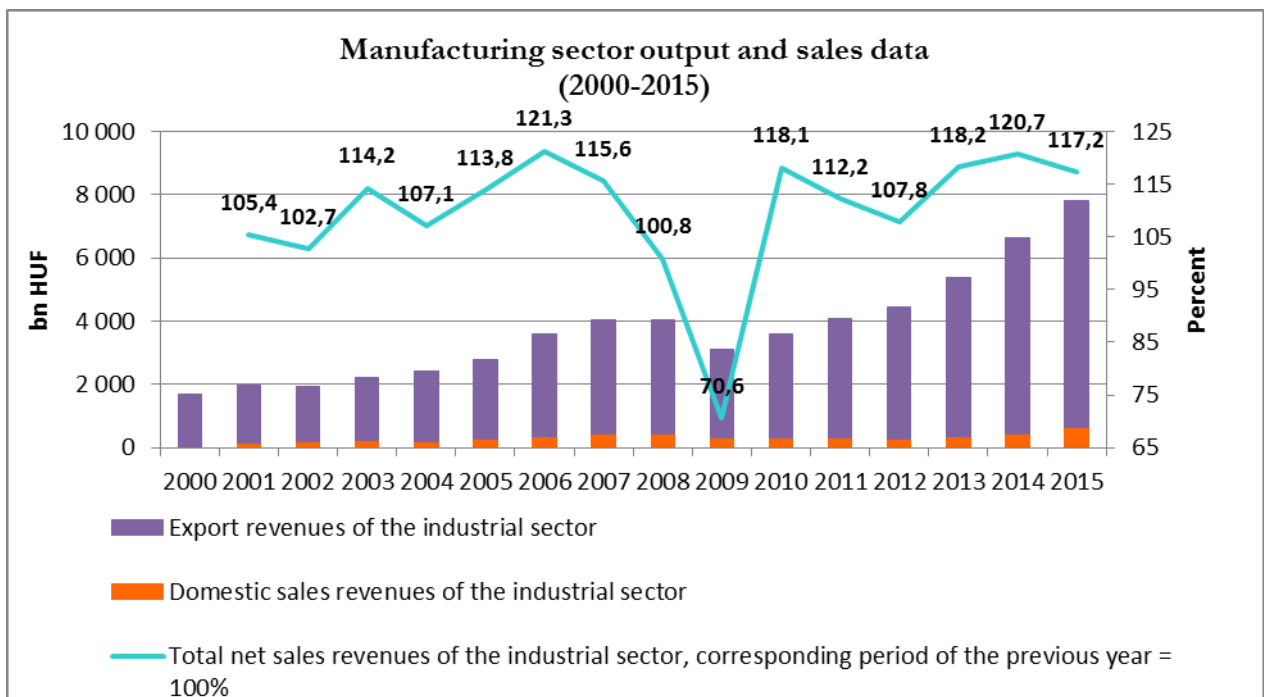




Hungarian manufacturing sector posted average annual output growth of 15 percent over the past six years

