16.12.2022

HIPA Guide

HIPA Hungarian Investment Promotion Agency Non-Profit Private Company Limited by Shares

ECONOMIC ANALYSIS DEPARTMENT

Contents

Closed on 16 December 2022

Summary

- GDP growth in 2022 Q3 can be explained mostly by the expansion in the performance of services, industry and construction.
- For both 2022 and 2023, the IMF and the OECD expect Hungary to have the most dynamic economic growth among the V4 countries.

GDP
Gross domestic product volume: +4.0% (2022 Q3)
Prognosis (2022): +5.5% (EC), +5.7% (IMF), +6.0% (OECD)

- In the first ten months of 2022, the production value of the manufacturing industry amounted to HUF 42,878.4 billion
- Hungary's manufacturing production volume index exceeded the EU average in every single month of 2022, and by regional comparison it is in the middle range.

Manufacturing industry
Share of added value in the national economy: 20.0% (2021)
Production value: +33.9% (months 1–10, 2022)

- In the first nine months of 2022, 25.2% of Hungarian goods exports and 21.3% of goods imports were with Germany.
- In January–September 2022, the largest foreign trade surplus was achieved within the EU with Germany (EUR 2.9 billion) and outside the EU with the United Kingdom (EUR 2.4 billion).

Foreign trade
Goods exports: +19.8%, EUR 105.3 billion (months 1–9, 2022)
Goods imports: +30.0%, EUR 111.1 billion (months 1–9, 2022)

- In November 2022, the consumer price index in most Central European countries was above the EU average (11.1%).
- In January–November 2022, consumer prices in Hungary rose by an average of 13.6%.
- According to the MNB, the annual average inflation in Hungary may decrease to 11.5–14.0% by 2023 and to 2.5–4.0% by 2024.

Inflation
Consumer price index: 22.5% (annual, month 11, 2022)
Annual average inflation: 11.5–14.0% (prognosis, 2023)

- In 2021, among the EU member states, Hungary had the fourth lowest average labour costs in the competitive sector (EUR 11.0/hour).
- In ten years, Hungarian employment increased by the second largest rate (+12.3 percentage points) among the member states.
- The Hungarian unemployment rate in 2022 Q2 of 3.2% is barely half of the EU average and the fifth lowest among the member states.

Labour market
Gross average earnings in the competitive sector: HUF 506,200 /month (months 1–9 of 2022)
Gross amount of minimum wage: +16.0%, HUF 232,000/month (2023)

1. Economic growth

In the third quarter (Q3) of 2022, the volume of the gross domestic product in Hungary increased by 4.0% compared to the same period of last year[1], which is mostly explained by the expansion in the performance of services, industry and the construction industry. At the same time, it is important to mention that the weather, which brought little precipitation and severe drought during the summer months hindered the cultivation of all crops and caused a significant increase in expenditure while making animal husbandry difficult. As a result, the performance of agriculture significantly moderated the growth rate.[2]

In the third quarter of 2022, on the production side, the added value of the industry increased by 9.6% (including the manufacturing industry by 10.6%) on an annual basis. The expansion of the manufacturing industry can mainly be attributable to an increase in the production of road vehicles and electrical equipment. The performance of the **construction industry** has been on a continuous upward trajectory starting from the second quarter (Q2) of 2021, after **having also increased by 1.8% in the July–September period of 2022.** However, the added value of agriculture decreased by 39.3%.[3]

The gross added value of services increased by 5.6%, driven mainly by transport and storage (11.5%), professional, scientific, technical and administrative activities (10.6%), furthermore, there was also an increase (6.4%) in the performance of the national economy branch of accommodation and hospitality. **Services contributed by 3.4, industry 1.7, and the construction industry 0.1 percentage points to the 4.0% growth in GDP in the third quarter of 2022.** In contrast, **the agricultural sector decreased the balance sheet by 1.8 percentage points.**[4]

In respect to consumption, the actual consumption of households increased by 4.2% compared to the third quarter of 2021. The consumption spending of households continued to increase – this time by 4.1% –, this is also demonstrated by the increase in the volume of retail trade. This increase in consumption spending is mostly due to wage increases, the government's one-time income-enhancing measures, and increased consumption due to cheap petrol. It is also worthy of note that the volume of investment in construction increased more than investment in machinery and equipment. This can largely be explained by the fact that, while the volume of developments in the manufacturing industry and property transactions increased significantly, the volume of developments in the transport and storage sector decreased.[5]

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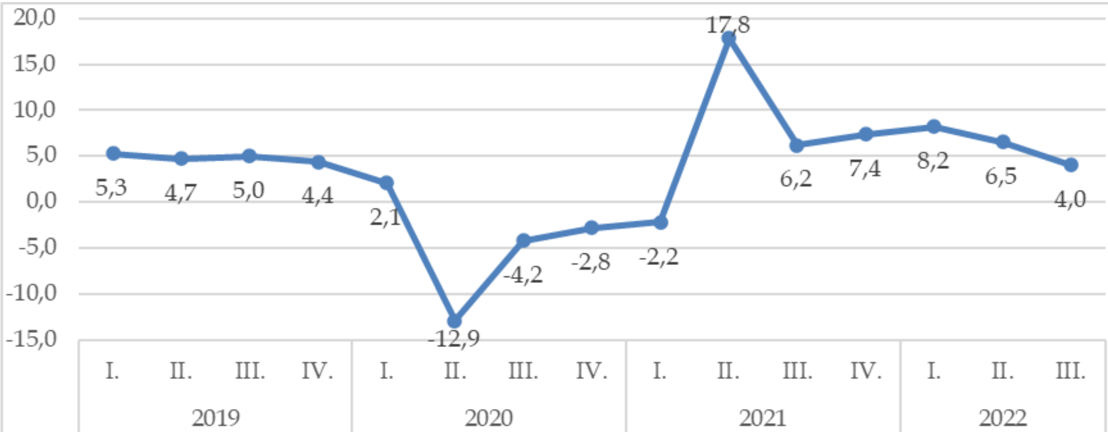
[1] Source: KSH [Hungarian Central Statistical Office]
[2] Source: KSH [Hungarian Central Statistical Office]
[3] Source: KSH [Hungarian Central Statistical Office]
[4] Source: KSH [Hungarian Central Statistical Office]
[5] Source: KSH [Hungarian Central Statistical Office]

All in all, **the balance of foreign trade contributed 2.5 and final consumption 2.3 percentage points to the growth of the gross domestic product in the third quarter of 2022. In contrast, gross accumulation held it back by 0.8 percentage points.**[6]

GDP growth in Hungary (percentage, compared to the same period of the previous year, based on unadjusted, raw data)



