



MINISTRY  
FOR NATIONAL ECONOMY

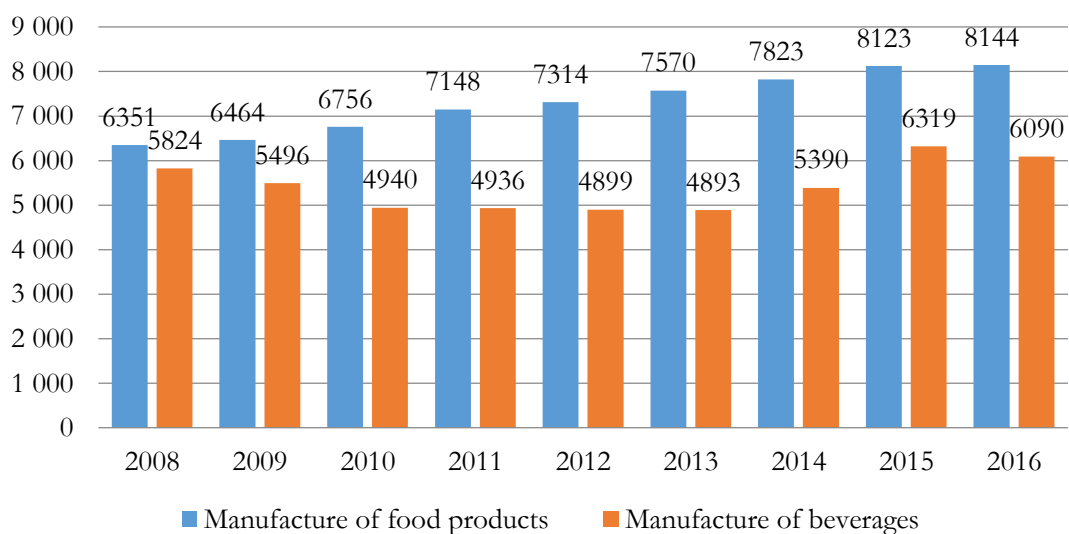
### *Hungary's food industry is competitive in the region*

Hungary's food industry is strong, competitive and has a remarkable weight even from an international perspective, Minister for National Economy Mihály Varga said on 19 July 2017 at the opening of a new project by an agricultural company in Nádudvar, Eastern Hungary.

Hungary is a country of long-standing agricultural traditions that is endowed with excellent natural values, and consequently, it is a country with a long history of manufacturers processing agricultural raw materials. The existing excellent know-how has been complemented and bolstered by technological development financed by foreign funding, and this combination enables the production of goods that meet high international quality standards.

Last year, output in Hungary's food industry increased by 1.4-1.5 percent, which exceeded the average rate of industrial output growth – the Deputy President for Food Industry of the Hungarian Chamber of Agriculture noted recently at a press conference. The value of output totalled HUF 2 880bn, up by 2 percent compared to the year 2015. In 2016, some 20 percent of registered economic corporations were active in the food industry. Within the three branches of the food industry, the manufacturers of food products and beverages constituted the highest number of registered economic corporations. The number of these companies has been rising steadily, and it hit 8 144 in the year 2016. Of these, 61 percent were corporations and 39 percent were unincorporated enterprises (Fig. 1).

**Fig. 1: Number of registered economic corporations and unincorporated enterprises in manufacture of food products and beverages**



