



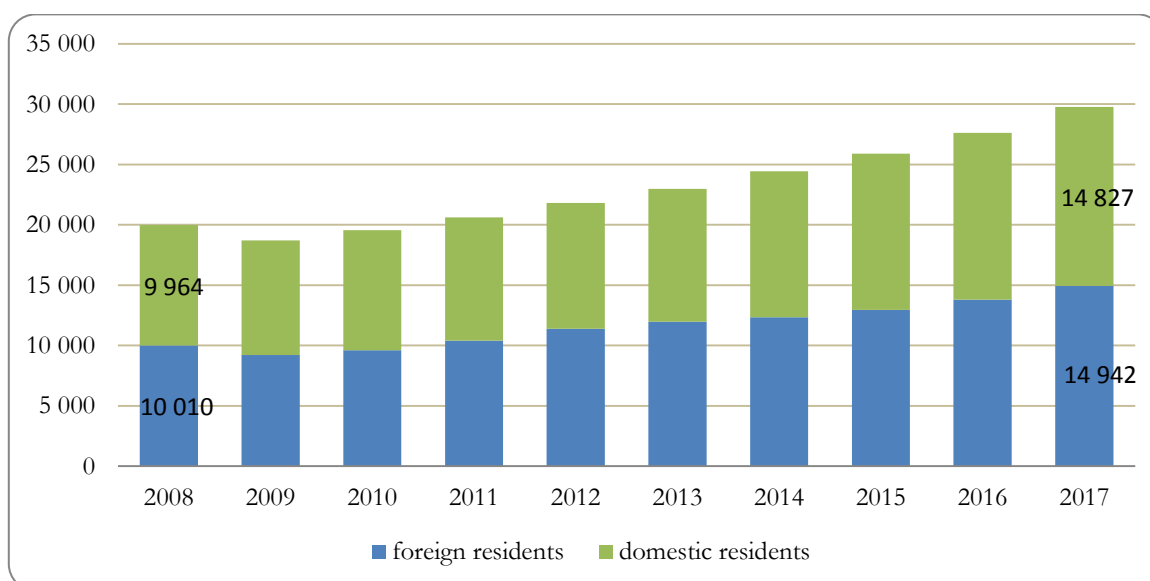
Tourism became a key driver of Hungary's economic growth

The tourism sector has been gaining weight within the Hungarian economy; the sector's performance has been improving steadily since 2013. According to the Hungarian Central Statistical Office (KSH), in 2017 the gross value added of the accommodation services and catering sector increased by 7.4 percent at constant prices, which pace of growth exceeded that of the country's overall GDP. The latest relevant data published earlier this week show that the positive trend continued this year: in the period January-July 2018, the number of tourism nights at accommodation establishments was up by 4.3 percent and gross revenues at these facilities increased by 8.6 percent year-on-year.

The popularity of Hungary as tourism destination has been on the rise among domestic and foreign guests alike. The detailed KSH publication released last week provides a comprehensive overview of the performance of the tourism sector in the year 2017.

The sector produced excellent result last year. 29 million tourism nights were registered at accommodation establishments for business and non-profit purposes, which figure is 9.1 percent higher than it was in 2016. This means an increase of more than 2 million tourism nights over the course of only one year, the majority of which, 1.1 million, were attributable to foreign guests.

Fig. 1: Tourism nights in public accommodation establishments (thousand)





