

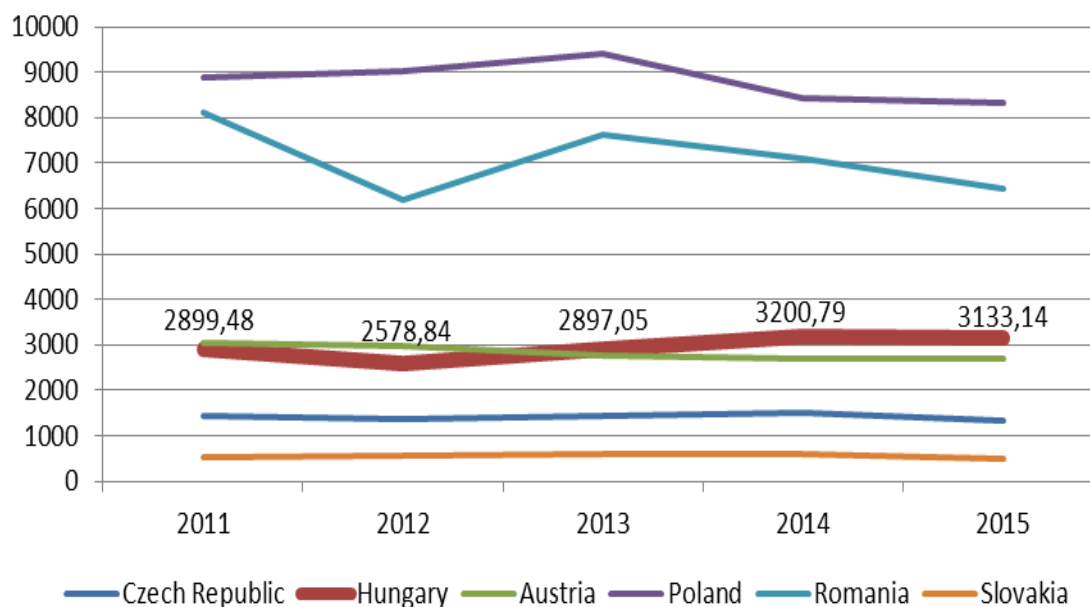


Hungary's agricultural sector performance in the past five years

According to the latest data by the Hungarian Central Statistical Office (KSH), in Q3 2016 Hungary's GDP grew by 2.0 percent in comparison to the corresponding period of the previous year. The main drivers of growth were the market services and agricultural sectors. Between 2011 and 2015, gross value added produced within the agricultural sector was up by 6.6 percent, HUF 72.83bn, and the number of people employed in the agriculture, forestry and fishing industries gained 10.1 percent, or 18 600. As a parallel development, the sector's main trade indicator, which gauges the sales volume of Hungarian food, beverages and tobacco products abroad, showed robust trade surpluses in the observed period.

Figure 1 shows gross value added produced by the agricultural sector in the Visegrad Four, Austria and Romania in 2011-2015. The table clearly demonstrates that in terms of GVA trends and production volumes Slovakia and Romania were on a path similar to Hungary's in the past five years. The volume of Hungary's gross added value most resembles that of Austria, although GVA trends of these two countries have slightly diverged in the observed period. In 2012-2014, Hungarian data show stable growth: gross value added was up by EUR 621.9 million, more than 24 percent, and thus reached EUR 3200.7 million at the end of the aforementioned period. In 2014 and 2015, this value has slightly decreased. Even so, however, the Hungarian agricultural sector is in a more favourable position than it was a couple of years ago. In Poland and Romania, a falling trend began after 2013, but the sector's gross value added is some two-and-a-half more than in Hungary.