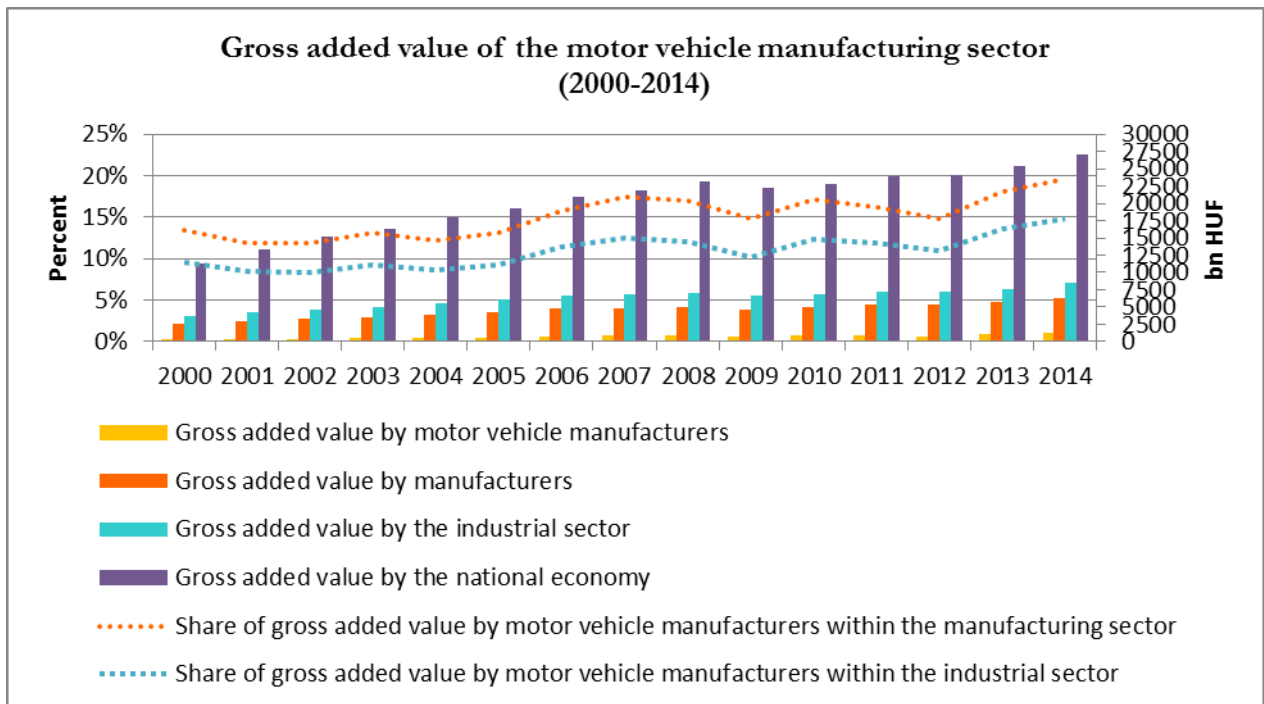
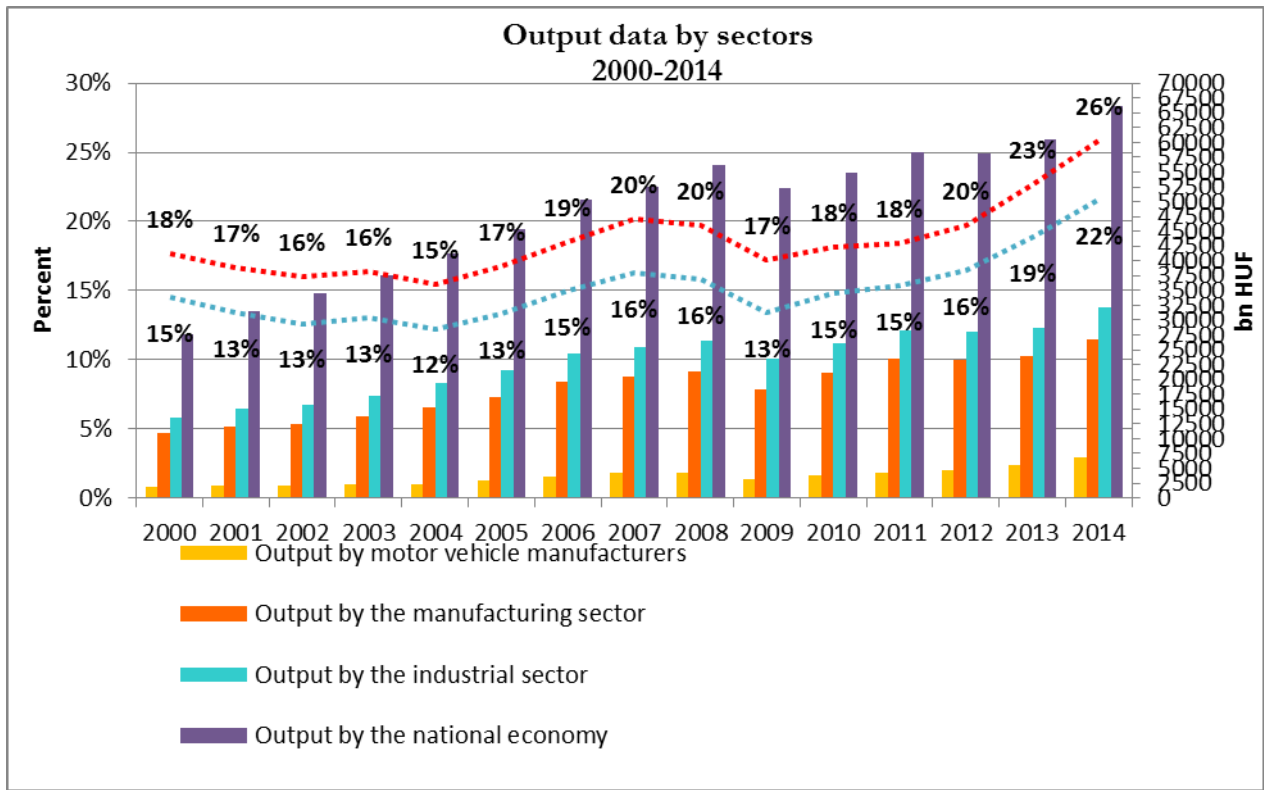
The below graphs of sales and **output data** of the industrial sector and the motor vehicle manufacturing sector well demonstrate the weight of these industries within the national economy. The first graph shows the rising output volume of the industrial sector, which posted more than 15 percent annual growth in the past six years. The chart also reveals that although domestic sales have increasingly boosted the sector's performance, exports have remained the main growth engine. Although the share of motor vehicle manufacturers (see orange column) does not appear exceptionally large within the entire output of the national economy (see purple column), but the output volume is indeed sizable for a single manufacturing sub sector. The **output volume of motor vehicle manufacturers reached 22 percent of total in 2014**, well above the 16 percent figure in the pre-crisis year of 2008. The sub sector's share has also increased relative to the manufacturing industry, from 20 percent six years ago to the recent 26 percent.