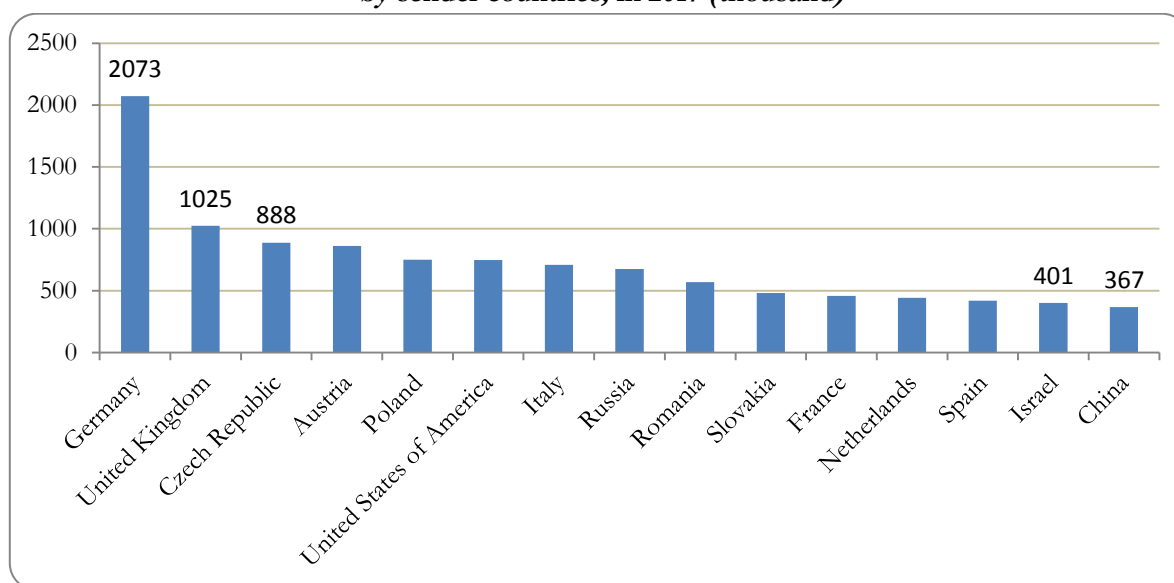
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Source: Hungarian Central Statistical Office (KSH)

The trend was also indisputably positive with regard to arrivals by foreign guests. Compared to data from 2010, the number of arrivals by foreign guests has risen by 38 percent over the past seven years, within which the number of same-day and overnight trips soared by 29 percent and 66 percent, respectively. The number of arrivals for overnights trips by foreign guests totalled 16 million last year. Grand sports events, such as the FINA World Aquatics Championship, have been a key motivator of foreign guests and the driver of growth which well surpassed the good results of recent years. In 2017, spending by foreign guests who visited Hungary grew by 6.3 percent year-on-year, to HUF 1832bn (EUR 5.7bn).

In terms of the number of tourism nights, with 2.1 million Germany tops the list of major sender countries. German guests account for one-seventh of the total number of arrivals by foreigners and one-third of arrivals at Lake Balaton. Next on the list of major sender countries were the United Kingdom, the Czech Republic, Austria, Poland and the United States, which together constituted 29 percent of the total number of tourism nights by foreign guests. In this regard, the United States posted growth of 10 percent. Guests from continents other than Europe accounted for one-fifth of the total figure. Of these, guests from Asia had the largest weight, with 1.6 million tourism nights. However, the countries producing the largest year-on-year growth rates of 30-34 percent, on top of similar increases the year before, were Israel and China (Fig.2).

Fig. 2: Number of tourism nights in public accommodation establishments in 2017 by sender countries, in 2017 (thousand)



Source: Hungarian Central Statistical Office (KSH)



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Among foreign guests, the most popular destinations besides the capital city were spas across the country. The list of locations with the highest number of foreign visitors was the following: Budapest, Hévíz, Bük, Hajdúszoboszló and Sárvár.

Thanks to the rising purchasing power of Hungarians, in 2017 the number of domestic guests and respective tourism nights both increased by 7.2 percent year-on-year at accommodation establishments. Accommodation establishments received 6.2 million domestic guests who produced 14.8 million tourism nights, 1 million more compared to 2016. One-third of this figure was generated in the July-August high season, with more than 2 million tourism nights registered each month. In terms of tourism nights by domestic guests the most popular destinations, in descending order, were Budapest, Hajdúszoboszló, Siófok, Hévíz and Balatonfüred.

