^2. 40% of new homes were larger than 100 m^2; about 30% of them were smaller than 60 m^2.

• The number of **ceased dwellings** decreased from the millennium to 2013, however, in 2014 1,724 homes ceased to exist; this was 38% more than a year ago.

• The growth of **housing stock** has slowed down in recent years, which is associated with a decline in residential construction between 2008 and 2013. The comfort of dwellings (piped water, sewage disposal, bathroom, flush toilets) has significantly improved since the transition; the access to public utilities grew to an average of 93–96% by 2014.

• In Hungary, the number of deceases per thousand inhabitants was the same in 2014 as in the previous year (12.8). The **mortality** rate of men increased slightly (from 13.1 to 13.2), while that of women fell somewhat (from 12.5 to 12.4). Infant mortality reached a historical low and was 4.6 per thousand live births.

• The slow decline in mortality mainly results from the improvement of **mortality** due to the **diseases of the circulatory system** responsible for half of deaths, as there is no positive change in **cancer mortality** accounting for one fourth of deaths. The likely explanation for the decline in mortality is the much more effective therapy than before.

• In 2013, 4,855 **general practitioners** and 1,490 family paediatricians performed their duties in Hungary, the average number of patients per general practitioners was 1,788 and that of children per family paediatricians was 957. Since the first data of the Health Registration and Training Centre in 2004, 534 **general practitioners** have left the country.

• In the last decade, the private sector had an increasing role in **financing health care**, while the share of the general government decreased. The share of the private sector in financing medical goods was nearly 60% in 2012. Three fourths of the expenditures of the private sector on medical goods were covered by households.

• In 2013, the **budgetary expenditures on culture** increased by 7.2% at current prices (they amounted to HUF 204 billion, 0.7% of the GDP), and so, music and dance art, book, sound recording and journal publishing, as well as zoological, botanical gardens and national parks got more resources.

• The government subsidized book, sound recording and journal publishing by HUF 3.3 billion, 13% more at current prices than in the previous year. The number of **books published** grew by 1.5% year-on-year (to 12 thousand) and the number of copies also increased by 2.9% (to 27 million), thus, the downward trend characteristic of book production for a longer time broke.

• The number of copies of **printed press products** continued to fall primarily due to the spread of forms of online publication. In line with this process, the prices of newspapers and periodicals have increased considerably since 2007, and from 2009, to a larger extent than the general consumer price rise.

• Among **cultural services**, the popularity of both concerts and theatres increased; in 2014, the number of theatre performances grew by 6.7% (to nearly 25 thousand) and that of attendances by 10% (to 6.4 million) compared to the previous year.

• Among **electronic broadcasters**, the broadcasting time of the public service television hardly changed during the past few years (it was nearly 34 thousand hours in 2013), however, the structure of programmes was modified, and the proportion of cultural, i.e. literary, artistic, scientific and entertainment programmes accounting for the largest share (60% in 2013) increased in recent years. The broadcasting time of the public service radio decreased somewhat (to 26 thousand), and, within the broadcasting time, music programmes increased the most.

• In 2014, the number of **registered crimes** was 330 thousand, 13% fewer than in the previous year. 217 thousand known offended persons were registered, 13% fewer than in 2013. The number of known perpetrators grew by 1.9% to 106 thousand over one year. In 2013, the number of perpetrators with definitive sentence was 70 thousand, 6.6% fewer than one year before. In 2014, the year-end number of those held in detention in prisons was 17.9 thousand, basically the same as in the previous year.

• There is an increasing emphasis on the assessment of conditions relating to life situation and **subjective well-being** of individuals and large social groups all over the world. **Overall life satisfaction** is one of the most important indicators of subjective well-being. Based on the answers of the respondents, life satisfaction was 6.4 on a scale of 0 to 10 in 2014, which was higher than one year earlier. Age, educational attainment and income situation significantly affect the value of the answers.

• The **feelings** of individuals are very important in terms of life quality. In 2014, in a given month, 55% of the adult population declared themselves to be always or mostly happy, while 12% of them were often very nervous. Generally, the younger age groups declared themselves to be happier and less nervous, however, similarly to life satisfaction, financial situation is also closely connected to the feelings of individuals.