Source: Hungarian Central Statistical Office (KSH)



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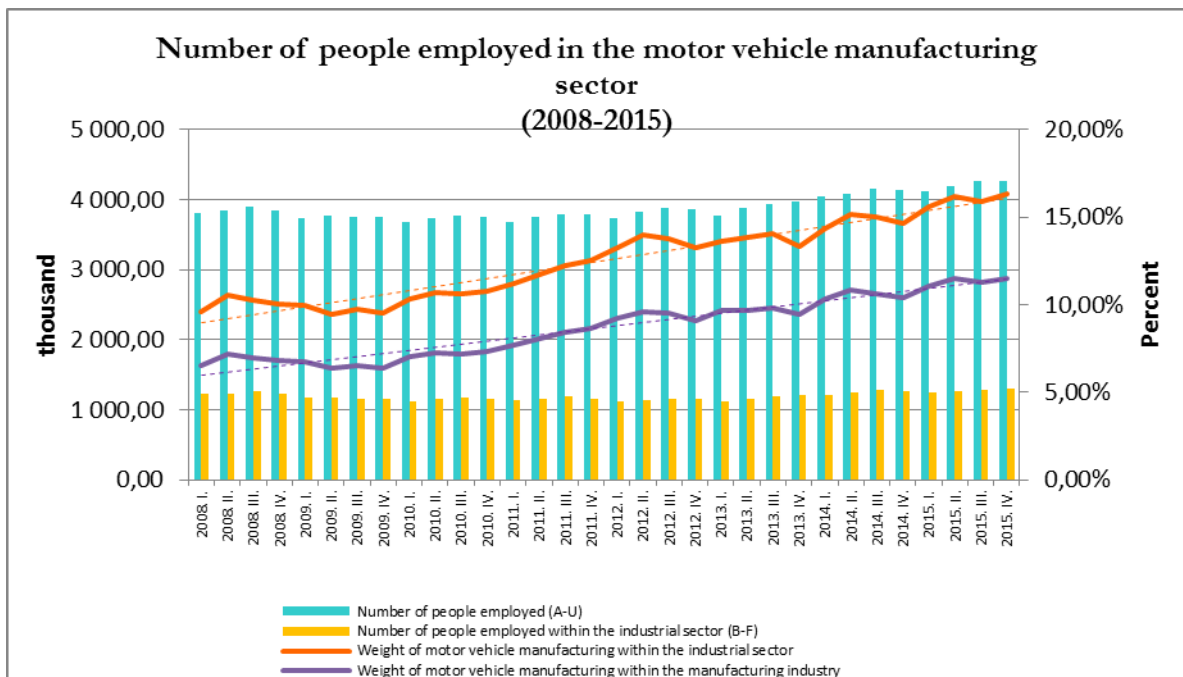


