



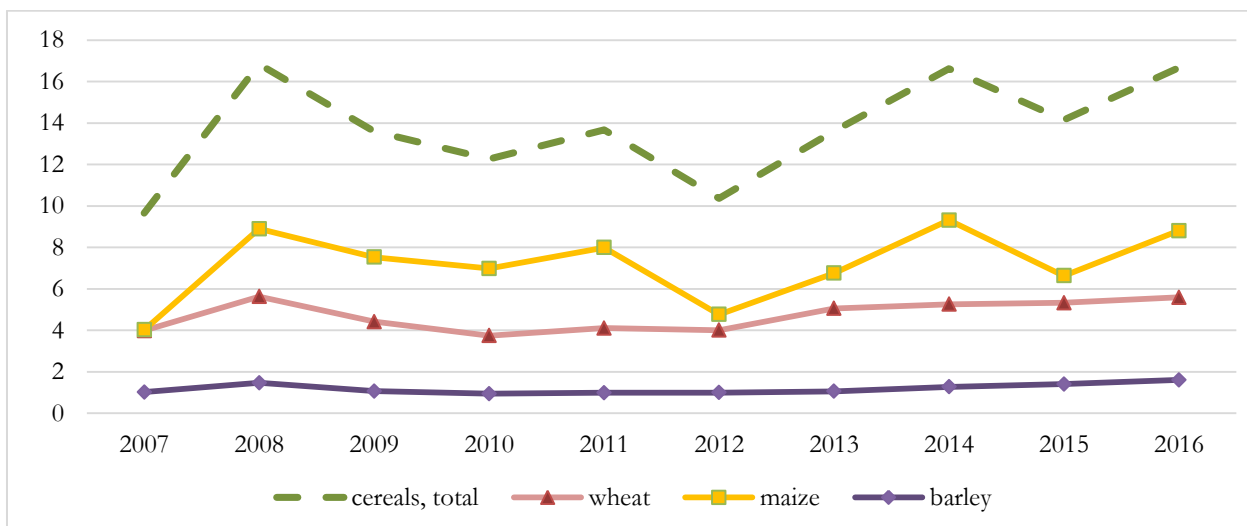
Great agricultural sector performance was a main factor behind Hungary's GDP growth in 2016

According to data compiled by the Hungarian Central Statistical Office (KSH), Hungary's agricultural sector had a bumper year in 2016. The volume of both crop and livestock production was higher, and total output in the agricultural sector was up by 8.7 percent compared to the previous year. Thus, the sector added 3.8 percent to the country's annual GDP.

Output in the agricultural sector, which is by nature predestined to be a key economic factor in Hungary, depends largely on weather conditions: following a slight output decrease in 2015, favourable weather resulted in a bumper harvest in 2016. As a consequence of that, **gross output of the sector grew by 5.3 percent year-on-year**. Within the total output of HUF 2 619bn, the share of crop products was HUF 1 571bn (60 percent), live animals and animal products was HUF 866bn (33 percent), while that of agricultural services and secondary activities was HUF 182bn (7 percent). Growth was however curbed by the 3.1 percent decrease in prices.

The 8.7 percent growth in the volume of agricultural output was mainly influenced by cereals, industrial crops and animals. The volume of crop output soared by 13 percent.

Fig.1. Output of main cereals in 2016 (million tons)



Source: Hungarian Central Statistical Office (KSH)

The output of ear cereals as a whole was up by nearly one-fifth in 2016 compared to the previous year, those of the three major cereals – wheat, barley and maize – all rising. From the 2.6 million hectares of cultivated land the weight of harvested cereals – thanks to outstanding yields –



