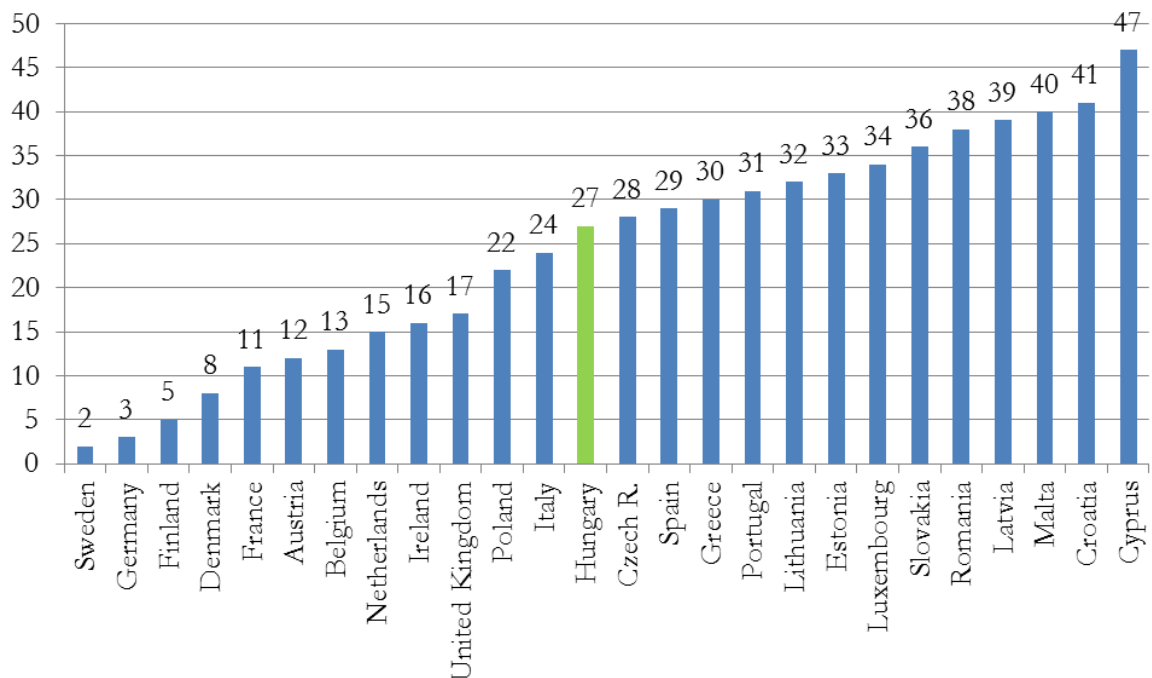


## Hungary advanced three places on the 2017 Bloomberg Innovation Index compared to the previous year

Thanks to the country's R&D and manufacturing sector performance, Hungary jumped three places on Bloomberg's Innovation Index, to No. 27 overall and to No. 13 within the EU. The Global Innovation Index, co-published by Cornell University, INSEAD, and the World Intellectual Property Organization (WIPO) in August 2016, also showed a favourable picture of Hungary's innovation performance, as the country was ranked as 33<sup>rd</sup> out of the 128 countries analysed.

The Bloomberg Innovation Index (BIV) released in January 2017, which compares the world's top 50 countries in terms of innovation, places Hungary ahead of the Czech Republic, Slovakia, Romania and Croatia among our regional peers, but the country also performed better than – among others – Luxembourg and Hong Kong. Among EU member states, Hungary ranks as 13<sup>th</sup>, and data show that it is one of the countries that have made the biggest advances.