• The quality and extent of **personal and social relationships** are also important measures of life satisfaction. In 2014, the satisfaction of the 16 year-old and older population with their social relationships was 7.8 on a scale of 0 to 10, and typically, younger people were more satisfied with their relationships.

• Among all subjective variables, **trust** in other people showed the lowest average value, 5.2 on a scale of 0 to 10 in 2014 as well. While young people had greater trust in others, middle-aged people were the most mistrustful. With the increase of highest educational attainment, the level of trust in others typically increased.

Summary data

Denomination	2012	2013	2014
Average earnings of employees, HUF/month			
gross	223,060	230,714	237,736
net	144,085	151,118	155,717
Real wage index, 2005 =100.0	98.0	101.1	104.3
Expenditures on pensions, benefits, allowances and other provisions as a percentage of GDP	11.8	11.9	10.9
Average monthly pension received by old-age pensioners, HUF/person	170,140	113,047	116,266[a]
Consumer price index, 2005 =100.0	142.8	145.2	144.9
Number of dwellings built per ten thousand population	10.6	7.4	8.5
Number of books published	11,645	11,388	11,555
Theatre attendances per hundred population	52	59	65
Museum attendances per hundred population	84	91	88
Number of registered crimes per hundred thousand of population[b]	4,760	3,819[c]	3,341[c]

[a] December data.
[b] Based on mid-year population.
[c] On 1st July 2013, the new Criminal Code came into force, for the preceding period, the provisions of Act IV of 1978 – which have already been repealed – apply.

4. DOMESTIC AND INTERNATIONAL MACRO-ECONOMIC TRENDS

• The performance of the **global economy** grew by 3.4% in 2014 compared to the previous year. Substantial contributors to the increase were countries in Asia. Out of global actors, mostly influencing world economic processes, the economic performance of the **United States** was up by 2.4%, that of **China** by 7.4%, however, that of **Japan** stagnated.

• The economy of the **European Union** (EU-28), belonging to our closer international environment, grew by 1.3%, within which that of Germany, considered as the largest national economy, by 1.6% in 2014. In parallel with this, the EU's economy needs to cope with the danger of deflation and with credit market activity insufficient for stable development.

• The exchange rate of the **euro** markedly depreciated against the US dollar over the course of 2014. At the end of the year one euro was worth 1.2141 US dollar, which has been the weakest exchange rate level for four years. The strengthening of the dollar played a role, too, in the reduction of the world market prices of several raw materials, including those of **Brent** crude oil. The price of petroleum dropped to a more-than-five-and-a-half-year low (to 55.27 dollars per barrel) by the end of 2014.

• The performance of the Hungarian economy started to follow a path of increase in 2013, and the growth continued in the course of 2014. The **gross domestic product of Hungary** rose by 3.6% in 2014 compared to a year earlier, with which Hungary has the second highest increase of output in the EU ranking.

• **On the expenditure side,** internal demand, within which especially investments in the national economy, caused the growth of performance. In addition to a continued balance adjustment, households could raise their consumption, which also had a favourable impact on output. Although the performance of external trade lowered the growth of GDP.

• **On the production side,** both goods producing branches and the services sector increased their output. However, export-oriented manufacturing was invariably the driving force of the growth.

• Following the significant fall caused by the economic crisis the volume of Hungary's **external trade in goods** – partly as an effect of the low base – changed into a 15–17% growth in 2010. Following this the rate of increase gradually slowed down, so there was a one-digit increase in 2011 and stagnation in 2012 in the volume of external trade in goods. In 2013, external trade started to rise again: the volume of exports grew by 4.2% and that of imports by 5.0%. In 2014 the trend continued: the volume of exports was 7.1% and that of imports 8.8% higher than a year earlier. The surplus on the balance of external trade was 6,402 million euros in 2014, 153 million euros less than one year earlier.

• The growth of **international trade in services, calculated in euros,** went on in 2014 too. After fluctuating performances following the crisis, international trade in services increased again in 2013, growths exceeding 6% in both directions of trade. The increase of trade continued in 2014 as well: the pace of rise accelerated to 8.4% in respect of exports, in parallel to which it was down to 3.4% in the case of imports. The balance of international trade in services had a surplus of 5.5 billion euros in 2014, 1.0 billion euros more than a year earlier.

