



HUNGARIAN  
INVESTMENT AND  
TRADE AGENCY



# Invest in Hungary

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Investment and Trade Agency



## Hungary- overview

|                      |   |
|----------------------|---|
| EU                   | Eu member since 2004  |
| GDP                  | GDP growth 2011 Q3: 1.4%<br><i>Gov. forecast for 2012: +0.5%</i>                  |
| Output               | Export growth (Q3 2011): +7.6%<br><i>Industrial production growth 2011: 5.8%</i>  |
| Employment and wages | Average gross wage: € 754,8 (Q3 2011)*<br><i>Unemployment rate 2011 Q3: 10.6%</i> |
| Inflation            | Inflation rate 2011: 3.9%   |
| Budget Balance       | 2011: +3.5%   |



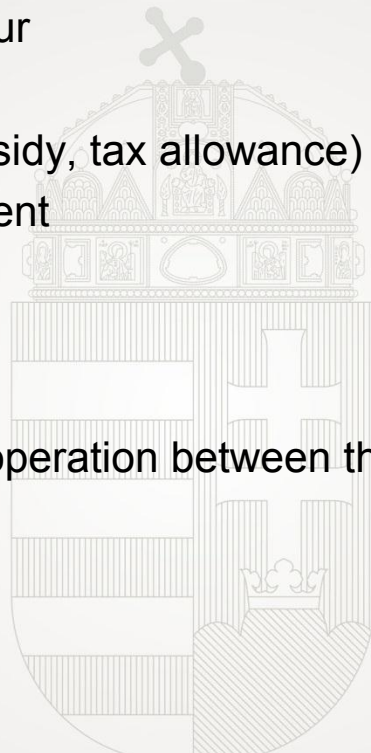
\*Exchange rate: 1 €= 274,9 HUF (average of Q3 2011)

Source: MNB, KSH, Convergence Programme



# Why Hungary?

- Well-qualified, relatively cheap labour
- Great logistics
- Governmental incentives (cash subsidy, tax allowance)
- Investment friendly policy environment
- Competitive tax system
- Business environment
- Extensive local supplier network
- Long and successful tradition of cooperation between the universities and the producers in *R&D*