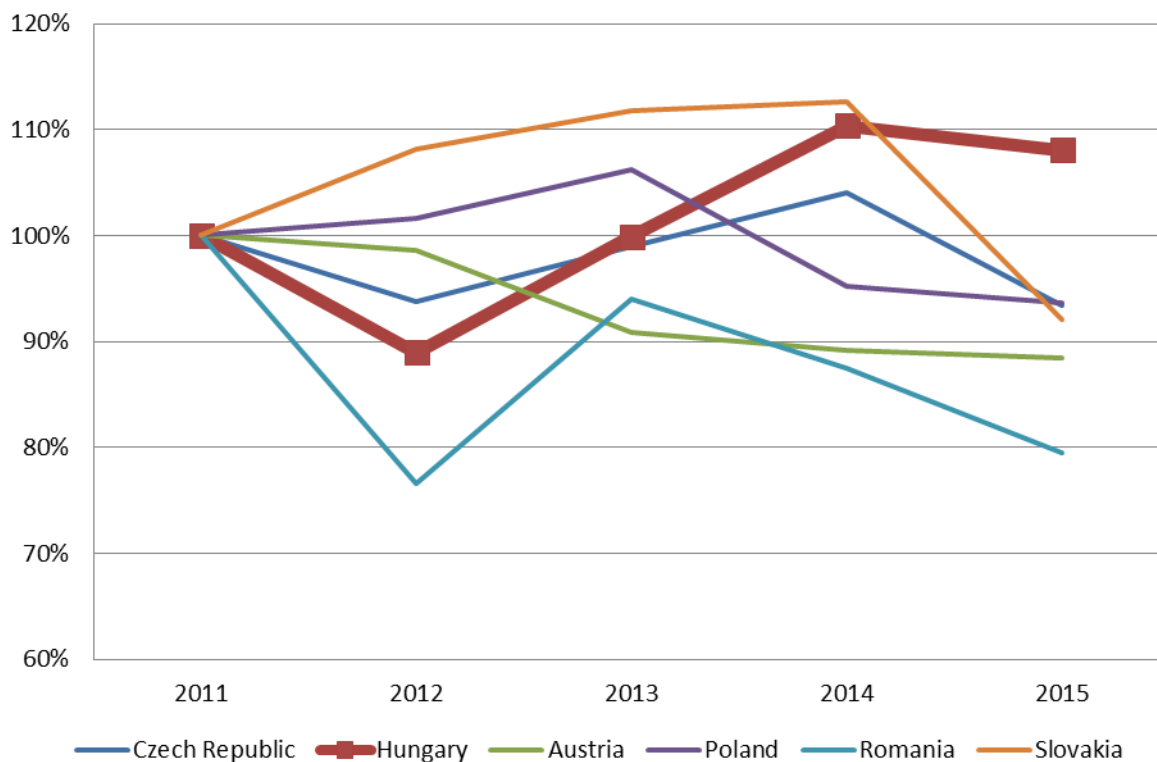
**Fig. 1: Gross value added (GVA) of the agricultural industry - basic and producer prices
(million EUR)**



Source: Eurostat

Figure 2 shows percentage changes in terms of gross value added in agriculture, compared to the year 2011. Data clearly demonstrate that compared to the beginning of the observed period Hungary's gross value added in the agricultural sector has risen, whereas that of Romania and Austria has been declining since 2013. The trend prevalent in Hungary most resembles developments in Romania and the Czech Republic. Still, while Hungary has posted the largest increase of 8.06 percent in comparison to 2011, Romania had the largest decrease, 20.53 percent.

Fig. 2: Gross value added of the agricultural industry - basic and producer prices
 (% , volume indices, 2011=100%)

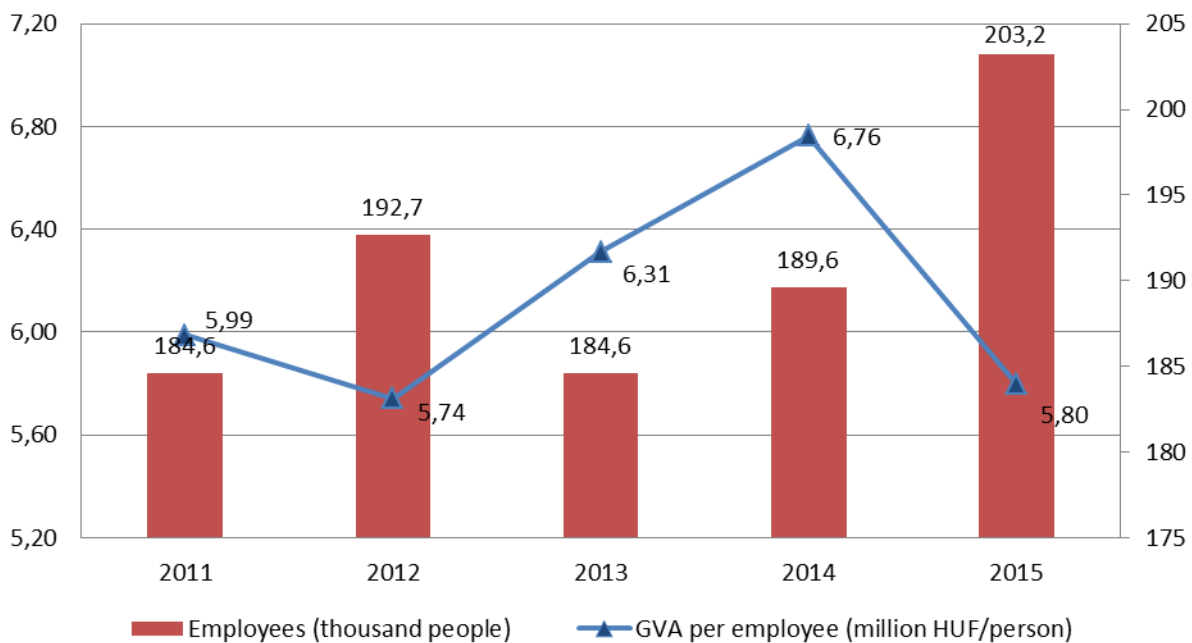


Source: Eurostat

The number of people employed in the agriculture, forestry and fishing industries has picked up after 2013 and reached 203 200 in 2015 (Fig.3.). In the same year, KSH put gross value added produced by the sector at HUF 1178.2bn, which accounted for 4.1 percent of Hungary's total volume.