Summary data

Denomination	2012	2013	2014
Volume index of gross domestic product (GDP), 2005 = 100.0	99.6	101.1	104.8
GDP per capita, thousand HUF	2,878	3,017	3,233
GDP per capita, EUR	9,943	10,161	10,475
Volume index of investment, 2005 = 100.0[a)]	74.9	80.0	91.2
Balance of external trade in goods, billion HUF	1,922	1,955	1,977
Volume index of imports, 2005 = 100.0	136.4	143.2	155.9
Volume index of exports, 2005 = 100.0	160.5	167.2	179.2

[a)] Based on quarterly data.

5. FINANCES

• In 2014 the annual average exchange rate of the **euro** was 308.66 forints/euro, which has been the weakest annual average exchange rate level since the introduction of the euro. The **central bank base rate** decreased to a high extent in the last few years: from 7.00% of July 2012 to 2.10% by July 2014, which is a historic low. In parallel with this, interests on forint loans to households and corporations were both reduced during 2014.

• In 2014 the balance of the **current account** improved by 229 million euros, and a surplus of 4.3 billion euros was generated over the year. **Net external financing capacity** calculated as the aggregate balance of the capital account and the current account, amounted to 8.6 billion euros, and the balance of EU transfers shows a surplus of 6.0 billion euros. The **net foreign liabilities** of Hungary were 81.6 billion euros at the end of 2014, 12% less than one year earlier. **Net foreign debt** (not including debt instruments within direct capital investments) was 33.7 billion euros, 10% less than at the end of 2013.

• The **gross financial assets of households** were 37.2 thousand billion forints at the end of 2014, 8.4% more than one year earlier. The amount of liabilities was 9.1 thousand billion forints, 1.0% less than at the end of 2013, within which the stock value of foreign currency loans at the end of 2014 (4.2 thousand billion forints) decreased by 4.7%. Both the shares of forint and foreign currency loans in liabilities were 46% at the end of 2014, the proportion of foreign currency loans not exceeding that of forint loans for the first time in the past seven years. The **net financial assets of households** amounted to 28.1 thousand billion forints, 12% more than a year earlier. Their net financing capacity was 1,896 billion forints over the year, 5.9% of GDP.

• Recently a number of measures have been made to cut back the foreign currency debts of households. As an impact of the regulation of **housing loans** having changed after the peak in the year 2010, the decrease of the housing loan stock slowed down in 2013, and remained at the previous year's level in 2014. **Housing loan stock** was 3,324 billion forints in 2014, 0.2% more than one year earlier. The proportion of the **foreign currency loan stock** – as an impact of central measures – was 66% back in 2010, decreasing to 52% by 2014, and its amount fell by some two-fifths compared to 2005. The amount of **loans with state subsidies** has been reduced since 2006, amounting in 2014 to about the half of that in 2005. The majority of **transferred housing loans** continue to be used for buying second-hand dwellings (its proportion was 72% in 2014).

• The consolidated cash-based balance of the central sub-system of **general government** showed a deficit of 826 billion forints in 2014, 107 billion forints less than one year earlier. The budget balance was positively influenced by the extra revenues that came from economic growth, increases in employment and consumption, and the launch of on-line cash registers system. In 2014, revenues from consumption taxes rose by 7% and payments by households by 6% within the revenues of central government. On expenditure side the EU expenditures of professional chapter-administered budget appropriations increased by 12% and amounted to 2,206 billion forints.

• The **debt stock of central government** was 23.9 thousand billion forints at the end of 2014, 8.6% more than one year earlier. The most important factors of the growth were the issue of government securities denominated in forint and the depreciation of the forint, this latter increasing the forint value of the foreign currency debt.

• According to preliminary data the **deficit of the general government sector** was 829 billion forints in 2014, which corresponds to a deficit of 2.6% as a proportion of GDP. In 2013 and the preceding year similar deficits (of 2.5% and 2.3% respectively) were recorded. At the end of 2014 the **debt of the general government sector** equalled 76.9% of GDP, which was 0.5 percentage point lower than a year earlier.