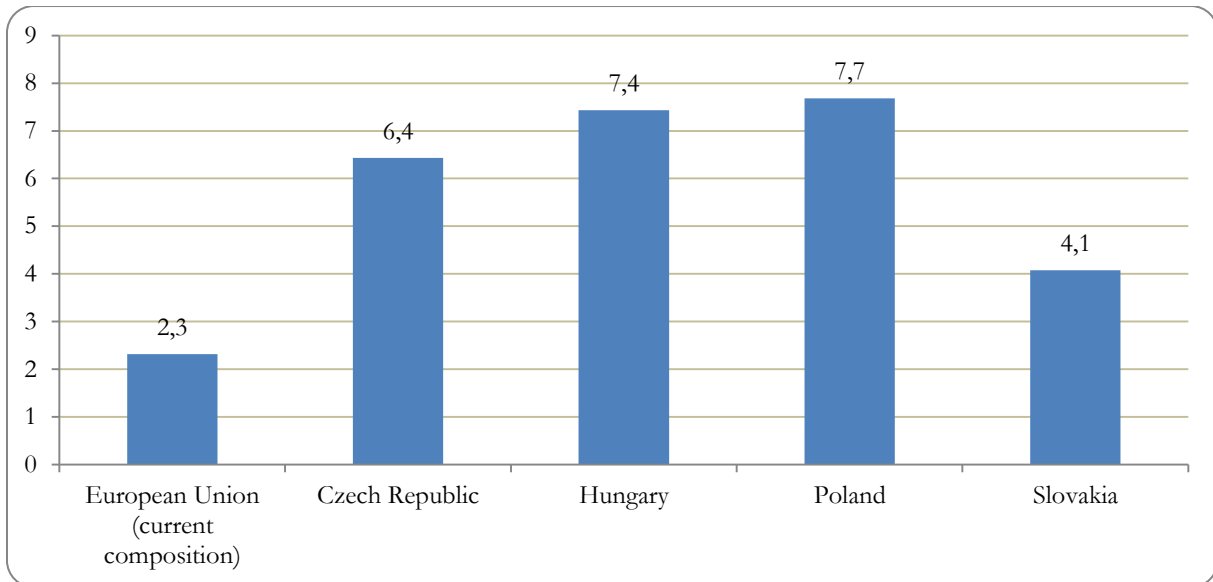
According to the latest data compiled by the KSH, in 2018 the Hungarian tourism sector continued to grow, extending a positive trend observed in recent years. In the period January-July 2018, the number of tourism nights at accommodation establishments increased by 4.3 percent year-on-year, to 17.5 million. The number of tourism nights by foreign and domestic guests at accommodation establishments was up by 4.0 percent and 4.5 percent, respectively. Gross revenues registered at accommodation establishments increased at current prices by 8.5 percent, to a total of HUF 227bn (EUR 709 million).

Hungarian tourism data, in terms of tourism nights, are outstanding even from an EU perspective. Eurostat statistics show that Hungary's 9.1 percent growth rate in 2017 was more than double the EU average of 4.0 percent. Similarly to other Visegrad Group countries, the Hungarian tourism sector is expected to have another boom year in 2018. In light of currently available data, in the first five months of 2018 the only country where accommodation establishments posted a larger growth in terms of tourism nights than Hungary was Poland (Fig.3).



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**Fig. 3: Increase in nights spent at tourist accommodation establishments in V4 and EU28
(%, Jan-May 2018, 100%=same period of previous year)**



Source: Eurostat

The sector's robust and continuous expansion in recent years has turned tourism into a major growth engine of the Hungarian economy, adding EUR 3.3bn to Hungary's external balance of payments last year. Accordingly, the Government of Hungary regards the sector as a priority. The National Tourism Development Strategy 2030 adopted last year aims to raise the share of Hungary's tourism sector within the country's GDP, the value added through direct and indirect inputs, to 16 percent over the next 13 years. In addition, in the given period, the Strategy envisages a two-fold increase in the number of tourism nights at accommodation establishments and the upgrading of 1000 accommodation and catering facilities. The Kisfaludy Programme, the most extensive tourism development blueprint of all time which aims to help achieve these objectives, was launched in 2017. Under the 14-year Programme with an overall budget of HUF 300bn (EUR 930 million), some 700 Hungarian boarding houses and hotels have hitherto received funds for development projects.