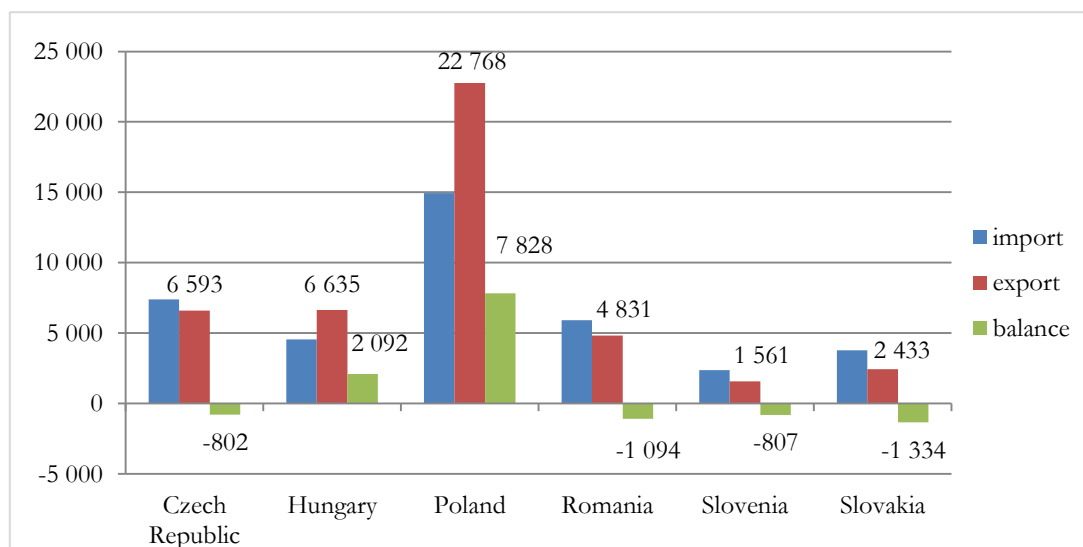
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totalled 16.7 tons, the highest volume since 2008. Compared to the annual averages in the period 2011-2015, maize, wheat and barley output was up by 24 percent, 18 percent and 17 percent, respectively. The output of industrial crops – due mainly to high rape yields – increased by one-fourth year-on-year. The output volume of forage plants grew by 6.2 percent and that of horticultural products was unchanged, while that of tobacco, potato and fruits decreased.

The total output of livestock production rose by 3.1 percent compared to the previous year. Within this, the volume of the output of live animals and animal products was up by 3.9 percent and 1.3 percent, respectively.

According to preliminary data, **Hungary's agricultural sector output accounted for 2.1 percent of the EU's total output volume in 2016**, and thus the country's share grew by 0.2 percentage points compared to the year 2015. 2.4 percent of crops and 1.8 percent of the EU's output in live animals and animal products originated from Hungary. Hungary's share of the EU's cereals output was 5.2 percent, within which maize output accounted for 13 percent of the total volume. This figure places Hungary's economy as the fourth largest maize producer behind France, Romania and Italy. Hungary's contribution to the EU's output volume of industrial crops (6.4 percent) and poultry (4.1 percent) is also substantial. Fruit and wine production, on the other hand, cannot be said to have a significant weight within the European Union.

Fig.2. External trade and balance of agricultural products in V4 countries, Romania and Slovenia, year 2016 (million euro)



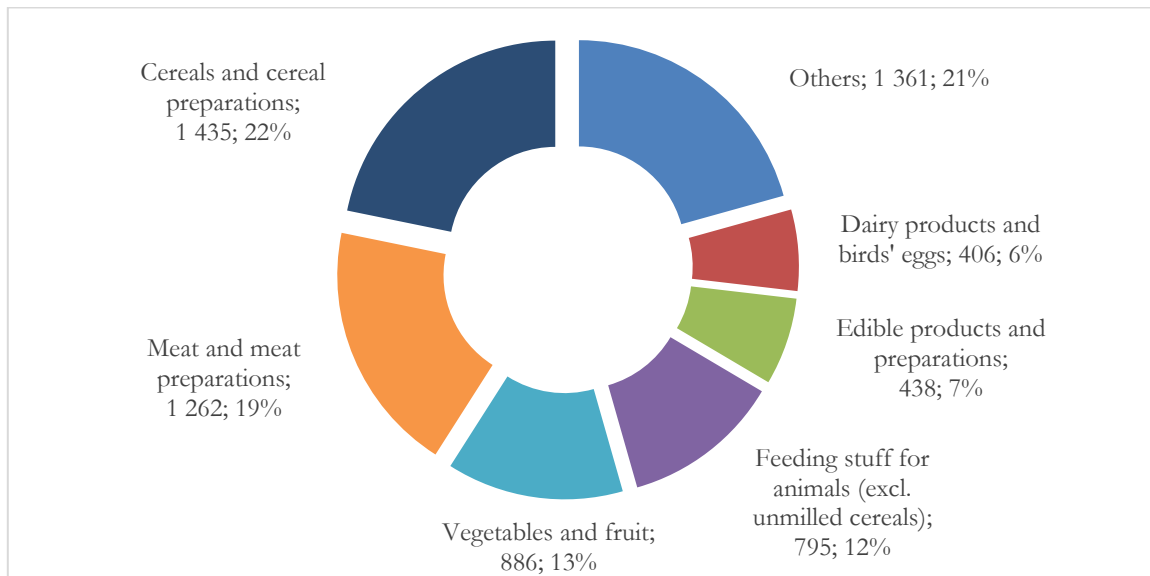
Source: Eurostat



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The agricultural and food industries also play a major role in foreign trade: in 2016, agricultural products accounted for 21 percent of the total external trade surplus. With the 7.1 percent share of agricultural products within the total volume of Hungarian exports, totalling more than EUR 6.6bn, Hungary ranks as the second largest exporter after Poland within the region comprised of the V4, Slovenia and Romania.