Summary data

Denomination	2012	2013	2014
Balance of general government sector as a percentage of GDP	–2.3	–2.5	–2.6
Dept of general government sector as a percentage of GDP	78.5	77.4	76.9
Current account balance, million EUR	12.3	11.1	10.4
Current account balance, million euros	1,813	4,053	4,282

6. PERFORMANCE OF BRANCHES

• In 2014, the **business sector** continued to expand. Over a year, the number of registered business organizations increased by 18 thousand to 1 million 845 thousand. The main source of growth was a rise in the number of individual enterprises; in addition, there was an increase in the number of non-profit organizations as well. Enterprises had the greatest weight in the areas of agriculture, real estate transactions, and trade as well as professional and scientific activities. The distribution of enterprises by headcount categories is unchanged compared to previous years: 99.7% of them were small enterprises, 0.3% medium-sized enterprises and 0.1% large enterprises.

• In 2014, the number of **newly registered enterprises** was 105 thousand, i.e. 2.1% less. While the registration of companies and partnerships declined by 14%, that of sole proprietorships increased by 3.1%. (A six fold increase in the start-up share capital of LLCs had a decisive influence on how the number of companies and partnerships changed.)

• As in 2013, the **number of closures** continued to rise in 2014. In the past year, 89 thousand enterprises ceased to exist, 4.8% more than in 2013. The number of closures of companies and partnerships continued to rise, while the decline continued in the case of sole proprietorships. (The former was 22% higher than a year earlier, the latter, however, was 13% lower.)

• **Research and development expenditures** continued to rise. In 2013, they totalled HUF 420 billion, 15.5% more at current prices than in the previous year. So the ratio of expenditures to gross domestic product was 1.41%. In case of this index, which is also included among the Europe 2020 indicators, the target designated for Hungary is 1.8%.

• The role of companies continued to strengthen in research and development activities, more than half (54%) of the **research and development units** were in the business segment and 44% (26 thousand people) of R&D employees performed their activities here.

• Between 2010 and 2012, one-third of enterprises employing at least 10 persons introduced some **innovations**, while in enterprises employing at least 250 people the innovation activity was significantly higher (67%).

• Since the beginning of observations 2014 has been the warmest year with high temperatures and a lot of precipitation in the growing season resulting in high yields for the most important vegetable crops. Record amounts were harvested from corn and rapeseed.

• On 1st December 2014, compared to a year earlier, the **number of livestock** was higher in case of cattle, pigs, chickens, ducks and turkeys and lower in case of sheep and geese.

• In 2013, both **land prices** and **land rents** continued to rise at a decreasing rate. The price and rental fee of arable land were 10% and 5.2% higher respectively than in the previous year.

• In 2014, the share of **agriculture** was 4.4% in gross value added and it accounted for 6.1% of investments and 4.6% of the employment. The food industry – as the user of its end products – produced 2.2% of the gross value added.

• In 2014, the **gross value added of agriculture** increased by 21% at previous year's prices and by 13% at current prices. The labour input has not changed, the income of the factors of production was 14% and the entrepreneurial income was 17% higher than in 2013. The efficiency of workforce that is the real income of factors of production per labour unit increased by 11%.

• In 2014, **agricultural output** increased by 9.6% in **volume** and by 4.2% in value along with a 4.9% price decrease. Crop production, of which the volume growth was 13%, contributed more to the success of the sector but the production volume of live animals and animal products increased as well (by 5.6%).

• In 2014, the **producer price level of agricultural products** decreased by 6.1% compared to the previous year. Prices decreased by 1.1% in case of live animals and animal products and by 9.2% in case of crop and horticultural products. The price level of agricultural inputs declined by 3.1% in 2014. It was lower than the decline in producer prices so the agricultural parity, i.e. the quotient of the two, had a value of 96.9%.

• The **volume of acquisitions of agricultural products** increased by 14% in 2014. Sales of crop and horticultural products grew more strongly (21%) than that of live animals and animal products (7.1%).

• In recent years, domestic **industry** produced more than a quarter of the gross value added which was high in an EU comparison. The volume of industrial production, which started to grow again in 2013, grew by 7.6% in 2014 compared to the previous year. This growth was primarily caused by the export-oriented branches of vehicle manufacturing.

• Following a 4.4% growth in 2013, **export sales** were 9.8% higher in 2014 than a year earlier. In recent years, export sales were the driver of production growth. The volume of **domestic sales** decreased between 2008 and 2013 and expanded in 2014: it was 1.1% higher than a year earlier. The share of domestic sales within total sales (39% in 2014) has been decreasing since 2009.

