

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

FDI in brief*: Hungary

A gradual decline in FDI inflows was reversed in 2001

*Complete tables are presented in the Country Profile: Hungary, *World Investment Directory online*, ([hyperlink](#))

- Following a record year in 1995, FDI inflows began to gradually decline. In 2001, however, this trend was reversed: a 48 % increase in FDI flows was registered (figure 1). With US\$ 2.4 billion inflows, Hungary is the fourth largest FDI recipient in the Central and Eastern Europe (CEE) region.
- Inward FDI stock quadrupled between 1993 and 2001: at US\$ 23 billion it is the third highest FDI stock in the region. Outward investment stock also grew by almost ten fold during that period (figure 2).
- The largest investment partners are Germany, Netherlands and Austria, together accounting for 61% of the inward FDI stock (table 1).
- About 95 % of all FDI flows come from developed countries (figure 3), mostly Western Europe. FDI stocks are concentrated in three countries (Germany, the Netherlands and Austria) that account for about two-thirds of total inward FDI stocks. A few countries such as the United States, the United Kingdom and Belgium have also been significant investors in recent years. Hungary receives hardly FDI from other CEE countries, while most of investment originating from developing countries is from the Republic of Korea and Singapore. While only a limited amount of FDI from Hungary went to other CEE countries in 1999, the CEE region became the prime destination for such flows in 2000 (figure 4).
- The tertiary sector remains the largest recipient of FDI inflows, in spite of declining flows in particularly electricity, gas and water, and business services. Trade and finance are the most attractive industries in this sector (figure 5 and table 2). The decline or disinvestments in the rubber and plastics, and motor vehicles, industries were partly offset by rather significant flow increases in food and tobacco, as well as in radio and telecommunication. Higher outflows in the secondary sector is largely accounted for by a surge in such flows in coke, petroleum products and nuclear fuel industries (figure 6).
- Nearly 27,000 TNC affiliates operate in Hungary, with a steadily increasing workforce (about 610,000 employees in 2000) (figure 7a). Interestingly, the number of employees in TNCs affiliates in Hungary is 30 % higher than that employed by affiliates in the Czech Republic, the second largest FDI recipient in the region.
- The ratio of FDI inflows to gross fixed capital formation declined from a peak level in 1995 (50%) (figure 8) to less than the average level of the region in 2000 (15 % compared to 18%). FDI stocks in relation to GDP, however, have always been substantially higher than the regional average during the past decade. They increased constantly over that period to reach a high 43% in 2000 (figure 9), compared to 18 % on average for all CEE countries.
- The largest TNC affiliates are in the motor vehicles, electronic equipment and trade sectors. The biggest one is Audi Hungaria Motor Kft (Germany) (table 3). On the other hand, Hungary is home to a few sizeable companies, reflecting its relative importance as an investor CEE country: the largest of these companies is Hungary Oil and Gas PLC (table 3).

Figure 1. FDI flows, 1990-2001
(Millions of dollars)

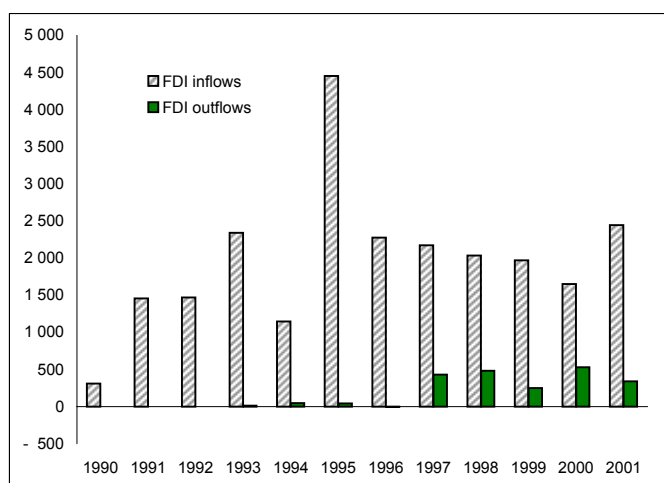


Figure 2. FDI stock, 1993, 1995 and 2001
(Millions of dollars)

