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Embassy of the Kingdom of the Netherlands

Embassy news

Meet the new Ambassador of Hungary to the Netherlands

On June 15th at 12:00 p.m. Dutcham facilitates an exclusive meeting for the Dutch-Hungarian business representatives in Hungary, with the new Ambassador of Hungary to the Netherlands, Mr. András Kocsis. Venue: Hotel Intercontinental. Please register with Dutcham via the following link:

[Click here to register for the event](#)

Waste management conference

Ambassador Gajus Scheltema was invited to welcome the audience of the Waste Management Conference on 18th May, co-organized by the Ministry of Agriculture and the National Waste Management Directorate of the National Inspectorate for Environment and Nature (OKTF-NHI). Mr. Scheltema highlighted that one of the policy priorities of the Netherlands EU Presidency is to bring together economic goals and the responsible use of natural resources into a future-proof model for sustainable growth, emphasising a close relation among the issues of climate change, energy, the environment and sustainability. The Dutch Presidency – among others - has been focusing on a number of related issues, such as: the follow-up to the UN climate summit (COP21) held in Paris in December 2015; the progress in the reform of the emissions trading system (ETS), aiming to reduce greenhouse gas emissions; the Circular Economy (CE) Package, including an action plan and revised legislative proposals on waste with the objective to arrange a policy debate resulting in EU Council conclusions in June 2016; , the 'Make it work' initiative, aiming at more consistent and more effective EU environmental legislation; and last but not least, innovation in technology and policy for smart and green transport.

Conference on the Circular Economy – the Dutch way

Developing circular economy is one of the priorities of the Netherlands EU Presidency. In order to promote the concept, on May 26th last, the Embassy of the Netherlands in Hungary organised a one-day conference together with four Hungarian partner organisations. The aim of this event was to share the latest innovative Dutch experiences with Hungarian companies, public authorities and decision makers on waste management, product development, production, consumption, recycling and regional cooperation.

As Ambassador Gajus Scheltema underlined: *"In the Netherlands many are convinced that our economies have reached a tipping point; we definitely and promptly need to transit from linear economy to the circular one... We in the Netherlands are also convinced that innovation and cooperation are two crucial pillars for the transition to a sustainable and circular economy."* The keynote speaker was Guido Braam, founder of the Netherlands Circular Hotspot platform, who emphasized that the Netherlands is not only a pioneer in developing circular economy, but intends to become a living lab and a regional hub. Sandra De Haan, managing director of

RotterZwam introduced her innovative company which grows mushrooms on coffee ground, an excellent example how to use waste as a resource in an entirely new manner. Beside the Dutch guests, representatives of Dutch companies active in Hungary such as AkzoNobel, Heineken, ING, and Philips Lighting were also present. Several of them have iconic projects in the field of circular economy and thus became the so called 'Ambassadors' of the Netherlands Circular Hotspot. The conference was completed by a small photo exhibition on the De Ceuvel project, which used to be an abandoned ship-yard in the north part of Amsterdam and now has been revitalized and transformed into a residential area and social hotspot by using recycled, old house-boats.

Hungarian Sport Infrastructure Mission visits the Netherlands

A Hungarian delegation consisting of 12 officials from Hungarian governmental and sport organisations was invited to the Netherlands by the Dutch Federation for Technological Industries (FME) and the Embassy between May 18-21, last. The aim of the mission was to introduce some modern Dutch sport infrastructural and construction solutions and to strengthen the bilateral ties between both sport infrastructure sectors. The mission program contained showcases and match-making in Amsterdam Arena, Gelredome, Innosport Eindhoven, Rotterdam Ahoy + Market Hall + Central Station, as well as Amsterdam Museum Square. The mission is part of an exchange program that has been conducted since 2013.