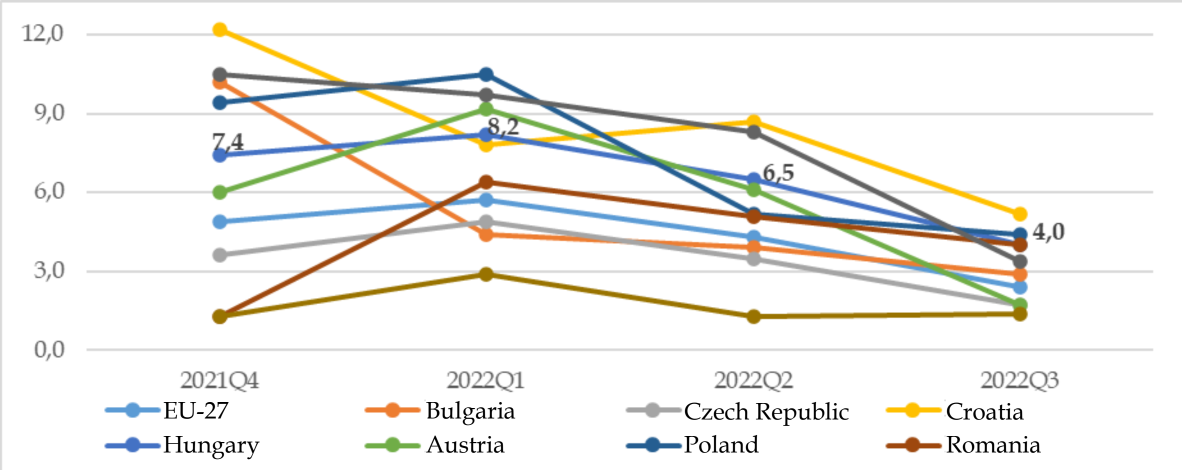
Source: KSH [Hungarian Central Statistical Office][7]

There are several factors behind the economic growth in 2022. On the one hand, the service sector had not fully recovered in July–August 2021 after the closures following the pandemic, so a lower base is also behind the good results. On the other hand, in 2022, factories did not shut down or switch to reduced working hours due to supply chain disruptions or the Russian–Ukrainian war.

Compared to the first quarter (Q1) of 2022, economic growth was reduced everywhere in the region. According to Eurostat data, an increase of 1.4% in Slovakia, 1.7% in the Czech Republic, and 4.4% in Poland was registered among the Visegrád countries in the third quarter of 2022. Overall, the Central and Eastern European countries finished in the middle half of the European ranking, and with the exception of Austria, the Czech Republic and Slovakia, they performed better than the EU average.[8]

GDP growth of regional countries on an annual basis (percentage, 2021 Q4–2022 Q3)

[6] Source: KSH [Hungarian Central Statistical Office]
[7] Source: KSH [Hungarian Central Statistical Office]
[8] Source: Eurostat



Source: Eurostat[9]

There are numerous risks and uncertain factors that need to be reckoned with in the upcoming period. In Hungary, growth prospects are basically determined by when the government and the European Union can reach a final agreement on the rule of law issues, and after that when and to what extent EU funds will be available again.

Economic expansion could be negatively affected by the energy crisis and the development of energy prices, as well as by inflation that remains at a high level. Due to the latter, disposable income may decrease in real terms, which may mean a reduction in consumption. The significantly increased energy prices have and continue to represent a grave problem not only for the population, but also for companies, and ever-slowing lending will moderate investment in the private sector, while the rescheduling of state developments also has a negative effect on investment activity.

GDP growth of regional countries (percentage, forecast)

Country	IMF		European Commission		OECD	
	2022	2023	2022	2023	2022	2023
Hungary	**5.7**	**1.8**	**5.5**	**0.1**	**6.0**	**1.5**
Euro zone	**3.1**	**0.5**	**3.2**	**0.3**	**3.3**	**0.5**
Austria	4.7	1.0	4.6	0.3	4.5	0.1
Bulgaria	3.9	3.0	3.1	1.1	2.8	1.7
Czech Republic	1.9	1.5	2.5	0.1	2.4	-0.1
Croatia	5.9	3.5	6.0	1.0	6.4	0.8
Poland	3.8	0.5	4.0	0.7	4.5	0.9
Romania	4.8	3.1	5.8	1.8	6.5	1.4
Slovakia	1.8	1.5	1.9	0.5	1.6	0.5
Slovenia	5.7	1.7	6.2	0.8	5.0	0.5

Source: IMF[10] , European Commission[11], OECD[12]

[9] Source: Eurostat
[10] Source: IMF
[11] Source: European Commission

According to the anticipation of international organizations, **the economic growth of the countries of the region will reach at least 1.6% in all of the countries in 2022.** The table shows that in 2023, economic growth can be expected to slow down everywhere in the region. In addition to the declining internal demand, the worsening external demand and the decrease in production due to the increase in company operating costs are also among the downside risks. **It must be pointed out that for both 2022 and 2023, the IMF and the OECD expect Hungary to have the most dynamic economic growth among the V4 countries.**

2. Manufacturing industry

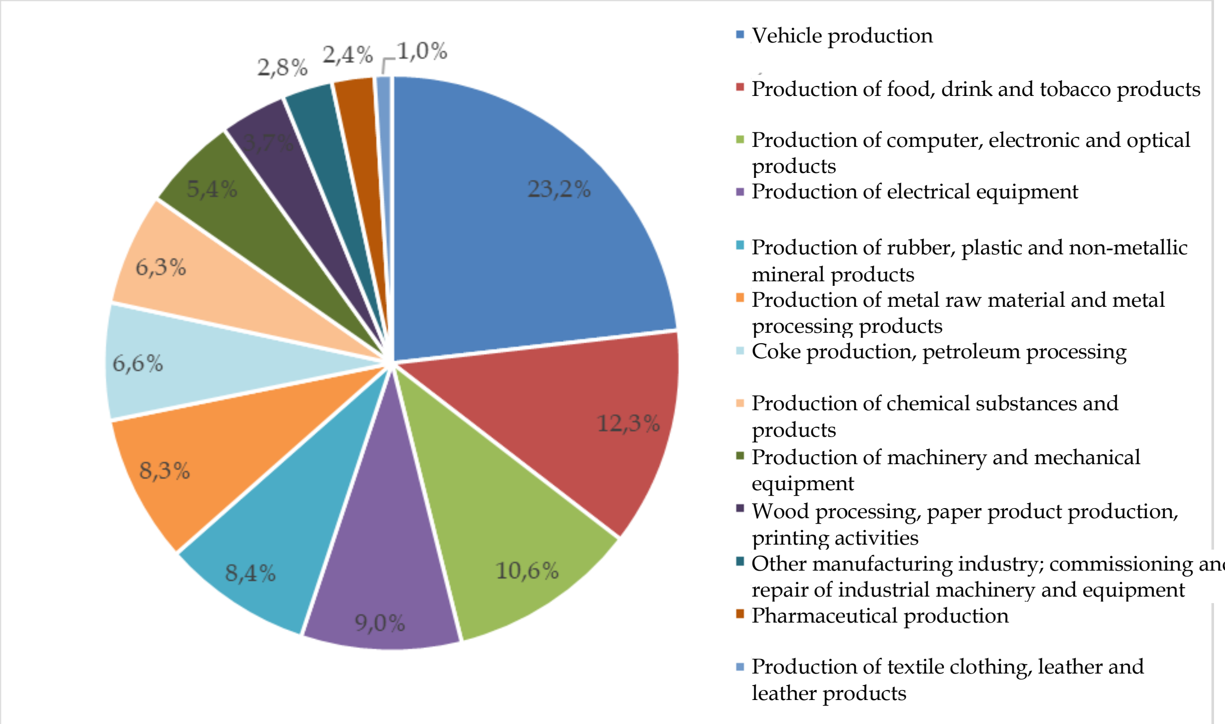
In 2021, the added value of the manufacturing industry reached 20.0% of the total added value of the national economy.[13]