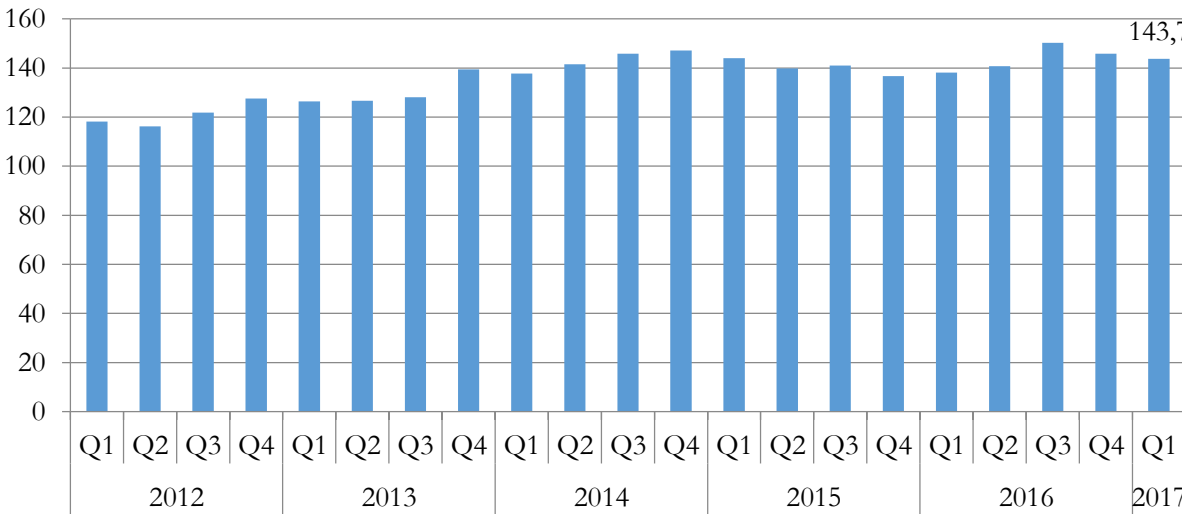
*Source: Hungarian Central Statistical Office (KSH)*

Concerning regional positions, 33 percent of food industry enterprises were registered in the Central Hungary region, but double-digit figures were also observed in Northern Hungary, and the Northern Great Plain and Southern Great Plain regions. The beverage manufacturing sector has seen consolidation that resulted in a shift towards higher quality products.

Hungary’s food strategy targets further expansion in output, the improvement of competitiveness and the bolstering of market positions. The fact that the sector was named as one of the priority fields worthy of development in Hungary’s re-industrialization blueprint, the Irianyi Plan, also shows the importance of this industry. The major instruments aiming to bolster the sector through EU funding are the Rural Development Programme and the Economic Development and Innovation Operational Programme (EDIOP), while the Large Enterprise Investment Support Programme provides grants for large enterprises which are not entitled to EU funds but wish to expand production capacities. For the latter scheme HUF 15bn was allocated in the year 2017, and since the start of the programme in 2015 49 large enterprises have received grants of HUF 70bn. Thus, the Government has helped create 1 650 new jobs.

Besides boosting competitiveness and facilitating more efficient operation, completed projects have the additional advantage of contributing to job and wage growth as well as helping preserve jobs in rural areas. As this sector is not especially highly knowledge-intensive, it can provide jobs for unskilled or low-skilled labour which technological advancement has rendered incompetent for other jobs. In Q1 2017, the number of people employed by the sector was 143 700, constituting 15 percent of the total number of people working in the manufacturing industry (Fig. 2.).

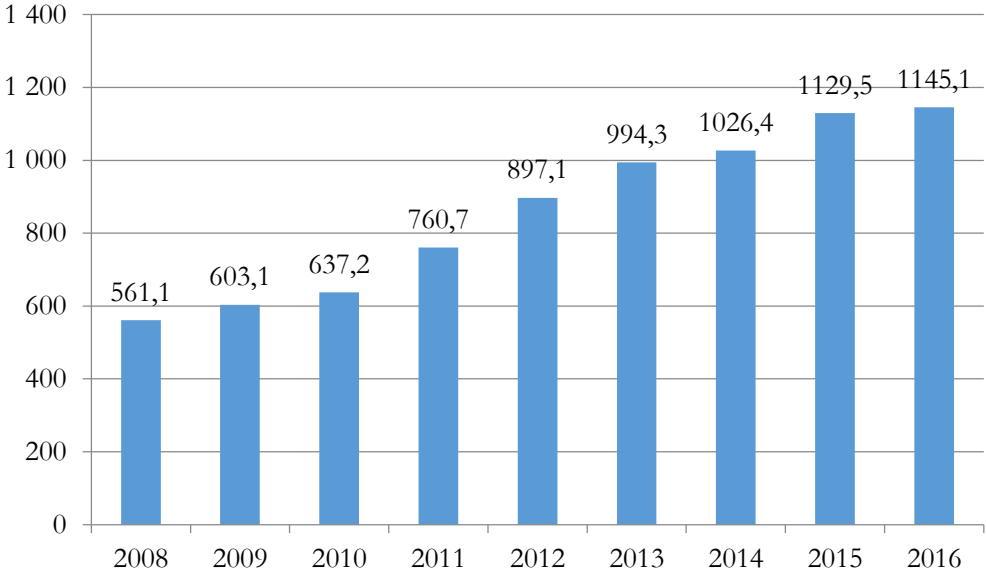
**Fig. 2: Number of employees in manufacture of food products, beverages and tobacco products (thousand people)**