Dutch Government to provide extra funding for Startups and Scale-Ups

The Dutch government is to provide extra funding for startups and scale-ups in order to improve their chances of success. It will lower the statutory minimum salary requirement for owners, from a minimum of 44,000 euros per year to around 19,500 euros per year – equivalent to the minimum wage. This ruling will apply for the first three years of the company's operation and, it is hoped, will free-up more capital to be invested in the organization as well as lowering the barrier for entrepreneurs.

The stimulus is part of a EUR 50mn package of new investments to support this dynamic and fast-growing part of the economy. From 2017, around EUR 27mn will go on relaxing the startup salary requirement, with the remaining EUR 23mn being set aside for 'business angels' and venture capitalists: the government is willing to co-invest up to a maximum 50% in promising new startup and SME ventures.

In the Netherlands, some 42 percent of new jobs are in companies that didn't even exist five years ago. Statistics from Erasmus University in Rotterdam reveal that fast-growing companies were responsible for some 70,000 full-time jobs between 2011 and 2014. A prime example is the online auction website Catawiki, currently the fastest-growing company in Europe, which attracted EUR 75mn in investments in 2015 and is seeking 300 new employees.

Minister for Economic Affairs, Henk Kamp, underlined the government's commitment in a speech at the recent Startup Fest Europe congress in Amsterdam: *"Together we can give innovation and entrepreneurship in this country and our delta an enormous boost. Making it the best place to start a company, to grow and to expand across borders. We'll continue to invest in making connections between key networks: linking startups with universities, corporates, government, and local and international investors. But initiative and ownership will be mostly in the hands of the startup community and of the regional hubs."* He also commented that large companies like KPN and Microsoft Netherlands invested EUR 255mn in Dutch startups in 2015.

EU relations

Hungary against posting of workers directive

On May 10th, Hungarian Parliament disapproved of the legislation proposed by EC which reviews the “posted workers” directive and claims that the revision both breaches the principle of solidarity as well as it negatively affects some 70 thousand Hungarians working in other EU countries as posted workers. Hungary is among the 11 EU member states whose parliaments rejected the European Commission’s planned revision of the posted workers directive, and thus constitute a blocking minority in the EU Council. The so-called EU yellow card procedure will force the Commission to review the plan, the Ministry of Economy said in a statement. The directive lays down rules for the pay of workers posted from one member state to another. With the review, the EC aimed to abolish “social dumping”, meaning posted workers should be paid the same as local ones along the lines of “*the same pay for the same work at the same place*”. Businesses from low-wage countries say this would take away their competitive advantage. In a statement, the Ministry of National Economy said the EC plans to amend the current system in a way that rides against the interests of Hungarian employers and businesses.

EC Infringement procedure over the acquisition of arable land

The European Commission launched an infringement procedure against Hungary requesting the country to comply with EU rules on the acquisition of agricultural land. According to the EC press release, Hungary “*adopted new laws regulating the acquisition of agricultural land*”, and these new rules “*contain several provisions which the Commission considers to be a restriction to the free movement of capital and freedom of establishment*”. The EC believes these rules could hinder the cross-border investment in the sector. Some of the “*restrictions may be pursuing justifiable objectives as they aim to combat speculative purchases, or serve planning purposes and rural policy objectives; however, in order to be lawful, they must be proportionate and cannot be discriminatory towards other EU citizens*”, the EC concludes.

Business environment | Legislation

Number of registered companies drops considerably

The number of registered companies in Hungary has dropped by 40,000 over the past two years, daily Magyar Idők said, citing the Ministry of Justice. The newspaper attributed the drop to the introduction of stricter measures since 2011 aimed at cracking down on phantom companies. The latest such measure from the Hungarian tax office NAV is a classification system which offers tax preferences to businesses that pay their taxes properly. Under the system NAV classifies the 560,000 registered businesses as either reliable, average or risky taxpayers. According to the information carried by Magyar Idők only 190,000, or about one-third of the companies, were classified as reliable. A total of 370,000 were classified as average and 70 as risky when it comes to paying the taxes.