The share of the sector's value added within the national economy hit a high of 4.7 percent in 2014. It is also worth examining changes in gross value added per employee data in recent years. Gross value added per employee was the highest, HUF 6.76 million, in the year 2014. In 2015, value added generated by the sector fell and the number of employees rose, which resulted in a lower per capita output figure of HUF 5.8 million.

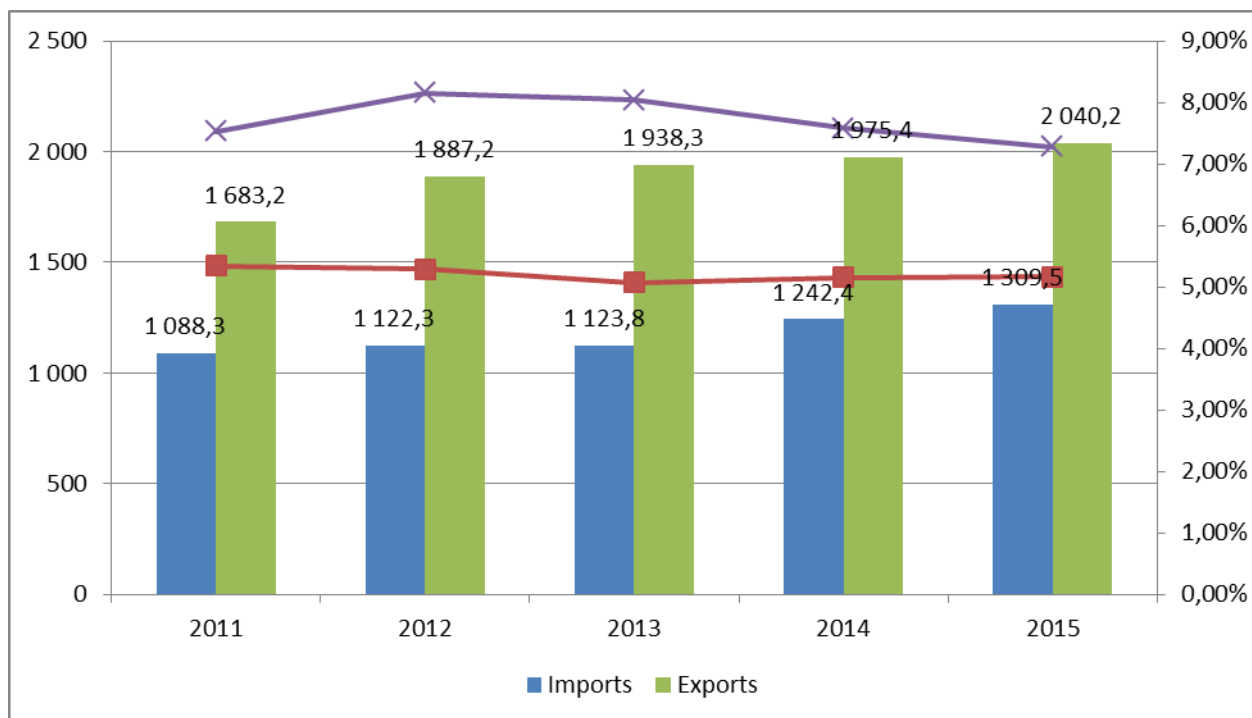
Fig. 3: Employees and gross value added per employee in the agriculture, forestry and fisheries sector – ESA2010



Source: Hungarian Central Statistical Office (KSH)

Figure 4 demonstrates the volume of foreign trade in terms of the trade category food, beverages and tobacco products, a key indicator of the agricultural sector’s external trade performance. The volume of exports has beaten that of imports in each year between 2011 and 2015, which resulted in massive trade surpluses. The largest gap between exports and imports, HUF 814.4bn, was registered in 2013. It has to be noted though that the volume of both imports and exports has been on the rise since 2011.

Fig. 4: Trade volume indices of food, beverages and tobacco products, at current prices and respective percentage change (left thand axis: bn HUF, right hand axis: percent)



Source: Hungarian Central Statistical Office (KSH)

The performance of the Hungarian agricultural sector has contributed to economic growth since 2012. Over the past five years, value added produced by this sector has increased by some 10 percent. In light of GVA per employee data, the sector's productivity has improved significantly in 2013 and 2014, but it fell back to the level of 2012 in 2015. Trends indicate that the sector has been capable of producing a rising volume of value added, but hiring fluctuations can dent productivity. Therefore, the sector's future development— besides the evening-out of hiring changes -- may hinge on the improvement of technologies and capitalization.