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# Labour force

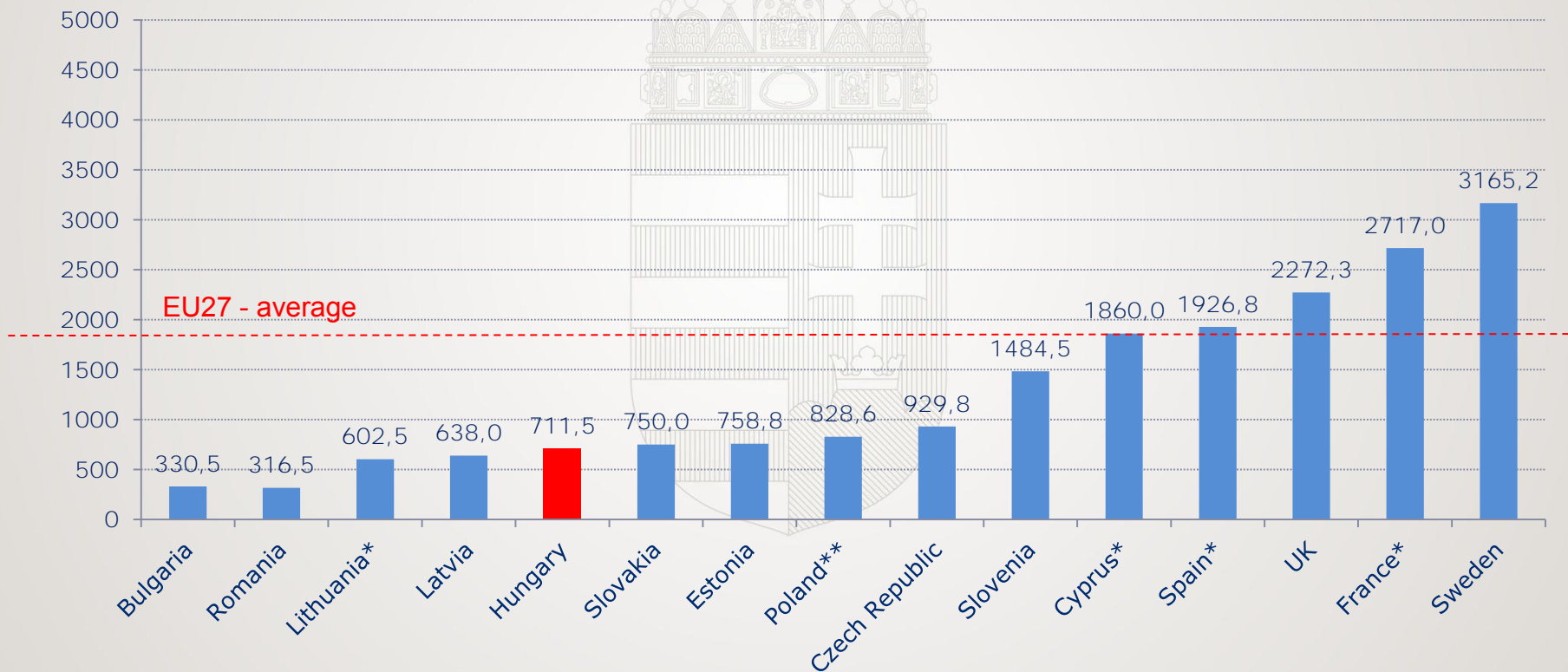




# Competitive average wages



## Monthly gross average wages in EUR in Q3 2010



Data as of: \* Q2 2010,  
\*\* H1 2010





## Income and working hours of car mechanics

- Competitive earnings and long working hours of professions from the automotive sector

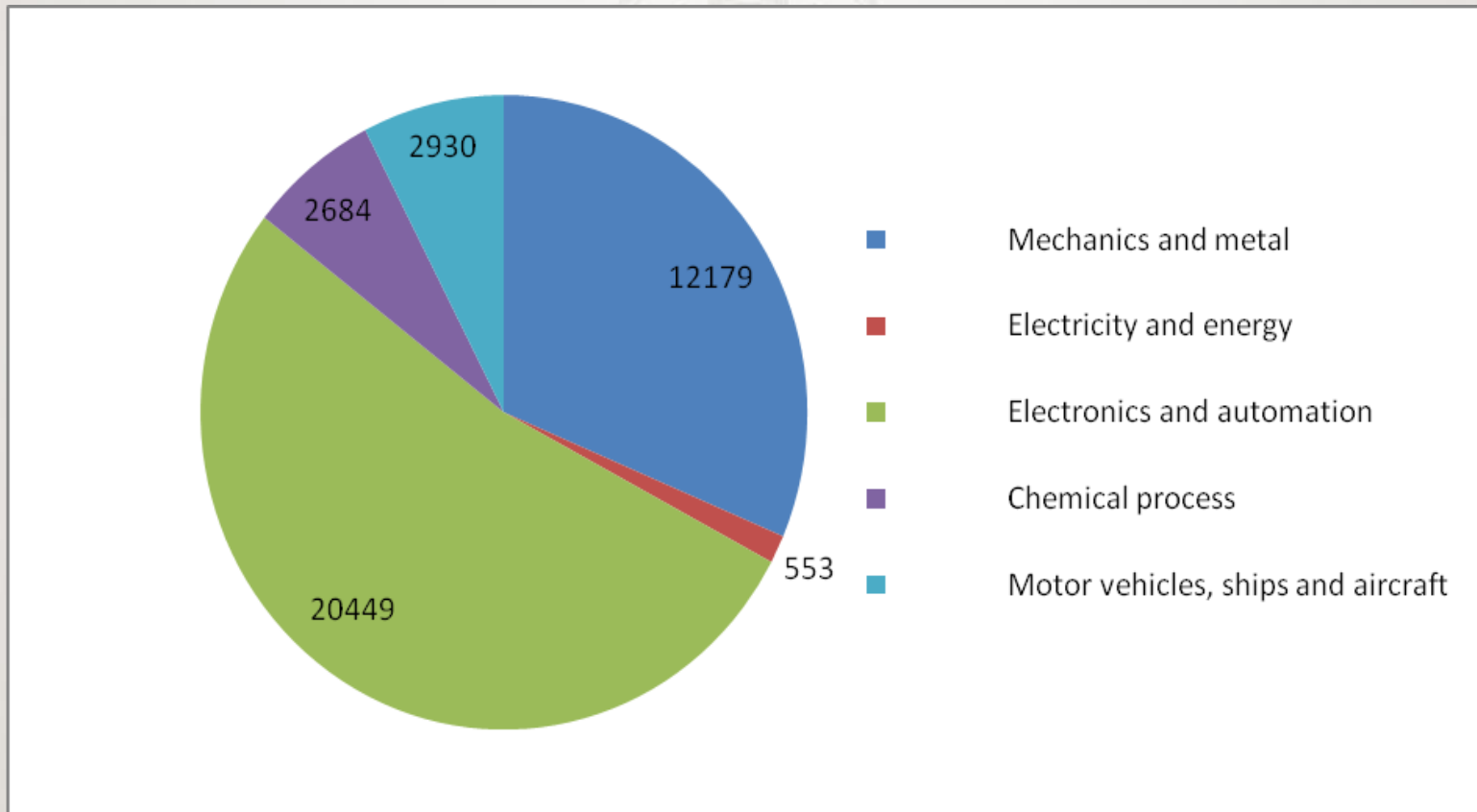
| City            | Gross income per year in USD | Weekly working hours |
|-----------------|------------------------------|----------------------|
| Tokyo           | 40,900                       | 44                   |
| New York        | 40,700                       | 40                   |
| London          | 31,200                       | 39                   |
| Vienna          | 31,100                       | 40                   |
| Berlin          | 30,200                       | 39                   |
| Ljubljana       | 17,800                       | 42                   |
| Prague          | 12,700                       | 42                   |
| Bratislava      | 10,700                       | 40                   |
| Warsaw          | 9,700                        | 35                   |
| Bucharest       | 8,400                        | 40                   |
| <b>Budapest</b> | <b>8,400</b>                 | <b>43</b>            |