Foreign investors to bring EUR 4.2bn in 2016

Foreign investors are expected to bring HUF 1.320bn (EUR 4.2bn) to Hungary this year, creating 27,000 jobs, according to the expectations of the Hungarian Investment Promotion Agency (HIPA). Last year, decisions were taken on 67 investments by foreigners, creating 13,000 jobs. Germany remains the biggest investor in Hungary, followed by the United States. Just under two thirds of all jobs created through foreign investment were in the automotive and info-communications industries and shared service centres. HIPA said that it channeled more than EUR 1.4mn FDI into the country last year so the planned figure would be a considerable improvement.

Innovative employee incentives – are they at the doorstep?

One of the most efficient ways to motivate employees is to make them owners. In Hungary, however, plenty of legal and tax obstacles have restricted the introduction of such an incentive so far. Changes made to the legal and tax environment in the recent years may yet boost the spread of employee stock programmes in the future. See the details on the below link.

<http://jalsovszky.com/publications/innovative-employee-incentives--are-they-at-the-doorstep>

Dutch presence in Hungary

Philips Lighting production soars in Tamási

Philips Lighting increased production at its LED factory in Tamási by almost 50%, from 1.2 million units to 1.8 million in 2015. As a result, the annual net revenue grew from HUF 22.7bn (EUR 72mn) to HUF 29,4bn (EUR 93mn), CEO Róbert Rudics announced. This growth is mainly the result of HUF 1bn (EUR 3.2mn) production capacity expansion of LED implemented in 2013. More than 80% of the production is sold on the EU markets, 95% in Europe. Philips Lighting was also a participant of the conference on circular economy organised by the Embassy together with the Dutcham, where Philips's iconic project "Lighting as service" was presented by Géza Pallagh, Key Account Manager of the company.

R & D & I | Creative Industries

Government to spend EUR 3.9bn on research

Addressing the opening ceremony of the general assembly of the Hungarian Academy of Sciences Prime Minister Viktor Orbán announced that the government is planning to spend a total of HUF 1,200bn (EUR 3.9bn) on research, development and innovation in the next four years. This will bring Hungary close to the European average of research spending-GDP ratio of 1.9%. The country had raised its science spending from 1% of GDP in 2010 to 1.4% in 2016, financing such projects as the CERN Wigner Data Centre and allocating some HUF 12bn (EUR 38mn) to the national brain research programme between 2014 and 2017. The Prime Minister noted that there is increased global demand for scientists, and countries not only in the West but also in the East are luring talent. Hungary will meet the challenge, he said.

Horizon 2020 opportunities for Hungarian companies

The R&D programmes for capacity building provide an excellent opportunity for domestic stakeholders to join internationally competitive projects within the framework of the Horizon 2020 programme. According to József Pálinskás, President of the National office for Research, Development and Innovation the only way to make the Hungarian RDI system efficient is to use national and EU funds in an integrated and coordinated way that supports value creation. Currently, stakeholders can apply for RDI funding through approximately 30 programmes announced by the NRDI Office, and more calls for applications are going to be announced in the second half of the year. The President emphasized that although Hungary is still lagging behind the most successful European nations in terms of research, development and innovation, the aim is to catch up and make domestic organisations more competitive in the international market by 2020. The Hungarian R&D communities have to get prepared for the period after 2020, when they will have to rely more heavily on innovation funds to be disbursed directly from Brussels.

Transport | Logistics

Will the EU squash the Budapest-Belgrade supertrain?

Hungary's Minister of Foreign Affairs and Trade Péter Szijjártó held talks on 30 May with China's Deputy Director of the National Development and Reform Commission (NDRC) Wang Xiaotao on the modernisation of the Budapest-Belgrade railway line, the government said in a statement on its website.

The parties agreed that a legal solution will be developed on the basis of which the project will conform to European regulations. The statement suggests that the European Union blocked the project because - just like in the case of the Paks II nuclear expansion project - this one also was done without public procurement.