Source: Hungarian Central Statistical Office (KSH)

Production is expected to be modernized through available funding, and thus the export potential of products with high value added is set to increase. The food industry is a traditionally stable sector which has been left mainly unscathed by the global economic crisis. The value of exports from food and beverage products has increased some 80 percent in the past one-and-a-half decades (Fig.3.). The sector’s share of the total volume of exports was 7 percent.

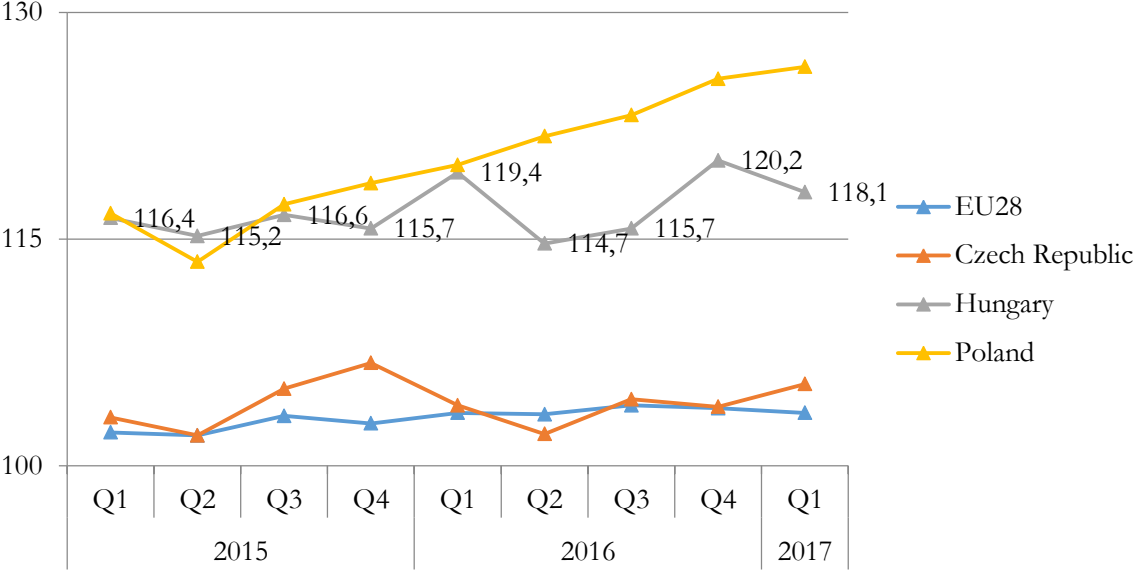
**Fig.3: Export turnover from industrial activities in manufacture of food products, beverages (bn HUF)**



*Source: Hungarian Central Statistical Office (KSH)*

Output growth in the sector has been remarkable even from a regional perspective: the rate of growth has been above the average of the EU28 in recent years (Fig.4.). Eurostat data shows that in the past two years the volume of output of Hungary’s food industry has increased by 15-20 percent compared to the base of 2010.

**Fig.4: Manufacture of food products, beverages and tobacco products, seasonally and calendar-adjusted data (2010=100%)**



Source: Eurostat

The growing productivity, improving competitiveness and increasingly favourable regional position of the domestic food industry is pointing to further output growth in the sector.