• In 2014 the production volume of **manufacturing** representing more than nine-tenths of industrial output rose by 8.6% following a 1.4% increase in the previous year, in which foreign sales continued to play a dominant role. Output expanded in each of the subsections in 2014, among them **vehicle production** was the primary engine of growth: the production of the subsection giving more than a quarter of the manufacturing output increased by 21%.

• After the rise in previous years, **industrial producer prices** declined by 0.4% in 2014 compared to a year earlier. In the two sales directions prices changed contrary to each other: the price level of domestic sales decreased by 2.1%, while that of export sales increased by 0.7% compared to the previous year.

• The **construction industry** made a turnaround in 2013, and this positive trend also continued in 2014. In 2013, the volume of production was 8.5% higher than the previous year's low base, which also proved to be significant compared to the EU member countries. In 2014, the production value of the sector was HUF 2070 billion at current prices, 14% higher at constant prices than a year ago. Growth in the sector, which was outstanding at the level of the national economy, primarily resulted from the construction of industrial, medical and educational buildings and furthermore from the development of transport infrastructure. The high share of government orders continued to be characteristic; the positive processes of housing construction have had little effect so far on the results.

• **Transport performances** increased in 2014. Due to an increase in the weight of transported goods, the performance of freight transport grew by 3.7% in 2014. The performance of interurban passenger transport increased by 5.7% compared to 2013. Air transport increasing by one-third was the most important factor of growth; nonetheless its performance was still more than 30% lower than in 2011 which was the last year before the liquidation of Malév. The number of local public transport users grew by 4.7% in 2014, this increase can be mainly explained by the expansion of subway and underground traffic, which increased by a quarter in connection with the opening of metro line M4 in March 2014.

• In 2014, 164 thousand **passenger cars were registered for the first time** in the country, 30% more than in 2013. This growth was primarily due to the increasing registration of used cars. At the end of in 2014, the **number of passenger cars** was 3 million 108 thousand, 67 thousand more than at the end of 2013, also exceeding (by 52 thousand cars) the previous peak of the end of 2008.

• Because of the development of information technology, the **telecommunications sector** is constantly changing. Due to the rapidly growing mobile internet, the number of internet subscriptions was 7.3 million at the end of 2014. Despite an increase in the number of main lines, the use of fixed-line phones decreased among the population, while the use of mobile phones increased. Internet-based communication channels increasingly replace phone lines.

• The growth of **retail sales**, which began in 2013, also continued in 2014. In 2014 as a whole, the volume of sales increased by 5.1% compared to the previous year. The underlying reasons were the improving labour market situation, the moderate inflation environment, the more optimistic prospects of households and rising real wages. Food purchases, accounting for almost 47% of the total turnover, increased by 4.5%, while, due to the introduction of the kiosk system, there was a significant restructuring in the distribution of sales. A 5.6% growth in non-food purchases and a 5.9% rise in fuel retailing also contributed to the expansion.

• In 2014, 5.4% more **foreigners** visited Hungary than a year ago, who - along with a 4% weaker forint-euro exchange rate - spent 16% more. Meanwhile, the **Hungarians** made 1.9% more visits abroad and spent there 13% more. 3.3% more people were involved in overnight **domestic** trips than a year ago.

• In 2014, 7.2% more guests spent 5.4% more tourism nights in **accommodation establishments** compared to the previous year. The total gross sales of accommodation establishments increased by about 10% at current prices. After a decline from 2006 to 2011 and two years of stagnation, the revenues of **catering industry** grew by 5.7% in 2014.

Summary data

Denomination	2012	2013	2014
R & D expenditures as a percentage of GDP	1.27	1.41	..
Volume index of agricultural output, 2005 = 100.0[a]	100.1	112.6	123.3
Volume index of industrial production, monthly average in 2005 = 100.0[b]	111.9	113.1	121.6
Industrial producer price index, 2005 = 100.0	133.7	134.7	134.1
Share of exports in industrial sales, %[b]	55.4	57.8	60.8
Volume index of construction output, monthly average in 2005 = 100.0	59.4	64.5	73.7
Transport performance index, 2005 = 100.0			
goods transport by road[c]	134.2	142.5	148.6
interurban passenger transport[d]	87.1	88.6	93.7
Number of mobile subscriptions per hundred of population	116.7	118.2	119.7
Number of internet subscribers per hundred of population	55.1	65.6	74.0
Volume index of retail sales, 2005 =100.0	91.6	93.3	98.0
Number of Hungarians travelling abroad, thousand	16,143	16,038	16,340
Number of foreign visitors to Hungary, thousand	43,565	43,611	45,984
Number of tourism nights at public accommodation establishments, thousand	21,805	22,968	24,199

[a] At basic prices.
[b] Data of all industrial enterprises.
[c] On the basis of freight tonne-kilometres
[d] On the basis of passenger kilometres.