MÁV to develop rail links around Budapest

State-owned Hungarian railway company MÁV wants to spend HUF 6-7bn (EUR 19m) to link some lines around the capital and ease up traffic at Nyugati railway station, business daily Világgazdaság reported. MÁV told the daily that the construction could start in 2018 and will be financed by EU funds.

Budapest Airport calls new tender

Budapest Airport, the operator of Liszt Ferenc International, has published in TED a tender call to build a HUF 5.2bn (EUR 16.8mn) pier at Terminal 2. The pier construction is to start in January 2017 and it can be ready for passengers operation in the summer of 2018. Dubbed Pier B, the 220m-long structure will have 27 boarding gates and ten aircraft bridges together with pedestrian and bus connections. In the course of designing Pier B, Budapest Airport has put emphasis on functionality, passenger convenience and best value, whilst preserving the overall architectural coherence of the terminal. *"The current passenger traffic growth experienced at Budapest Airport as well as the expected forecasts for the years ahead encourages us to bring forward capacity development projects. Budapest Airport that has won the Skytrax award for Best Airport in the region for the third consecutive year is starting to develop the terminal for future growth with perfect timing,"* said Jost Lammers, the CEO of Budapest Airport.

Energy | Sustainable Energy

10.5% of electricity is green

According to the Hungarian Energy Office (MEKH), more than 10% of gross electricity production is from renewable sources. This figure is considerably higher than 3.2% published recently by Eurostat. The MEKH explains the difference by different methodology in calculation as part of the electricity generated by communal waste incineration should be considered as renewable. In 2015 the green electricity amounted to 3159 GWH, of which 52% originated from the biomass. Wind accounted for 22%, while biogas for 9%. Solar energy contributed by meagre 3% only, although this represents 50% increase compared to the previous year.

Environment | Water Management

Hungary ratifies the Paris Agreement among the first

Speaking on public news television, President János Áder said that Hungary is in a good negotiating position as it is one of just 21 countries around the world whose economies grew while their emissions of greenhouse gases fell because of improved energy efficiency. Hungary's lawmakers ratified the Paris Agreement with a unanimous vote in Parliament, making Hungary the first European Union member state to officially back the deal on global action to stop accelerated climate change. Áder signed the Paris Agreement at the United Nations Headquarters in New York in April this year. Similarly to the Kyoto Protocol

the agreement will enter into force once 55 countries, representing at least 55% of global emissions of gases responsible for global warming, have ratified it.

Economic indicators

Fitch puts Hungary into investment grade

Fitch raised Hungary's sovereign rating to "BBB-" from "BB+" in a scheduled review. Fitch said Hungary's high current account surpluses, high inflows of EU funds, an external deleveraging of banks, a programme that created incentives for lenders to buy government securities, and the conversion of FX mortgages into forints had *"contributed to a sharp improvement in Hungary's external balance sheet and reduction in vulnerability"*, listing the main drivers behind the upgrade. Among the other drivers Fitch noted were tighter fiscal policy, a narrowing deficit and an improved situation in the banking sector.

Hungary will need a similar second upgrade from either Moody's Investors Service or S&P Global Ratings to lure funds that hold investment-grade debt. Such a move would cut Hungary's debt-service costs by as much as HUF 60bn (EUR 200n) in the next 12 to 18 months, Economy Minister Mihály Varga was quoted by Bloomberg news agency. Moody's could upgrade Hungary in a review scheduled for July 8. However, an upgrade from Standard and Poor's is not expected this year, according to the analysts. Hungary is rated "Ba1" by Moody's and "BB+" by Standard and Poor's, both one notch under investment grade.