In 2021, the total production value of the manufacturing industry reached HUF 38,989.4 billion, which represents an increase of 19.2% compared to 2020, and based on the volume index, the increase was 9.0%.[14]

In the first ten months of 2022, the production value of the manufacturing industry amounted to HUF 42,878.4 billion, which corresponds to an increase of 33.9% compared to the same period of 2021, while the increase in volume reached 6.5%. Vehicle manufacturing accounted for 23.2%, the food industry accounted for 12.3%, and computer, electronic and optical product manufacturing accounted for 10.6% of the production value.[15]

Distribution of manufacturing industry production by sub-sector (January–October 2022)

[12] Source: OECD
[13] Source: KSH [Hungarian Central Statistical Office]
[14] Source: KSH [Hungarian Central Statistical Office]
[15] Source: KSH [Hungarian Central Statistical Office]



Source: KSH [Hungarian Central Statistical Office]

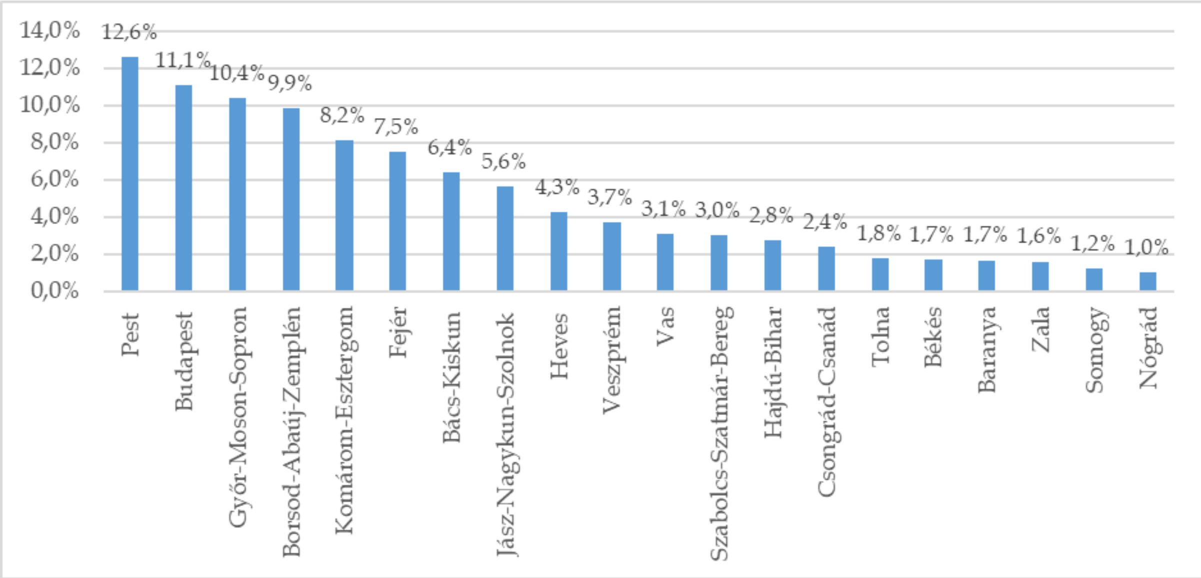
Examining the volume index of production, in the period January–October 2022, the highest expansion was achieved by the manufacturing of electrical equipment (+30.9%), followed by vehicle production (+11.8%), and in third place by the manufacturing of computer, electronic and optical products sub-sector (+11.7%). **However, a decrease was recorded in 4 of the 13 manufacturing industry sub-sectors.** The biggest decline, i.e., 9.1%, was suffered by the chemical material and product-manufacturing sub-sector, which was followed by coke production and petroleum processing with a 6.6% decrease. The third largest decline was recorded in the metal industry (-2.7%).[16]

Examining the territorial distribution of total industrial production, **based on the data for the period January–October 2022, sixteen counties were able to show growth**, the largest in **Komárom-Esztergom County by 28.4%,** in Pest County by 13.6%, while in Baranya County **the volume of industrial production increased** by 11.4%. **On the contrary, the volume of production decreased by 11.1% in Zala County,** while industry performance dropped by 5.5% in Tolna County, and by 4.5% in Somogy County.[17]

In respect to industrial production in Hungary, the counties of Pest, Budapest and Győr-Moson-Sopron should be noted since in total the three territorial units accounted for more than a third of the total industrial output in the period January-October 2022. The lowest weight was represented by the counties of Nógrád, Somogy and Zala, with shares of 1.0%, 1.2% and 1.6%, respectively.

Distribution of industrial production by county (January–October 2022)

[16] Source: KSH [Hungarian Central Statistical Office]
[17] Source: KSH [Hungarian Central Statistical Office]