**Fig. 1: Ranking of EU member states based on the Bloomberg Innovation Index (2017)**



*Source: Bloomberg*



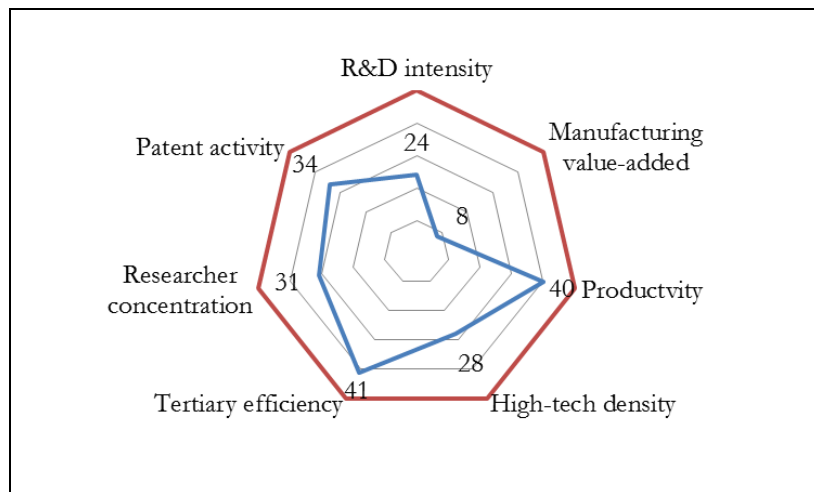
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The Bloomberg Innovation Index uses international statistical data and applies seven analytical criteria: research and development intensity manufacturing value added, productivity, high-tech density, tertiary efficiency, researcher concentration and patent activity.

These factors show that South Korea has kept its position as number one, closely followed by Germany, Switzerland and the Scandinavian countries, of which Sweden has snatched the place of second best from Germany, and Finland – similarly to Hungary – has advanced two places and thus it is placed as fifth, while Switzerland is fourth. Israel has also seen a jump, making it into the top10, while Japan has slipped back three notches compared to the fourth place in 2016, to be ranked as seventh. Others in the top10 league are Singapore (6<sup>th</sup>), Denmark (8<sup>th</sup>) and the United States (9<sup>th</sup>).

R&D and innovation have been gaining more and more weight within the Hungarian economy in recent years, and this is being reflected in the way the country's innovation performance is perceived globally. As the Bloomberg index shows, the country scores best in terms of R&D intensity and manufacturing value-added (Fig. 2).

**Fig. 2: Hungary's rankings in light of BIV criteria (out of 41 countries, 2017)**



*Source: Bloomberg*

The Global Innovation Index, a much more complex indicator, examines 82 criteria in the following seven areas: institutions, human capital and research, infrastructure, market sophistication, business sophistication, knowledge and technology outputs as well as creative outputs. According to these factors, Hungary advanced two slots. In this ranking, the top innovator of the world is Switzerland, followed by Sweden, the United Kingdom, the USA and



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Finland. China has made impressive headway: while Hungary had been ahead of China in 2012 and 2013, the latest report placed the country in the top25. Changes in the Global Innovation Index highlight the fact that Hungary's performance had steadily improved between the crisis year of 2008 and 2013, when the country had reached No. 31 out of the 141 countries analysed. After that, as innovation in the Scandinavian countries and South Korea gained momentum in 2014 and 2015, Hungary slipped back to No. 35 in 2015 and to No. 33 in 2016.

In recent years, it has been a priority of Hungary's economic policy to regain the country's standing both within the EU and globally, through the promotion of R&D&I. In the period 2014-2020, both the EU and Hungary are paying special attention to this field. In Hungary, innovation as an economic term was defined by a law in 2014, describing it as "scientific, technological, organisational, economic and commercial activities aimed at improving the effectiveness and profitability of economic activities or achieving social or environmental benefits that result in the creation of new or significantly modified products, processes or services or the marketing of such products, processes or services, including changes that are only novel within the context of a specific industry or organisation" (Act LXXVI of 2014).

Hungary's improving R&D&I performance warrants our future competitiveness. Improvements in this area are partly the result of Government incentives. One of the pillars of this policy is the Investment in the Future – National Research, Development and Innovation Strategy, which aims to increase the R&D expenditures-to-GDP ratio to 1.8 percent. Both the Economic Development and Innovation Operative Programme (EDIOP) and the Competitive Central Hungary Operative Programme (CCHOP) treat the support of this field as a priority: calls for applications have already been published for grants totalling HUF 473.8bn. Tender invitations have been issued for funding R&D&I activities by enterprises, the development of innovation eco-system, the development of prototypes, products and services as well as research infrastructures. Besides this, the National Research, Development and Innovation Fund, a fund of Hungarian budgetary resources of HUF 90.2bn, has also become available.

These measures are expected to strengthen the leaders of Hungary's innovation scene, help them reinvigorate the domestic innovation eco-system and thus enable them to become drivers of the growth of Hungary's economic competitiveness and the drivers of change leading to a sustainable knowledge economy.