Source: UBS, Wealth Management Research, Prices and Earnings, 2009



## Access to a highly-qualified labour pool

Number of engineering students in tertiary education  
in academic year 2010/2011





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# Logistics





## Location

**A market of 250 million people within 1000 km, EU: common market of more than 500 million**



- Hungary is the perfect location for distribution within Central Europe, Eastern Europe, South-Eastern Europe, and CIS countries
- 7 country borders; 20 neighbouring countries within 1.000 km



## Excellent access to key markets

- At the cross roads of 4 main European transportation corridors
- Extensive road and railway transportation network
- Highly developed logistics and telecommunications infrastructure





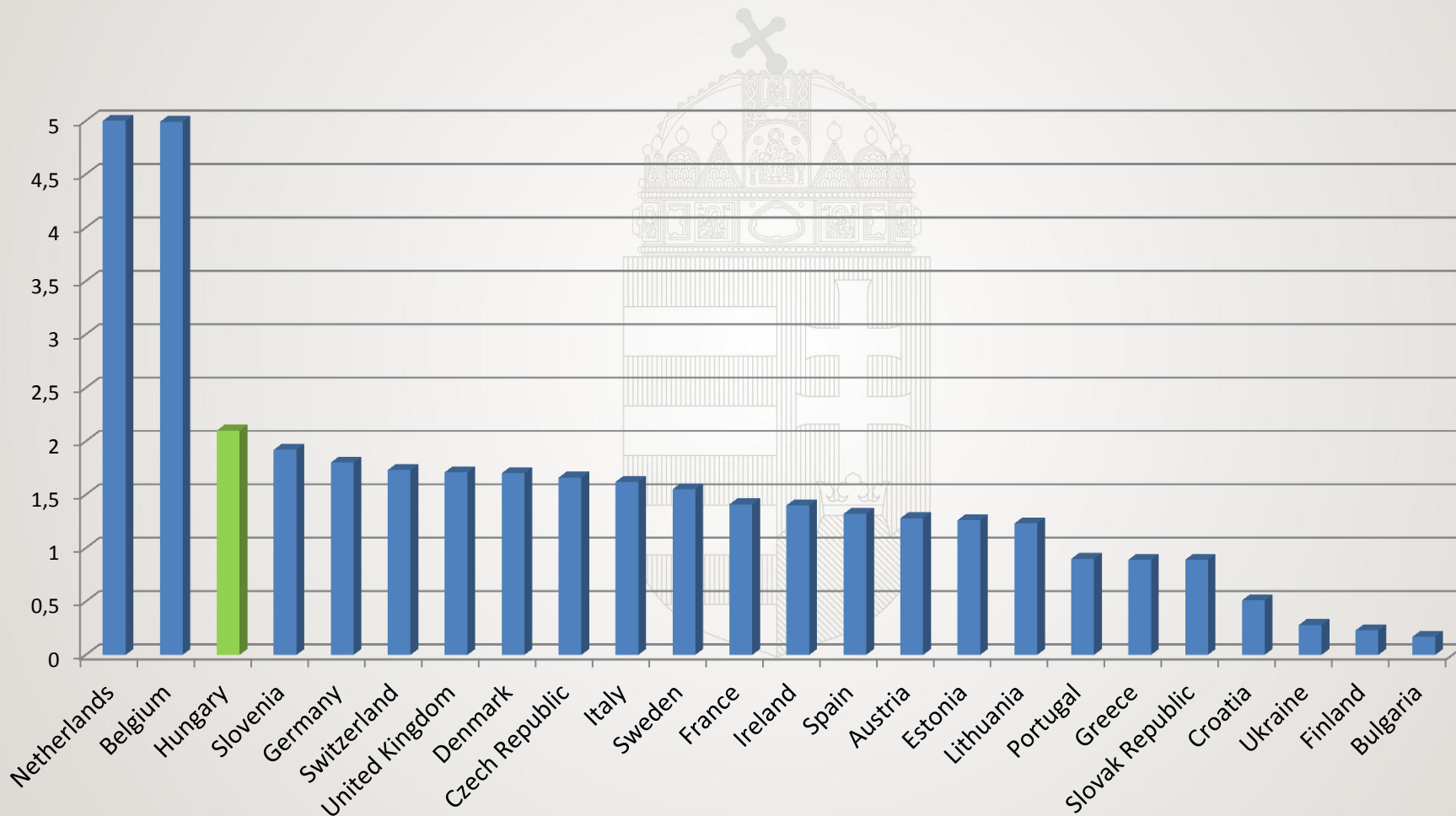
# Quick access to different markets







# Road density (km per square km)



Source: IMD, World Competitiveness Yearbook, 2009



# More than 210 industrial parks are available for manufacturing activity

## Ready-made industrial sites



- Green- and brownfield investments
- Good access to highways
- Excellent infrastructure services
- Turnkey solutions
- New technology and logistical parks
- Warehousing
- Customs arrangements
- Forwarding
- Administration (authority permits)
- Financial services
- Legal consulting
- Extra services



*Nyíregyháza, IP*



*Tatabánya, IP*

*30% of Hungarian GDP today is already produced by companies in industrial parks - sites favoured by multinational companies.*



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# Available incentives for investment

## Cash grants

- Cash subsidy based on the decision of the Hungarian Government (min. 50 new jobs)
- EU co-financed tenders (investment volume min. EUR 1 M)

## Development tax allowance

- investment volume min. EUR 10.34 M (HUF 3 B) and min. 150 new jobs
- Investment volume min. EUR 3.44 M (HUF 1 B) and min. 75 new jobs in preferred regions or for SMEs

## Training subsidy

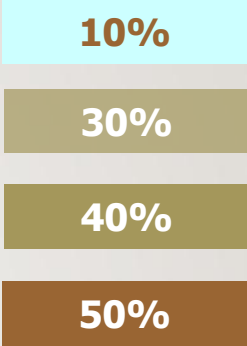
- max. EUR 1 M (approx. HUF 290 M) if job creation is between 50-500
- max. EUR 2 M (approx. HUF 580 M) if job creation >500

## Job creation subsidy

- EUR 1.17 M (HUF 340 M) per project



# Regional aid intensity



+ 10 % for medium enterprises  
+ 20 % for small enterprises

| Investment band                           | as percentage of the intensity ratio |
|---|--------------------------------------|
| Up to EUR 50 million                      | 100 %                                |
| For the part between EUR 50 – 100 million | 50 %                                 |
| For the part over EUR 100 million         | 34 %                                 |