Source: Hungarian Central Statistical Office (KSH)



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When examining **gross added value**, we come, however, to a different result. Although the 20 percent share (in 2014) of output by motor vehicle manufacturers within total manufacturing output is a significant figure, comparison of the two above graphs immediately reveals that in terms of added value the sub sector's weight is more than 6 percent below that of the output indicator. In this regard, the motor vehicle manufacturing sector is lagging other sectors, as high added value activities are usually conducted outside of Hungary, usually at company research centres situated in the homeland of the parent company. That is why it is very important for the Hungarian economy that suppliers make progress in terms of added value and be better integrated in global value chains. R&D centres established and run in Hungary by global motor vehicle manufacturers must also be better incentivized.



Source: Hungarian Central Statistical Office (KSH)

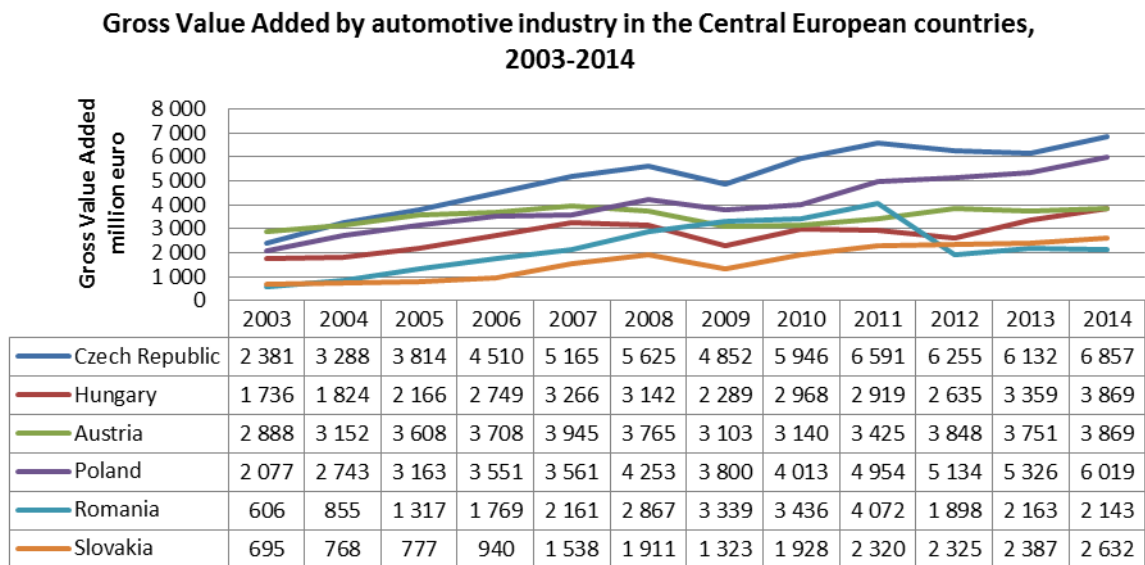
Looking at **employment data** highlights the fact that although employment statistics in general have been improving since the first quarter of 2013, job growth in the industrial sector has been less robust (see yellow column). On the other hand, the sector, which employs more than 150 thousand people, provides higher than average wages and enables higher than average living standards. In addition, the sector has remained attractive for those with technical skills and



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secondary school attainment, as well as engineers: domestic motor vehicle manufacturers have repeatedly topped the ranking of the highest graded employers.

Added value statistics by regions in general and per capita added value data in particular show the excellence of the Czech Republic, a country whose population size is similar to Hungary's, and which produces an indicator double the figure of Hungary or Austria. Poland's respective indicator is also outstanding in the region of Central and Eastern Europe, with value added output valued at slightly more than EUR 6bn in 2014; however, this figure is not extraordinary for a country of 35 million people, when compared to the entire economy.



Source: Eurostat

It is obvious that the manufacturing industry is one of Hungary's leading economic sectors, but data also expose weaknesses and calls attention to the importance of innovation and productivity growth as well as of diversification.