Labour market conditions gradually tighten

The number of employed people in Hungary totalled 4.294 million in February-April, up by more than 150 000 compared to the same period a year earlier. The number of unemployed people dropped by over 70 000 to 265 000. The number of people employed in the public work scheme totalled 215 000 in February-April, which corresponds to 5% of the total number of employed people. The ratio of those in public works and without a job was 10.5% within the economically active population. The number of those working at foreign enterprises reached 121 000, up 13 000 compared to the base period. Meantime the average gross wage increased by 6.6% from the same month a year earlier, the Central Statistical Office (KSH) said. Net wage growth outpaced the increase, rising 8.2% due to a one percentage point cut in the personal income tax rate from January. Péter Cseresnyés, state secretary at the Ministry of National Economy, noted that real wages have been rising for 39 months, averaging 7.4% (6.7% in the private sector and 11% in the public sector). He said economic growth had contributed to real wage growth and that competition was picking up on the labour market for skilled workers.

Investments figures of Q1 disappoint

The volume of investments nosedived by 9.6% in the first quarter of 2016, according to the Central Statistics Office. Such a big drop has not been seen since the nadir of the financial crisis in 2009. Investment activities were down by 9.6%, within which investments in machinery and equipment decreased by 3%, while construction investments went down by 19%. The free fall of investments was mainly due to the outcome of the completion of infrastructural developments financed from EU funds. In this respect it does not mean a huge surprise, since investments was boosted by EU money in the last few years. What was more surprising is that private investments which have a much larger weight than budgetary developments have been on a descending course for several quarters now. The Organisation for Economic Co-operation and Development (OECD) projected hardly a month ago that the Hungarian economy will grow by 2.5% year on year in 2016. However,

this forecast has been cut to 1.6% in the OECD's latest Economic Outlook published at the end of May.

Economic and Monetary Policy

Central bank cuts base rate and finishes rate cut cycle

The Monetary Policy Council (MPC) acted as expected, and thus it cut both the base rate and the O/N lending rate by 15bp in May. Moreover, the NBH says it may hold rates for an extended period. The rate decision itself did not bring any surprise, because at the previous rate setting meeting, the MPC said *"the sustainable achievement of the inflation target points to a further slight reduction in the policy rate"*. Moreover, economic growth surprised on the downside in 1Q and core inflation (1.5%) is still lagging behind the inflation target (3%). All of these events were pointing towards a further rate cut. As regards to economic activity, the MPC emphasised that *"Hungarian growth will continue following a temporary pause"*. In the meantime, increasing wage pressure could translate into higher core inflation, however, inflation remains below the 3% target until the first half of 2018, as added by the statement. It is important to mention, that in the MPC's assessment, the recent change in the economic policy mix (eg, fiscal loosening) can support GDP-growth, and thus speed up the closure of the output gap. That change could have played the main role in the decision to end the rate cut cycle in May, ING analysts concluded.

Government sets high ambitions in the automotive industry

The Hungarian government is committed to developing electro-mobility and wants to make Hungary a regional leader in this area, Economy Minister Mihály Varga said, addressing a ceremony welcoming new additions to the government's electronic car fleet. Under the government's environmental protection and economic development strategy, a priority goal is to raise the number of environmentally friendly cars on the road to 50,000 from the current 600 by 2020, he said. Electric cars get green licence plates and can now park free of charge in several big cities, while owners are given a growing range of tax breaks. Hungary also wants to improve its position in the global market in research and development and innovation in connection with the manufacturing of electric cars, Minister Varga said. He mentioned plans to electric-powered cars are catching on here, but the biggest stumbling block is still the lack of places where drivers can plug in their vehicles, the Budapest Business Journal commented.

The Ministry of National Economy intends to create a nation-wide network of electronic charging stations financed from revenues from carbon quota trades. Furthermore, the government will build a test track for self-driving cars in Zalaegerszeg, Prime Minister Viktor Orbán announced at the "Cars of the Future" conference at Budapest's Technical University. The government has been working since 2010 on turning the country into a Central European centre for automotive industry innovation, PM Orbán added. 15 of the world's 20 biggest auto supply companies are present in Hungary, and the number of cars made in Hungary last year exceeded half a million for the first time.

Last but not least, the government decided to draw up and implement a national strategy for bus production, government spokesman Zoltán Kovács said. The strategy, to be implemented over three years, should ensure Hungarian bus production a place on the international stage in terms of quantity and quality.