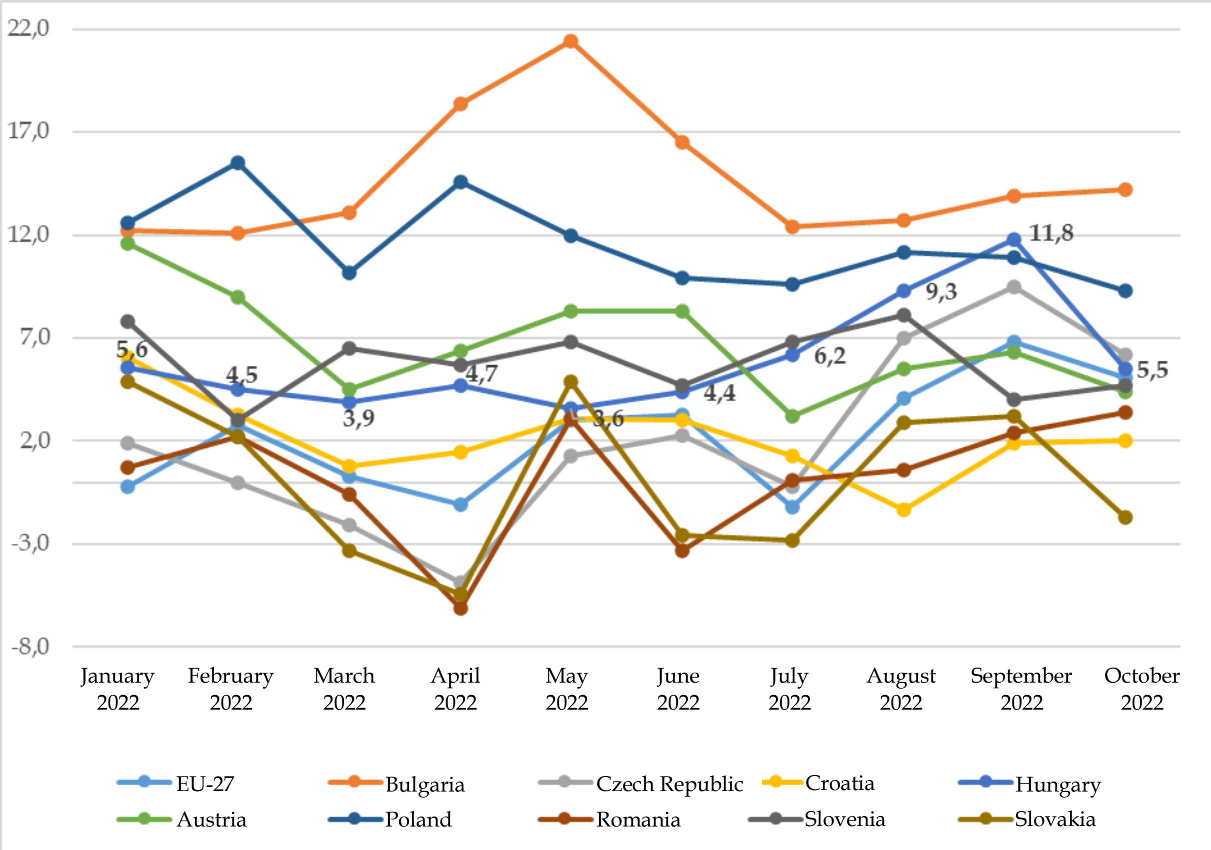


Source: KSH [Hungarian Central Statistical Office][18]

Our country's manufacturing production volume index exceeded the EU average in every single month of 2022, and by regional comparison it is in the middle range. In 2022, the Bulgarian and Polish manufacturing industries delivered an outstanding performance, with an average monthly growth of 14.7% in the former and 11.6% in the latter.

[18] Source: KSH [Hungarian Central Statistical Office]

Manufacturing industry production volume index of the countries of the region on an annual basis (percentage, calendar-adjusted)



Source: Eurostat[19]

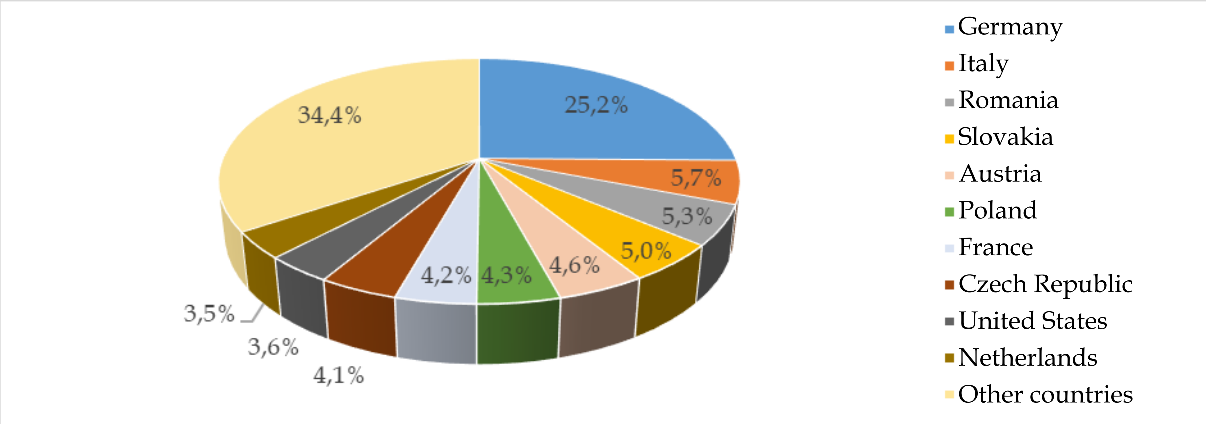
3. Foreign trade

The **value of Hungarian goods exports increased by 19.8%** on an annual basis **to EUR 105.3 billion,** and the **value of goods imports by 30.0% to EUR 111.1 billion in January–September 2022.** Due to the greater expansion of goods imports, the foreign trade goods surplus of EUR 2.4 billion registered in the first nine months of 2021 **turned into a deficit of EUR 5.8 billion in January–September 2022.**[20]

Our most important trading partner is still **Germany. In the first nine months of 2022, 25.2%** (EUR 26.6 billion) **of total Hungarian goods exports were directed here,** while the **goods coming from there accounted for 21.3% (**EUR 23.7 billion) **of the total goods imports. After Germany, Italy and Romania were our most important export destination countries** with an export share of 5.7% (EUR 6.0 billion) and 5.3% (EUR 5.5 billion) respectively. **Our largest non-EU export partner was the United States**, the value of goods sent there amounted to EUR 3.8 billion. The **USA was our ninth largest export destination market** with a share of 3.6%. **Nine of our ten most important export partners are EU member states.**

[19] Source: Eurostat
[20] Source: KSH [Hungarian Central Statistical Office]