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# Policy environment



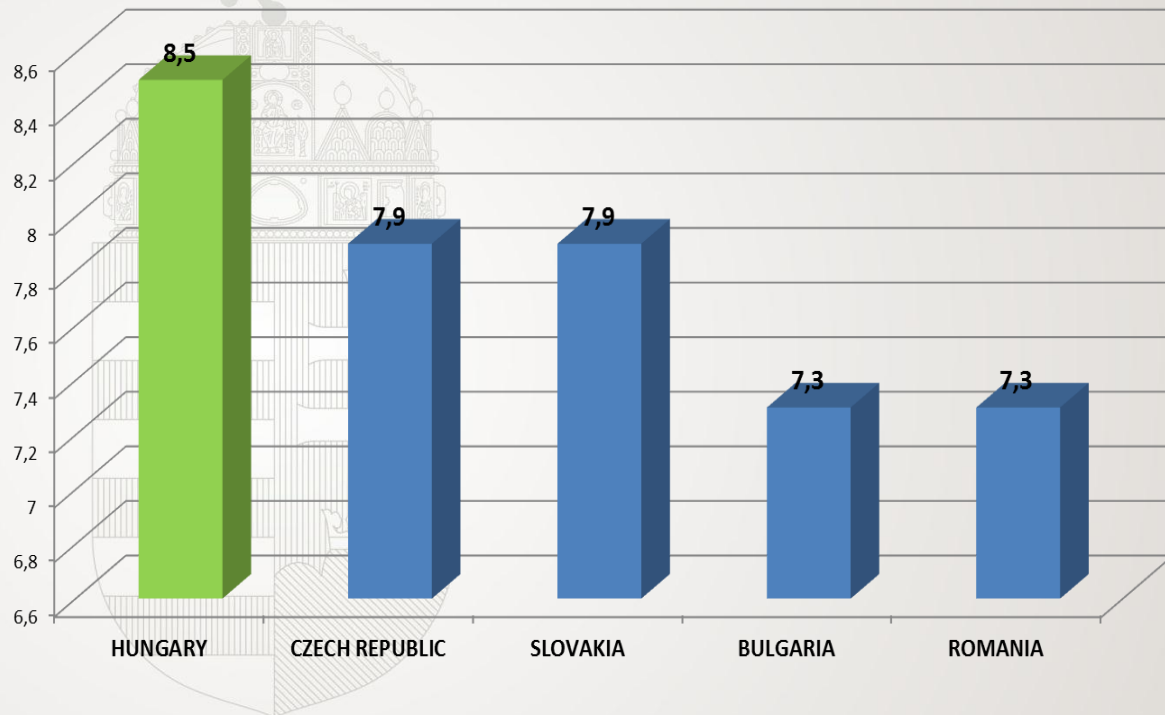


## Policy environment

### Recent governmental measures for competitiveness

- New constitution guaranteeing reduction of state debt
- New labour code in favour of employers
- New act on vocational training in favour of business needs

### EIU rating: policy environment for foreign investment (1-10)



The EIU's policy towards foreign investment rating scores countries between 1 and 10 on a variety of measures including government policy and the risk of expropriation, with 1 being low and 10 being high.

Source: *Economist Intelligence Unit Database, data from 2010*



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# Tax system



# Competitive tax system

- **Low corporate income tax:**
  - rate for the first HUF 500 million of the tax base is 10%
  - beyond HUF 500 million, it is 19%
  - Tax incentives and allowances (development tax allowance, R&D incentives etc.)

- **Flat personal income tax:** 16%

## European countries Corporate income tax

|                |               |
|----------------|---------------|
| France         | 33.33%        |
| Spain          | 30.00%        |
| Germany        | 29.44%        |
| UK             | 28.00%        |
| Greece         | 25.00%        |
| Czech Republic | 19.00%        |
| Slovakia       | 19.00%        |
| Poland         | 19.00%        |
| <b>Hungary</b> | <b>10-19%</b> |

## Asian countries Corporate income tax

|             |        |
|-------------|--------|
| Japan       | 40.69% |
| Malaysia    | 25.00% |
| China       | 25.00% |
| South Korea | 24.20% |
| Singapore   | 17.00% |





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# Business Environment





# Expats like Hungary

- **International schools in Budapest**  
British, American, German, French, Chinese, Japanese, Austrian etc.
- **Private medical services**  
Well-known across Europe
- **Entertainment facilities**  
Thermal baths, wellness, recreation centres throughout the country  
Public golf courses  
Rich cultural life  
Excellent food and wine





## Latest investment decisions in 2011

- **AGCO**, USA, shared service center
- **Audi**, Germany, car production
- **BBCA**, China, chemical industry
- **DHL**, Germany, shared service center
- **Hanaro TNS**, Korea, logistics
- **Huawei**, China, logistics
- **KBC**, Belgium, ICT
- **LEGO**, Denmark, toy manufacturing
- **Mivisa**, Spain, logistics
- **Modine**, USA, automotive industry
- **Motivating Graphics**, USA, packaging industry and graphical creation





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# Leading Sectors







# Leading sectors in Hungary

Automotive industry



Electronics

Creative /Innovative industries



Green industries



Services

Health /Medical industry



Agriculture /Food industry





## Booming automotive sector

- At the cross roads of 4 main European *transportation* corridors - Ideal logistical center e.g.: for the automotive and electronics industry (More than 90% of Hungary's automotive production goes for export)
- Success stories:
  - Bosch operates its largest plant globally in Hungary.
  - Audi Hungaria Motor Ltd operates the second largest engine production plant in the World (1<sup>st</sup> in the number of different models)
  - GM's Global Recognition Award went to the Hungarian plant, Szentgotthard
- Audi in Győr produces engines for all brands in the VW Group.
- Mercedes has picked Hungary as its first manufacturing facility outside Germany.