Fig. 3: Hungarian agricultural exports by product category, year 2016 (million euro, %)



Source: Hungarian Central Statistical Office (KSH)

The largest category of exported products, which constitutes more than one-fifth of total, was that of cereals and cereal preparations, valued at EUR 1 435 million. The value of the export of meat and meat preparations was similar, at EUR 1 262 million. The shares of the export volume of vegetables and fruits as well as feeding staff for animals were also significant, accounting for 13 percent and 12 percent of total, respectively.

82 percent of exports headed to EU member states, while 18 percent of them went to non-EU destinations. The weight of the various categories of exported products was similar in both cases. However, in 2016 the share of non-EU destinations within the total export volume increased by some 2 percentage points year-on-year, with the largest growth registered in terms of exports to Turkey and China.

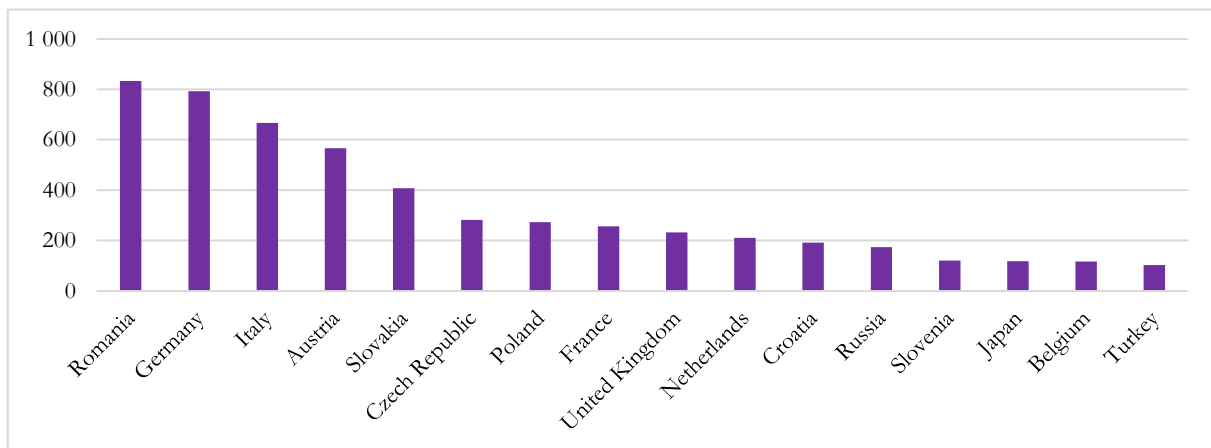
The composition of imports is more balanced than that of exports: the import volume of vegetables and fruits was the highest within the total volume (15 percent), followed by that of meat and meat preparations (13 percent).



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The share of the volume of imports from non-EU countries is only 6 percent. Within the total, the largest product categories are vegetables and fruits (EUR 84 million) and sugar, sugar products and honey (EUR 40 million).

Fig. 4: Main export partner countries (million euro), year 2016



Source: Hungarian Central Statistical Office (KSH)

The weight of the investment volume by the agricultural sector and the food industry increased year after year in the period 2011-2014, and yet again in 2016 following a downturn in 2015. In 2016, the investment volume of the agricultural sector decreased to a much lesser degree than total investment did within the national economy, while food industry investment soared by 32 percent. The largest investments were related to meat and poultry processing, the manufacturing of cocoa, chocolate and sugar confectionery production of sweets, as well as the production of soft drinks, mineral waters and other bottled waters.

In the first quarter of 2017, the agricultural sector saw massive investment growth: the volume of investment was up by 47 percent compared to the corresponding period of the previous year.

To sum it up, the agricultural sector plays a major role within the Hungarian economy. In order to improve the sector's competitiveness, bolster market position and ensure that Hungarian consumers are provided with safe and healthy food of high quality, the Government has prioritized the support of the sector also through EU funding. Within the sector, special attention has been paid to the manufacturing of food products, and thanks to these efforts the share of agricultural investment within the national economy has been rising steadily.

The weight of non-EU export destinations has been on the rise. Another driver of export growth to these countries is expected to be the planned agreement between Hungary and Turkey, which concerns cooperation in the field of agriculture and environmental protection, and the imminent signing of the EU-Japan free trade agreement.