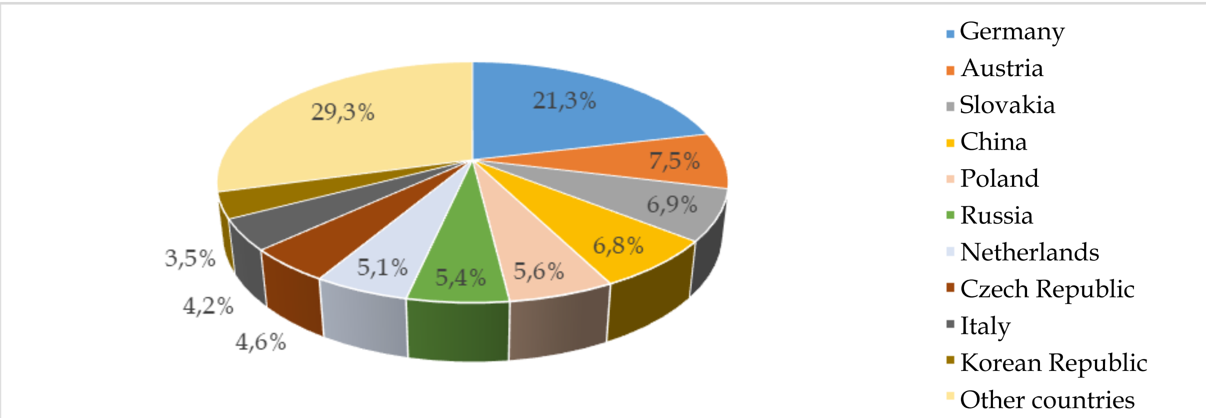
Distribution of goods exports among Hungary's 10 most important export partners (January–September 2022, %)



Source: KSH [Hungarian Central Statistical Office]

In January–September 2022, after Germany, **Austria and Slovakia were our most important import partner countries** with an import share of 7.5% (EUR 8.4 billion) and 6.9% (EUR 7.6 billion) respectively. **Seven of our ten most important import partners are EU member states**, which were also among our ten most important export destinations. With an import share of 6.8% (EUR 7.5 billion), **China**[21] is traditionally **our largest non-EU import partner,** but at the same time, **due to the increase in energy prices, Russia has become Hungary's sixth largest import partner** with a share of 5.4% (EUR 6.0 billion), which **in terms of imports is now even ahead of the Republic of Korea,** which has a dominant position in domestic battery production.

Distribution of goods imports among Hungary's 10 most important import partners (January–September 2022, %)



Source: KSH [Hungarian Central Statistical Office]

In the first nine months of 2022, the largest foreign trade surplus was achieved against Germany (EUR 2.9 billion), the **United Kingdom** (EUR 2.4 billion) and **Romania** (EUR 1.9 billion). **The highest foreign trade deficit occurred with China** (EUR 5.9 billion), **Russia** (EUR 5.1 billion) and **Austria** (EUR 3.5 billion).

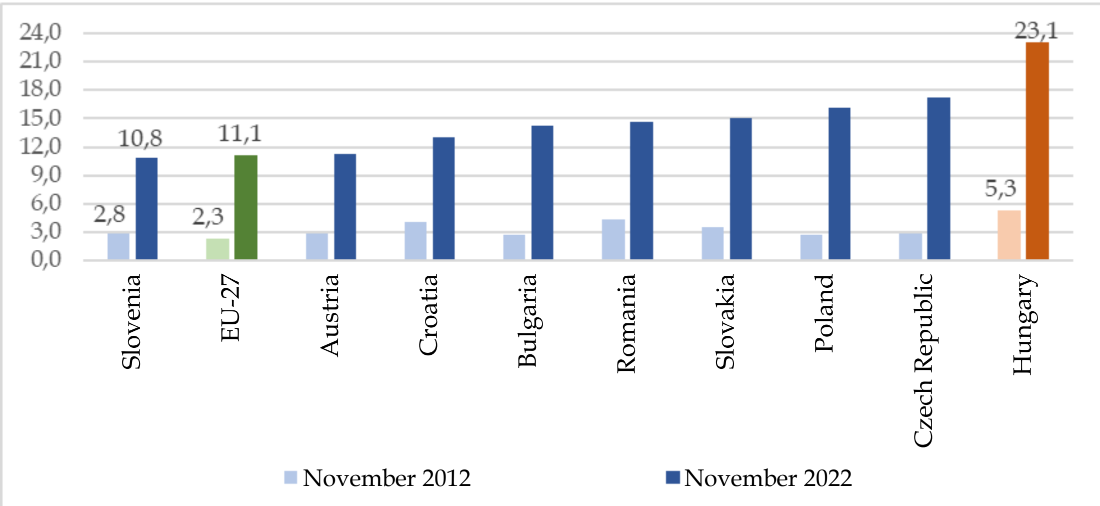
[21] Note: Mainland China (excluding Hong Kong, Macau and Taiwan)

The short- and medium-term development of domestic foreign trade is still **mainly influenced by the Russian–Ukrainian war and high energy prices. Net energy imports,** which rose with the increase in energy prices, **has turned the foreign trade balance into an ever-increasing deficit.** According to the **expectations of the Magyar Nemzeti Bank (MNB) in 2023,** in line with the worsening world economic outlook **declining external demand** and **frictions in supply chains will** further **inhibit export expansion. The slowdown in investment and consumption dynamics also restrains imports,** which is partly **offset by the import-increasing effect of energy prices. From 2024,** with the normalization of the global economic environment and energy prices, as well as the new production capacities being built as well as the improved external demand, **the dynamic upswing of exports may start again.**[22]

4. Inflation

In November 2022, the harmonized consumer price index (HICP) used by Eurostat **in the European Union was 11.1%** (2.3% a year earlier). Among the member states, **the highest inflation was recorded in Hungary** (23.1%), **Latvia** (21.7%), **Estonia** and **Lithuania** (21.4%). Spain (6.7%), France (7.1%) and Malta (7.2%) had the lowest inflation rates in April. **In the EU member states of the Central European region**, the harmonized consumer price index **was predominantly above the EU average. The highest inflation rate in the region was measured in Hungary** (23.1%), and **the lowest in Slovenia** (10.8%).[23]

Evolution of the Harmonized Index of Consumer Prices (HICP) in the Central European Union member states (November 2012–November 2022, %)



Source: Eurostat

Based on **KSH** data, **in November 2022 the consumer price level was on average 22.5% higher and core inflation 24 24.0% higher than a year earlier**. Compared to November 2021, **the price of household energy (65.9%) increased the most**, within which the price of piped

[22] Source: MNB
[23] Source: Eurostat
[24] Note: Since April 2021, KSH has been applying a new methodology for calculating core inflation, the index no longer includes price changes for alcoholic beverages and tobacco products.

gas increased by 124.3%, while the price of electric energy increased by 28.3%. **Food prices also increased at an above average pace (43.8%).** In one year, most of all eggs (102.9%), bread (81.8%), dairy products (79.0%), cheese (78.8%), butter and butter cream (77.3%), dry pasta (70.8%), confectionery flour products (69.1%), margarine (60.3%), poultry (54.4%), pastries (54.0%) and milk (52.9%) rose in price. The prices of flour (8.7%) and cooking oil (3.2%), which are also affected by the official price cap, increased the least. **In the first eleven months of 2022, KSH measured an average consumer price increase of 13.6% in Hungary.**[25]