Mercedes-Benz

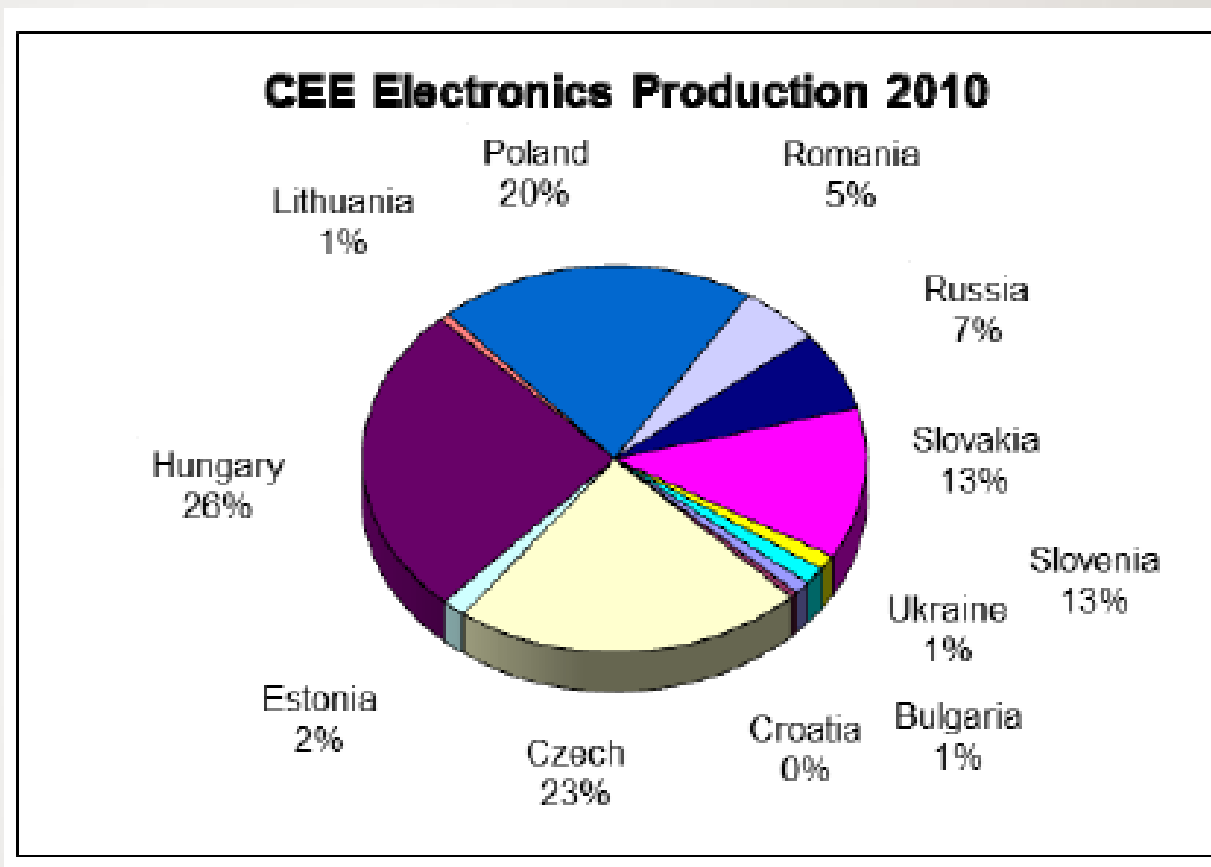
DAIMLER



## Hungary: the largest electronics producer in Central and Eastern Europe

### ***Dominant subsectors:***

- Consumer electronics
- Computing
- Communications
- Components (Automotive electronics)
- Subsector of dynamic growth: Medical electronics



Source: *European Electronic Markets Forecast, August 2011, Reed Electronics Research*



# Electronics sector at a glance

- Hungary is the second largest electronics exporter in the region\* by providing 28.6% of the sectoral export performance
- Share of electronics in GDP: 3.84%\*\*
- Export ratio: 92%



\* Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia

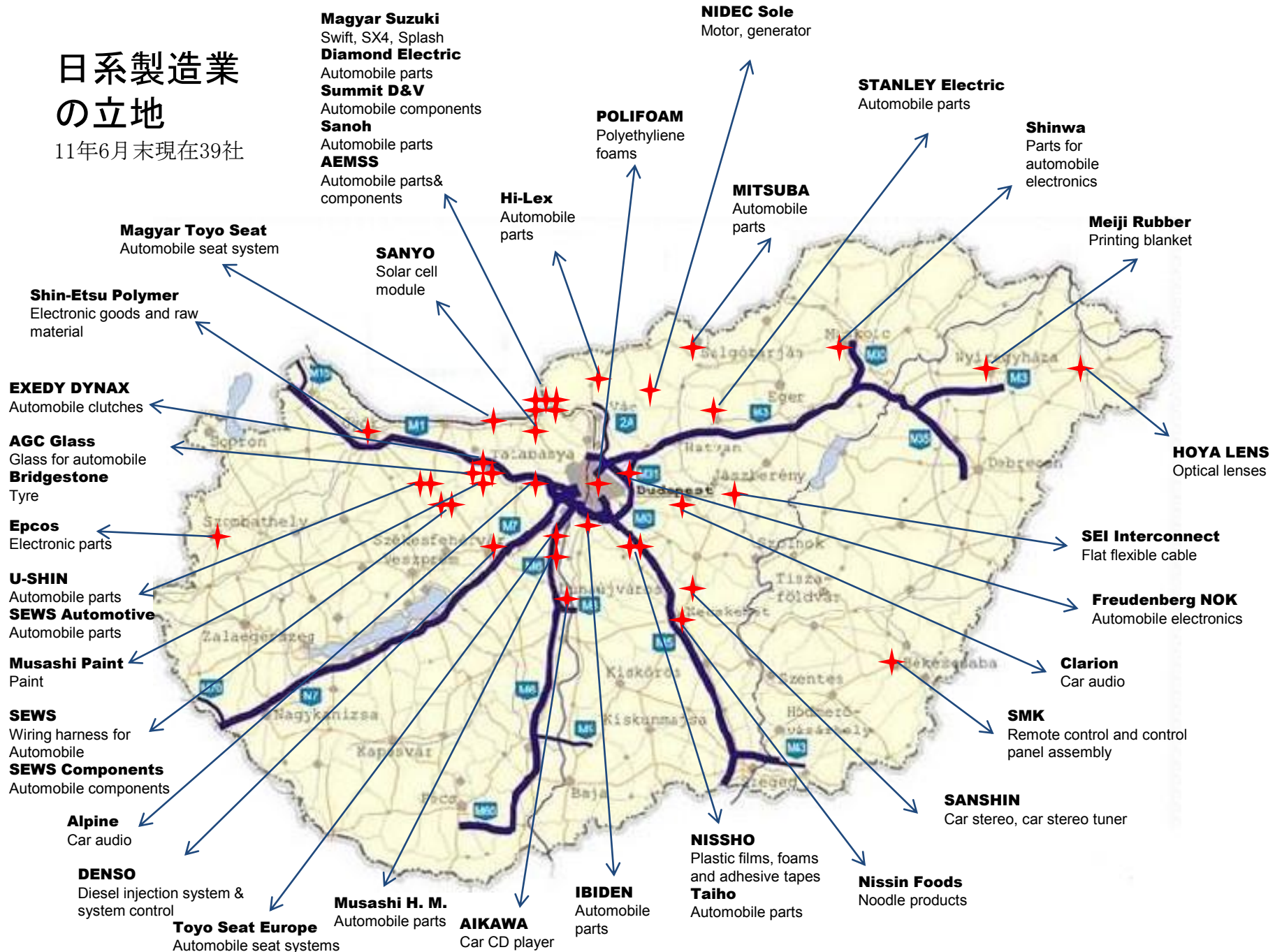
\*\* excluding electrical and electronic equipment for motor vehicles

Source: KSH, EC, data from 2010



# 日系製造業 の立地

11年6月末現在39社





# Introducing HITA

Newly founded by the Hungarian Government to implement foreign economic strategy (operating since January 2011)

Former agency: ITD Hungary (the legal form has changed, the tasks are the same), two institutions in one: trade development and investment promotion

The supervising body of HITA is the Ministry for National Economy

Headquarters in Budapest, regional offices in Hungary and linked to 61 offices around the world

