

KCCI - Country Wrap: **HUNGARY (MAY'18)**



Hungary – a brief overview

Hungary became a Christian kingdom in A.D. 1000 and for many centuries served as a bulwark against Ottoman Turkish expansion in Europe. The kingdom eventually became part of the polyglot Austro-Hungarian Empire, which collapsed during World War I. The country fell under communist rule following World War II. In 1956, a revolt and an announced withdrawal from the Warsaw Pact were met with a massive military intervention by Moscow. After 1968, Hungary began liberalizing its economy where it held its first multiparty elections in 1990 and initiated a free market economy. It joined NATO in 1999 and the EU five years later. In 2011, Hungary assumed the six-month rotating presidency of the EU for the first time.

Economy of Hungary

Hungary is an OECD high-income mixed economy with a very high human development index and a skilled labour force, with the 13th lowest income inequality in the world. The private sector accounts for more than 80% of GDP. Hungary is an export-oriented market economy with a heavy emphasis on foreign trade; thus the country is the 35th largest export economy in the world. Hungary continues to be one of the leading nations in Central and Eastern Europe for attracting foreign direct investment. Hungary is the largest electronics producer in Central and Eastern Europe. Companies which invest in a project resulting in product-diversification or a new, innovative production method are entitled to deduct a tax credit from their corporate income tax base. The rate of corporate income tax was cut to 9 percent as of 1 January 2017, the lowest figure within the EU.

Key Industries of Hungary

Key industries of Hungary are mining, metallurgy, construction materials, processed foods, textiles, chemicals (especially pharmaceuticals), motor vehicles.

Key Agri-products of Hungary

Key agri-products of Hungary are wheat, corn, sunflower seed, potatoes, sugar beets; pigs, cattle, poultry, dairy products.

Hungary's major trading partners

Its major export partners are Germany 25.6%, Romania 6.2%, Slovakia 6.1%, Austria 6%, Italy 4.8%, France 4.8%, UK 4.2% while its major import partners are Germany 25.1%, Russia 8.8%, China 7.4%, Austria 7.1%, Slovakia 5.6%, Poland 4.8%, Italy 4.5%, Netherlands 4.2%.

Bilateral Trade and Economic Relations between Pakistan and Hungary

Hungary and Pakistan have cordial relationship between them. Since 1970, Hungary has an embassy in Islamabad and an honorary consulate in Karachi while, Pakistan has an embassy in Budapest.

Pakistan and Hungary maintains healthy bilateral relations between each other. During 2017, Pakistan exported goods worth \$ 17.42Mn to Hungary which is 28% higher than \$13.63Mn exported in 2016. Pakistan imported goods of worth \$ 44.8Mn from Hungary in 2017 as against \$32.15Mn in 2016 depicting a surge of 39%.

Potential for enhancing bilateral trade relations between Hungary and Pakistan

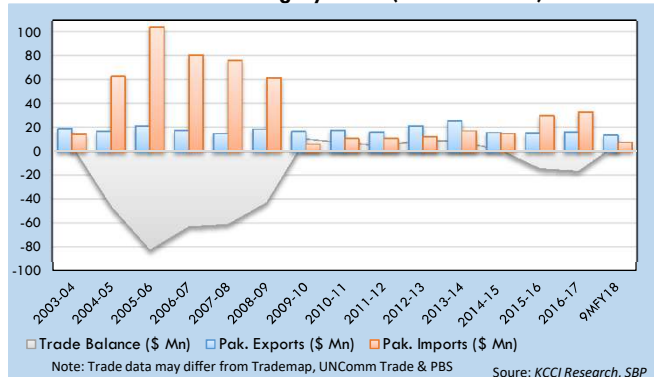
- There is great potential to boost bilateral trade between the two countries which is currently very minimal compared to the overall trade of the country.
- Cooperation in the field of education, research and innovation can be sought from Hungary which has many universities which among the best in the world and above 99% literacy rate.
- Joint ventures and collaborations can be done in the field of electronics and machine manufacturing.-

Economic Indicators

Indicators	Unit	2016	2017	Change
GDP (PPP)	\$ Bn	274.80	283.60	3.20%
GDP per Capita	\$	28,000	28,900	3.21%
GDP growth	%	2.00	3.20	1.20%
Forex Reserves	\$ Bn	25.82	27.02	4.65%
External Debt	\$ Bn	131.30	131.80	0.38%
Exports of Goods	\$ Bn	91.60	98.72	7.77%
Imports of Goods	\$ Bn	85.78	93.28	8.74%
Trade Balance	\$ Bn	5.82	5.44	-6.53%
Current Account	\$ Bn	6.80	6.34	-6.74%
FDI - at Home	\$ Bn	298.20	302.90	1.58%
FDI - at Abroad	\$ Bn	222.60	225.30	1.21%
CPI	%	0.40	2.50	210.00%
Prime Lending Rate	%	2.09	1.60	-0.49%
Population	Mn	0.00	9.85	N/A
Unemployment	%	5.10	4.40	-0.70%
Literacy Rate	%	99.40	-	N/A

Sources: **KCCI Research, CIA Factbook**

Pakistan & Hungary Trade (FY04-9MFY18)



Note: Trade data may differ from Trademap, UNComm Trade & PBS Source: KCCI Research, SBP

Hungary's Top 10 Trade Items (2017)

Imports Items (\$ Mn)	Exports Items (\$ Mn)
Electrical machinery & equip. 22,051.03	Electrical machinery & equip. 23,734.63
Machinery, mech. appliances 17,629.06	Machinery, mech.appliances 21,074.24
Vehicles other than railway 11,597.99	Vehicles other than railway 16,793.51
Mineral fuels, mineral oils 8,783.61	Pharmaceutical products 5,484.66
Plastics and articles 4,932.74	Plastics and articles thereof 4,418.29
Pharmaceutical products 4,503.32	Optical, photographic, 4,222.05
Articles of iron or steel 2,465.90	Mineral fuels, mineral oils 3,496.93
Iron and steel 2,440.30	Rubber and articles thereof 2,547.59
Optical, photographic, 2,358.16	Organic chemicals 1,874.44
Aluminium and articles 2,118.00	Furniture; bedding, mattresses 1,819.56

Sources: **KCCI Research, Trademap**

Pakistan - Hungary Top 10 Trade Items (2017)

Pakistan Export Items (\$ Mn)	Pakistan Imports Items (\$ Mn)
Cotton 5.98	Machinery, mech.appliances 14.02
Man-made staple fibres 1.90	Electrical machinery 10.13
Other made-up textile articles; 1.81	Optical, photographic, 4.02
Articles of leather; 1.75	Plastics and articles 2.48
Optical, photographic, 1.57	Vehicles other than railway 2.47
Raw hides and skins 1.52	Organic chemicals 2.15
Articles of apparel & clothing 0.65	Edible vegetables 1.73
Beverages, vinegar 0.65	Articles of iron or steel 1.63
Toys, games and sports 0.38	Other made-up textile articles 1.37
Plastics and articles 0.29	Pharmaceutical products 1.29

Sources: **KCCI Research, Trademap**