According to the **MNB**'s September 2022 **forecast, domestic inflation still continues to be driven up by high energy, raw material and crop prices in the short term. In the first half of 2023, on the other hand, the turnaround in raw material prices on the world market and the decrease in domestic consumption may dampen the rise in consumer prices.** At the same time, **the start of disinflation may be delayed by the extreme drought affecting the whole of Europe,** which in the case of foodstuffs may bring another wave of price increases from autumn. In Hungary, **the development of inflation is also influenced by changes in the range of products affected by price-restriction measures, the extension of price caps** and the development of **official utility prices. In the second half of 2023, the decline in domestic inflation may accelerate** due to the slowdown of the economy, the expected decrease in the tightness of the labour market, the already implemented monetary restrictions and the high base price levels. **According to the MNB's expectations, inflation will return to the central bank's tolerance band** (3% ± 1 percentage point) **in the first half of 2024.**[26]

MNB inflation forecasts for September 2022 (2022–2024 annual average, %)

	2022	2023	2024
Inflation	13.5–14.5	11.5–14.0	2.5–4.0
Core inflation	15.0–15.5	10.6–12.9	2.6–3.5

Source: Magyar Nemzeti Bank

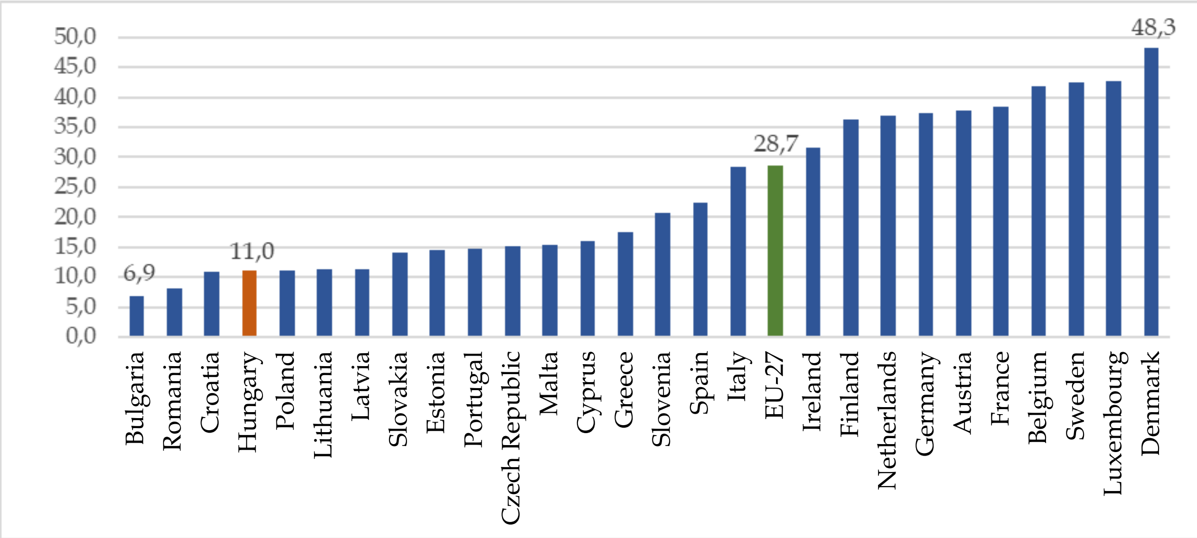
5. Labour market

Labour costs, earnings

The fact that **in 2021 Hungary had the fourth lowest average labour cost** (EUR 11.0/hour) **in the competitive sector in the European Union** – after Bulgaria, Romania and Croatia – contributed significantly to our country's ability to attract capital. Despite the dynamic increase in domestic earnings, **the development of the HUF/EUR exchange rate and the reduction of the tax burden on incomes both contributed** to the fact that in 2021 the **average labour cost in the EU in the business sector** (EUR 28.7/hour) was more than 2.5 times the labour costs in Hungary.

[25] Source: KSH [Hungarian Central Statistical Office]
[26] Source: MNB

Average labour cost in the competitive sector of the EU member states (2021, EUR/hour)



Source: Eurostat

As far as tax policy is concerned, the Government has gradually shifted emphasis from income-based taxes imposed on work to turnover- and consumption-based taxes. The long-term **tax reduction and wage agreement strengthened the cost-side competitiveness of domestic wages**, as the burden on wages and the reduction of corporate tax **significantly moderated the costs of companies.** Since 2017, **Hungary has applied the lowest single-rate corporate tax in the EU** (9%), and since 2016, **the employer's burden on wage income** (reduction of the social contribution tax rate to 13%, cancellation of vocational training contribution). As a result, **between 2012 and 2021, the average hourly labour cost in the Hungarian competitive sector increased from EUR 7.9 to** only **EUR 11.0.** This increase of EUR 3.1/hour in ten years is **the third lowest among Central European countries, after Croatia and Serbia.**

In January–September 2022, based on KSH data, the average **monthly gross earnings of full-time employees in the corporate sector amounted to HUF 506,200**[27], which is a **14.7% increase** compared to the first nine months of 2021. At the national economic level, the gross monthly average earnings were **the highest** in the financial and insurance sector (HUF 839,600), and **the lowest in the accommodation and hospitality sector** (HUF 315,700). **The median monthly gross earnings in the Hungarian economy were HUF 396,200,** which was 15.0% higher than a year earlier. The average **monthly gross earnings of men employed full-time was HUF 551,700, and that of women was HUF 456,900,** which is an annual increase of 18.1% and 16.5%, respectively.[28]

In line with slowing GDP growth, the **MNB expects wage dynamics to moderate.** According to the **Central Bank's** September 2022 forecast, the **average gross salary in the competitive sector may increase by 9.3–10.3% in 2023.**[29]

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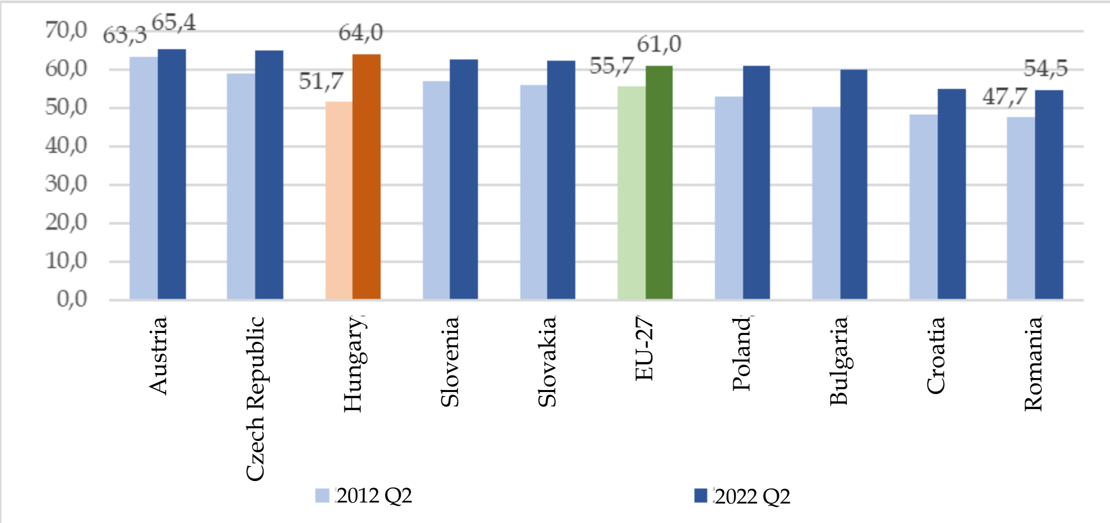
27 Note: calculated without public employees
28 Source: KSH [Hungarian Central Statistical Office]
29 Source: MNB