7. ENVIRONMENT AND ENERGY

• Environmental elements and systems in Hungary have not suffered significant damages in recent years. We have considerable water resources, the air quality does not deteriorate, and the processing of waste and sewage becomes more and more modernized.

• Since the turn of the millennium, public **water production** from surface and underground water resources has fallen by 18%, while household **water consumption** has decreased by 15%.

• In the period between 2000 and 2012, the emissions of all major air pollutants – the major greenhouse gases, nitrogen oxides, non-methane volatile organic compounds, sulphur dioxide, ammonia, carbon monoxide, particulate matter – decreased, which is mainly explained by the introduction of more advanced technologies and the crisis-related drop in production.

• In 2013, the amount of all types of waste dropped with the exception of agricultural and food industry wastes. A decade ago hardly more than one tenth of municipal **waste** was collected selectively in Hungary; in 2013 the respective figure was already 26%.

• Most of the arable land is cultivated with large-scale methods, which does not support the moderation of **soil degradation**. Only 2.4% of our agricultural lands were under organic farming in 2012, this remains far below the EU average (5.7%).

• In 2013, the volume of **investments in environment protection** decreased by 10% compared to last year. The real value of current environmental expenditures within organizations was 14% less than in 2012, while the disbursements of economic organizations to external service providers were 7.3% less.

• Since 2006, domestic **energy consumption** has been characterized by a downward trend. In 2014, the 952 petajoules of energy used was 0.4% less than in the previous year, this is due, in part, to the milder winter weather, because of which the heating demand was lower than in the previous year.

• In 2014, 34% of **resources intended to cover the energy needs** came from domestic production and 66% of them originated from imports, the proportions have shifted towards energy imports. **Domestic production** was 2.6% lower; within this electricity generation was 3.5% less than in the previous year. More than half of the electricity generation came from nuclear power.

• In 2014, **energy imports** were 11% more than a year ago. Within this, the imports of crude oil and petroleum products increased by 10%, while that of natural gas rose by 13%.

• In the past few years, the **relative energy intensity** of the Hungarian economy showed a downward trend, in 2013 it decreased by 4.5% with a 1.5% rise in economic output. Despite this, the Hungarian economy is considered as highly energy consuming in an international comparison.

• In the energy consumption of our country, the share of **green energy** continues to rise, in 2013 it was 9.8%, lower than the EU average (15%). In 2013, the amount of electricity from renewable sources (2,828 gigawatt hours) rose by 3.7% compared to a year earlier and it was more than ten times higher than the value at the turn of the millennium. Most of the "green" electricity was derived from biomass.

Summary data

Denomination	2011	2012	2013
Forest area, thousand hectares[a)]	1,927.7	1,933.6	1,938.1
Of which: proportion of healthy forests, based on defoliation, %	63.8	59.5	55.6
Protected areas and monuments of national significance, thousand hectares[b)]	846.7	850.7	848.2
CO_2 emission (gross), kg/capita	4,999.5	4,678.2	..
Particulate matter: particulate matter with a diameter of 10 μm or less (PM_{10}), kg/capita	4.4	4.3	..
Wastewater piped to sewage treatment plant, million c. m[c)]	464.2	429.4	483.1
Of which: also under advanced treatment, million c. m	237.8	324.5	376.8
Generation of municipal solid waste, thousand tons	3,809.0	3,987.5	3,738.0
Environment protection investments (at current prices), billion HUF	128.6	138.1	127.3
Industrial sales of environment protection (at current prices), billion HUF	417.3	416.6	407.5
Energy use, petajoules	1,053.3	990.3	955.7
Share of natural gas and petroleum products of all energy sources, %[d)]	65.0	64.2	62.4

a) 1st January.

b) 31st December.

c) Including wastewater piped to Austria for the purpose of purification.

d) Including mining LPG and gasoline.