150 employees, mainly consultants on sectorial basis



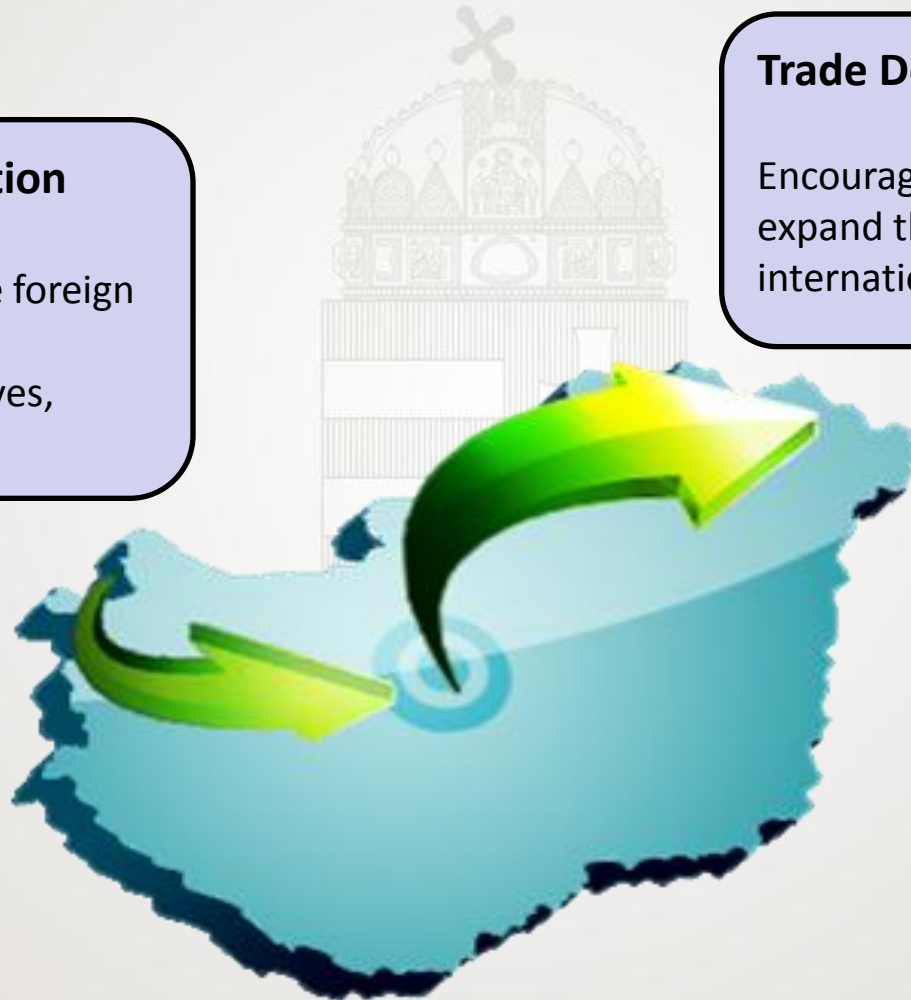
# Main tasks of the agency

## Investment Promotion

Promote and facilitate foreign investments (project management, incentives, supplier programme)

## Trade Development

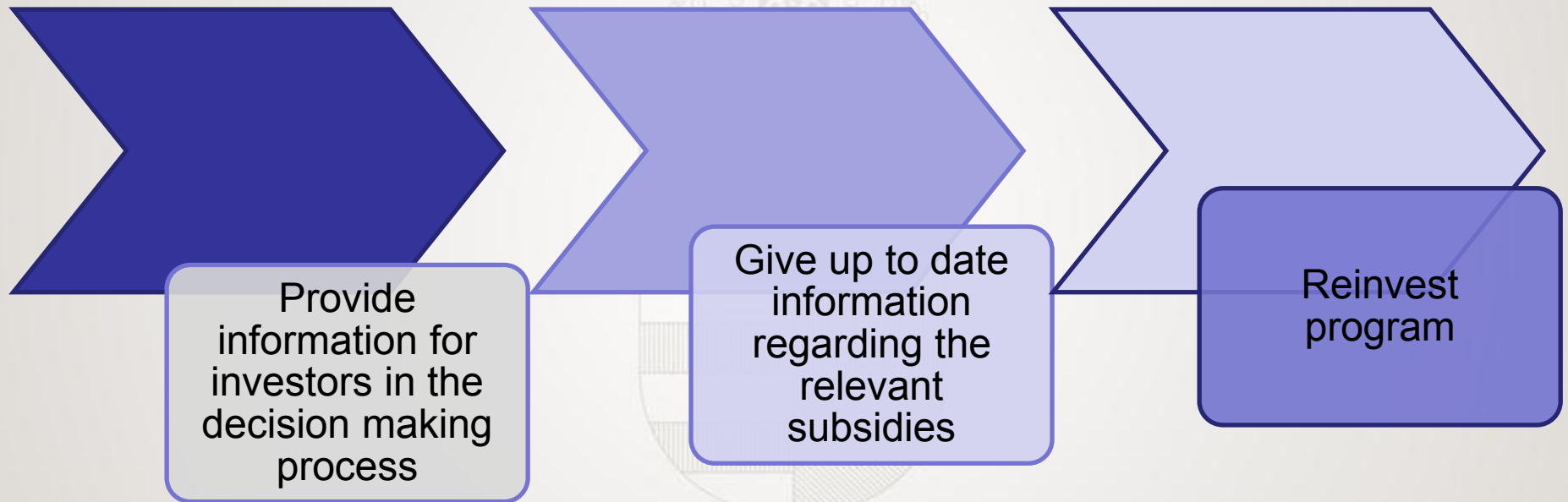
Encourage Hungarian SMEs to expand their activities on an international level







# Investment promotion services







# Project Management

## Pre-decision

- Information packages
- Assistance in location search and evaluation, site visits
- Partner meetings

## Implementation

- Site selection assistance
- Assistance with incentives agreements

## Operations

- Expansion assistance
- After care services
- Intermediary body between the government and the companies

**OUR MISSION** is to win new investments into Hungary and support the expansion of the already settled ones.





# Offices

## Domestic network

Central office: Budapest

15 regional offices outside Budapest covering  
the whole country



## Foreign network

61 foreign offices in 47 country all over the  
world

74 trade and investment counsellor



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**We are looking forward to assist you.**

**For further information, please contact:**

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