As of 1 January 2023, the gross amount of the monthly minimum wage will increase by 16.0% to HUF 232,000, and the guaranteed minimum wage by 14.0% to HUF 296,400 based on the agreement reached at the Permanent Consultation Forum (VKF) of the Competition Sector and the Government. At the national economic level, the minimum wage affects approximately 230,000 people, whereas the guaranteed minimum wage affects approximately 730,000 people.[30]

Employment

Based on **Eurostat** data, the **2022 Q2 Hungarian employment rate** (64.0%) **exceeded the EU average** (61.0%) **by 3.0 percentage points**, and thus **Hungary has the third highest employment rate among Central European member states** – after Austria and the Czech Republic. **In ten years, the Hungarian employment rate increased by 12.3 percentage points**, which – after Malta – is **the second largest increase in the EU.**

Employment rate among the 15–74-year-old population of the Central European Union member states (2012 Q2–2022 Q2, %)



Source: Eurostat

For more than 12 years, the guiding thread of employment policy in Hungary has been that the Government undertook to create one million new jobs in 2010 with the objective of **achieving full employment.** Based on KSH data, in the first quarter of 2010, the number of employed people among the population aged 15–74 was still around 3.8 million (3,821,800 people), and the employment rate was below 50% (49.8%**). In 2022 Q3 more than 4.7 million people** (4,712,200 people) **were registered as employed, and the employment rate reached 64.3%.** Compared to the third quarter of 2021, **the number of employed people increased by 48.8 thousand, and the employment rate rose from 63.4% to 64.3%.** In July–September 2022, **the employment rate was the highest in Budapest** (69.9%) and **Győr-Moson-Sopron County** (69.2%), apart from this it reached the national average only **in Pest County** (67.0%) and **the counties of the Central Transdanubia region** (Fejér, Komárom-Esztergom,

[30] Source: kormany.hu

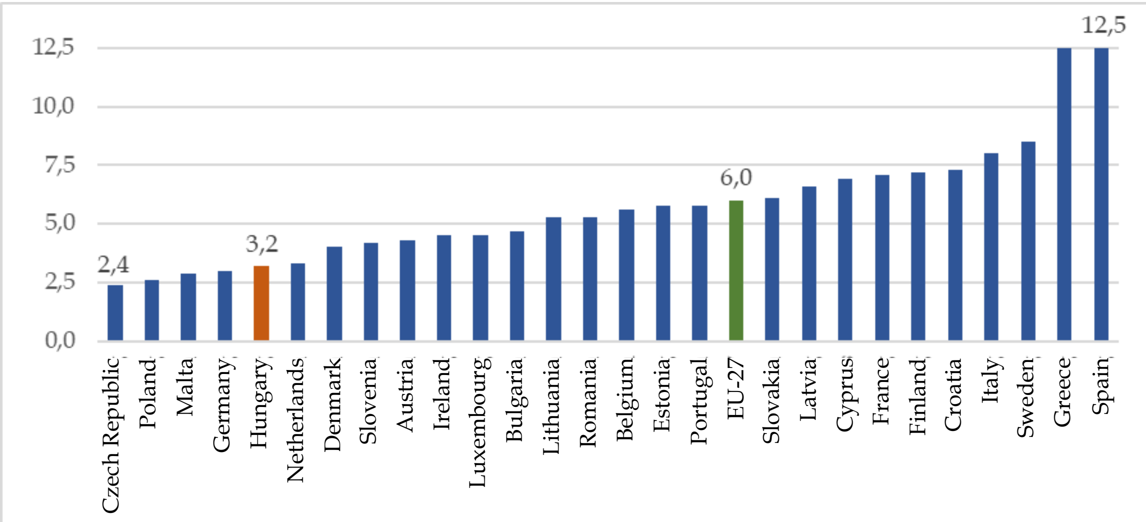
Veszprém). In the country, **the employment rate was the lowest in Somogy** (56.5%), **Nógrád** (59.1%) and **Békés County** (59.3%).

In August–October 2022, 4.545 million people worked in the domestic primary labour market, 96.5 thousand employed people worked in foreign locations, and 72.8 thousand people were employed in the public sector. While **the number of people working in the domestic primary labour market increased by 34.7 thousand people**, and **the number of people working abroad by 16.2 thousand people, the number of public employees decreased by 13.9 thousand people** compared to the same period in 2021.[31] According to the **MNB**'s September **forecast, the expansion of employment in the competitive sector may come to a halt in 2023.**[32]

Unemployment

Based on **Eurostat** data, **the Hungarian unemployment rate in 2022 Q4 was the fifth lowest in the EU.** Hungarian **unemployment of 3.2% was barely half of the EU average** and – after the Czech Republic and Poland – **the third lowest among the Central European EU member states.** In Hungary, **unemployment decreased from 10.7% to less than a third in ten years.** This **decrease of 7.5 percentage points** – after Bulgaria and Poland – **is the third largest among the Central European EU member states.**

Unemployment rate among the population aged 15–74 in the EU member states (2022 Q2, %)



