



A landlocked country with a large number of spa towns and hot springs; home to Lake Balaton, Central Europe's largest lake

10 million people with good buying power, ranked 51st in the world by IMF (2009, PPP)

Recovering from Tough Times...

Hungary's recent economic difficulties were not triggered only by the global economic crisis, but also by unreasonable fiscal policy of the previous populist left-wing government that boosted public spending which also led to misuse of social benefits, fast growing public debt and rising inflation. High taxes led to increased tax avoidance, and higher interest rates set by the national bank to fight off inflation led many companies and households in Hungary to take loans in foreign currencies. Hungary, as an open export-driven economy, was also negatively influenced by the faltering demand in its export markets, which especially hurt its key export-driven industries – consumer electronics and automotive manufacture.

Fortunately, the financial crisis – state budget and economy - was brought under control by the end of 2009.

The government had to implement austerity program to reduce the country's large budget deficit, which negatively affected domestic consumption.

According to the National Economy Minister, Mr. Gyorgy Matolcsy, for 2010 the new government's primary task will be to prevent Hungary from plunging any further, as the economy is still on a downward path. The second half of 2010 will bring financial and economic stability and inflation will slow. The minister believes Hungary could become the fastest developing economy in the region from 2013, if the government can implement stabilization measures this year and a two-year period of reforms thereafter.

The next two years will be a period of restructuring, and the government will introduce the simplest tax system in the region in 2011-2012.

Sector Spotlight

Hungary's key sectors include automotive production, electronics, chemicals, machinery and **biotech**. Hungary ranked first in the Development Capacity Index (DCI) for Central & Eastern Europe according to a study called "Biotech in the new EU Member States: An emerging sector" by Venture Valuation and EuropaBio. The DCI is used to compare biotech sectors between states. Hungary ranked first with a DCI of 52, followed by Poland with 35. International companies have a strong presence in Hungary with over fifty firms with biotech as their core field of operations. Overall, nearly 200 firms are undertaking some biotech-related activity. Hungary's major goal is to be recognised as one of the top ten biotech countries in the EU.

Successful FDI Track Record

FDI inflow exceeded USD 80 billion through 2009, with Germany, the Netherlands and Austria as the main investors combining for 52%. The U.S., the largest non-European investor, contributed 5%. The structure of investments has gradually changed, with a recent push towards knowledge-based industries to build on Hungary's highly skilled, multilingual labor force.



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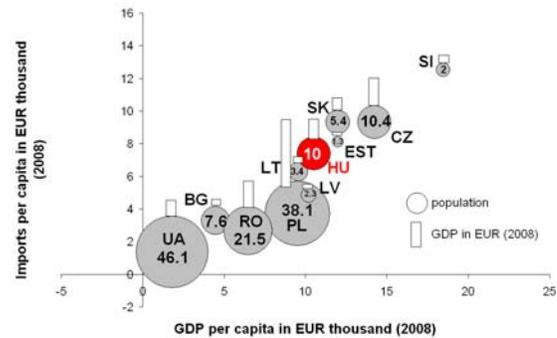
To obtain export assistance in any of the above markets, contact:

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Key Facts



Area	35,921 sq miles (80% of Pennsylvania)
Population	10.03 million
Capital	Budapest (1.7 mil.)
Language	Hungarian
Currency	Forint (HUF)
GDP per capita (PPP, 2009)	USD 18,600

Media Options

- Budapest, ranked 73rd, follows Prague (70th) as the second highest-ranked city in Central & Eastern Europe according to 2010 Quality of Living Index by Mercer. The study covers 221 cities ranked against New York City (49th with index of 100).
- Albermarle Corporation, a U.S. based chemicals producer, selected Hungary for its shared services center, saying the country's key advantage was the quality of the workforce available.
- Hungarian wind-power company Pannon Szélerőmű is to launch a seven-turbine wind farm near Bábolna this summer. The 15 MW-wind farm will increase the number of wind turbines in the Komárom-Esztergom county to 69.
- German tire and brake-system company Continental AG will continue to expand its units in Hungary despite its decision to open a factory in China this year, completing a USD 31.5 mil. expansion of a plant in Budapest to manufacture hybrid engine electronics and ABS systems and a USD 6.3 mil. expansion of its vehicle heating/cooling unit.
- The film industry is turning its gaze to Hungary as a USD 76 mil. mega studio, Europe's newest and flashiest, gets unveiled. U.S. Raleigh Studios tied up with FotoKem, a US post-production company, to build the complex on the outskirts of Budapest together with Europe's Origo Film Group. Raleigh Studios president Michael Moore said Hungary was chosen for the investment based on its attractive tax conditions, availability of qualified workforce and diverse architecture of its capital city.
- Premium-category hotels with more than 900 extra rooms in total are to be inaugurated in Budapest this year, including a 235-room Marriott Courtyard Hotel and a 272-room Continental Zara.