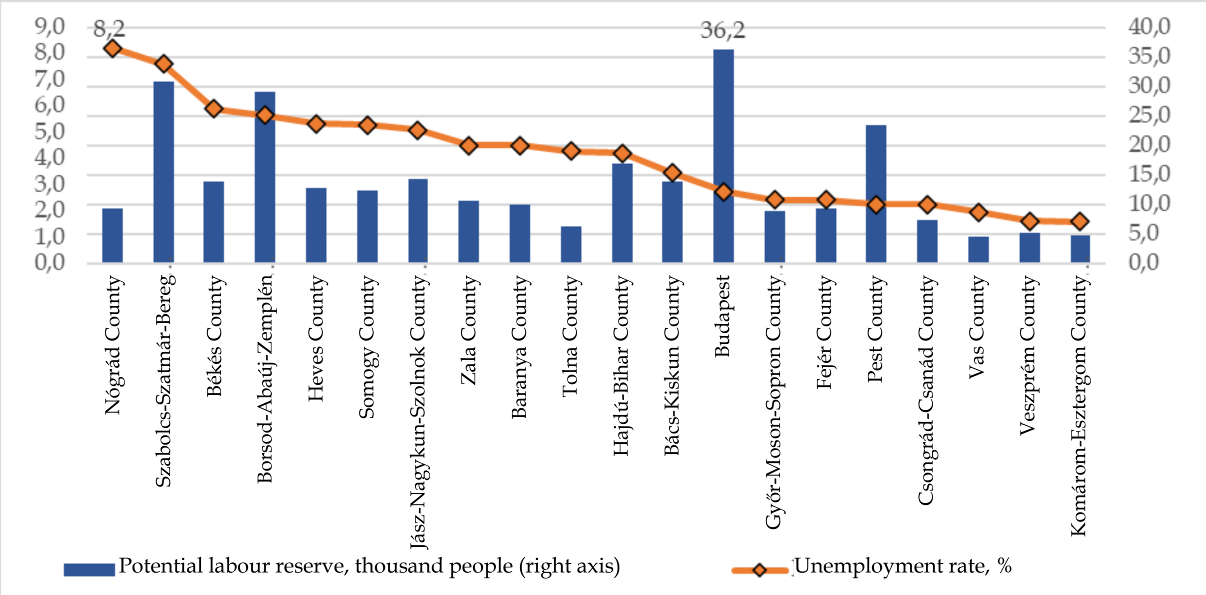
Source: Eurostat

According to KSH data, in 2010 Q1, the number of unemployed among the population aged 15–74 was still close to half a million people (493.8 thousand people), and the unemployment rate was 11.4%. **In 2022 Q3, the number of unemployed people was 178.3 thousand, and the unemployment rate was 3.6%.** Compared to 2021 Q3, **the number of unemployed people decreased by about 11,500 people, and the unemployment rate decreased from 3.9% to 3.6%.** At the same time, **significant geographical differences can be observed** with

[31] Source: KSH [Hungarian Central Statistical Office]
[32] Source: MNB

regard to the unemployment rate. **In July–September 2022, the unemployment rate was the lowest** (1.6%) **in Komárom-Esztergom and Veszprém County**, and **the highest (8.2%) in Nógrád County. The unemployment rate was higher than the national average in the counties of the Southern Transdanubia, Northern Hungary and Northern Great Plain regions,** as well as **in Zala and Békés County. More than half of the country's potential labour force reserve** (279.7 thousand people) **is in the Great Plain and Northern Hungary** (148.1 thousand people, 52.9%), **about a quarter in Transdanubia** (72.0 thousand people, 25.7%), and **a fifth is located in the capital and Pest County** (59.6 thousand people, 21.3%). **Budapest** (36.2 thousand people), **Szabolcs-Szatmár-Bereg** (30.7 thousand people), **Borsod-Abaúj-Zemplén** (29.0 thousand people), **Pest** (23.4 thousand people) and **Hajdú-Bihar County** (17,000 people) have the largest potential labour force reserve in relation to the 19 counties and the capital.

Hungary's unemployment rate and potential labour force reserve among the population aged 15–74 broken down by county (2022 Q3, % and thousand people)



Source: KSH [Hungarian Central Statistical Office]

In August–October 2022, the number of unemployed people aged 15–74 decreased by 9.9 thousand to 174.3 thousand compared to the same period in 2021. In line with this, the **unemployment rate decreased by 0.2 percentage points to 3.6%** in one year.[33] **Based on the data of the National Employment Service** (NFSZ), **233,609 job seekers were registered in November 2022, which means a decrease of 8,665 people** (3.6%) **compared to the same period of the previous year.** Registered job seekers accounted for 3.7% of the working-age population.[34]

[33] Source: KSH [Hungarian Central Statistical Office]
[34] Source: NFSZ

According to the **MNB's forecast** in September, due to the economic slowdown, **the unemployment rate may temporarily rise slightly (to 3.5–3.7%) in 2023, and then decrease again in 2024 (3.0–3.6%).**[35]

6. Foreign Direct Investments (FDI)[36]

Based on UNCTAD data published in October 2022, **the value of global FDI flow reached USD 357 billion in the second quarter of 2022**, which corresponds to a 31% drop compared to the first quarter and 7% lower than the quarterly average of 2021. The reasons for the significant decrease are the war in Ukraine, the food and fuel crisis, as well as the financial crises in the world.

In 2022 Q1, the value of the global FDI flow exceeded the level measured in the same period of 2021 by 14%, thanks to the outstanding value in 2022 Q1.

In the period April–June 2022, **the value of foreign direct investments flowing into developed countries decreased by 22%** compared to the quarterly average of 2021. Behind the significant reduction, significant differences can be observed between the individual country groups. **The inflow of capital into the European Union increased by 7%,** while it decreased by more than 80% to countries outside the EU. The North American region posted a drop of 22%, corresponding to the average.

In contrast, the value of global FDI inflows to developing countries increased by 6% in 2022 Q2, reaching USD 221 billion. In South America, the value of investments increased by 100% compared to the quarterly average of 2021, the performance of the South Asia region was also outstanding, after it was able to show a 97% expansion. However, on the African continent a 96% decline was recorded.

Development of foreign direct investments (FDI) by region (billion USD)

Region	2020	2021	2022 Q1	2022 Q2	2022 Q1 (increase compared to 2021 quarterly average)
World	**934**	**1,537**	**515**	**357**	**-7**
Developed countries	*291*	*700*	*257*	*137*	-22
Europe	110	159	114	31	-23
European Union	199	106	111	28	7
European countries outside the EU	-89	53	3	2	-84
North America	118	449	86	87	-22
Other developed countries	63	92	57	19	-19
Developing countries	*643*	*837*	*258*	*221*	6
Africa	39	81	10	1	-96
Asia	519	620	176	165	7
Latin America and the Caribbean	85	136	71	55	61

Source: UNCTAD

[35] Source: MNB
[36] Source: UNCTAD

The number of investment project announcements that reliably predict future prospects **decreased by 10% in the first three quarters of 2022.** The largest decline was recorded in developed countries, Latin America and the Caribbean region, and Central Asia.

Despite the decline in the number of projects, the investment volume represented by the announced new greenfield projects showed an increase, thanks to a few investment projects in the energy sector representing an exceptionally high value.

Due to the ongoing geopolitical and economic crises, the **outlook for 2022 can still be considered unfavourable.** The tightening of financial conditions and growing investor uncertainty have a negative impact on the global FDI flow. The strong financial performance of multinational companies and the continued economic growth of some emerging countries may mitigate downside risks. The growing investment demand of the energy sector may also mitigate the decline in the FDI flow.