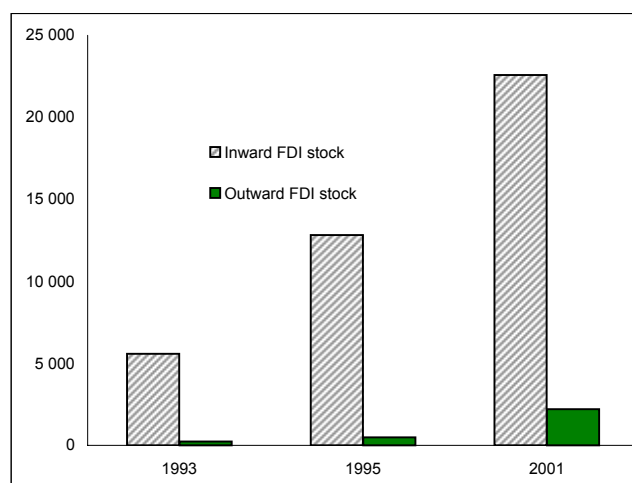


Figure 3. FDI inflows by region, 1999-2000
(Billions of forint)

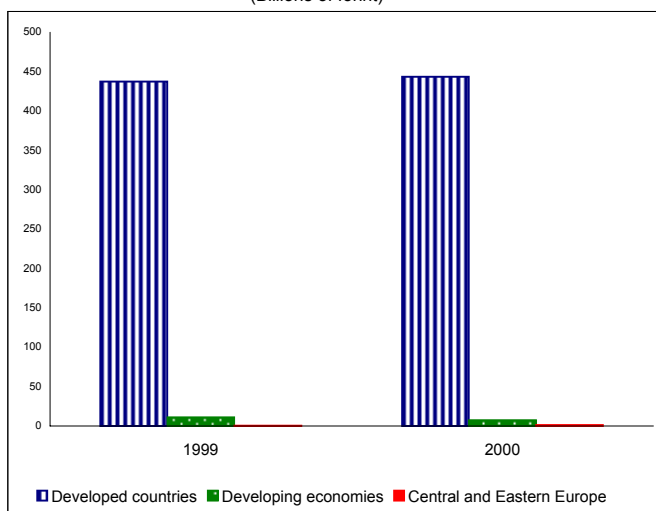
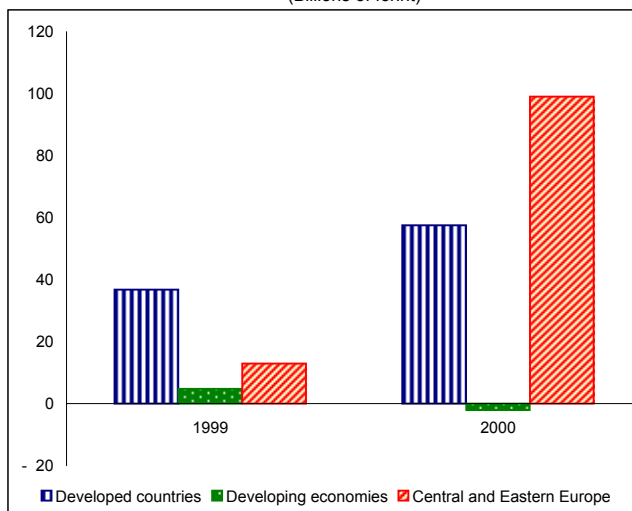


Figure 4. FDI outflows by region, 1999-2000
(Billions of forint)



FDI in brief: Hungary (continued)

Table 1. The top three investment partners in terms of FDI stock, 2000

(Shares in total)

Year	Inward FDI stock
2000	Germany (26%), Netherlands (23%), Austria (12%)

Figure 5. FDI inflows by industry, 1999-2000

(Billions of forint)

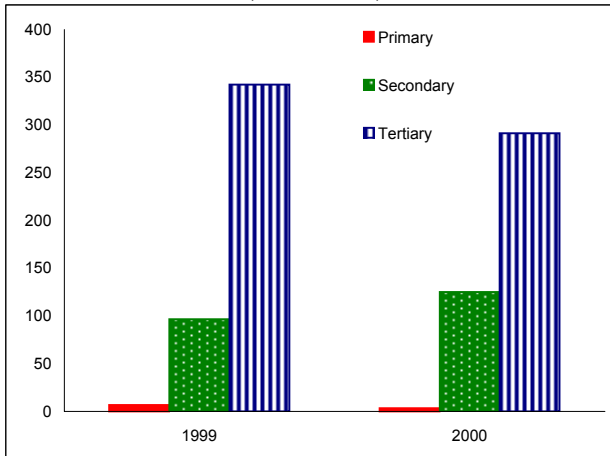


Figure 6. FDI outflows by industry, 1999-2000

(Billions of forint)

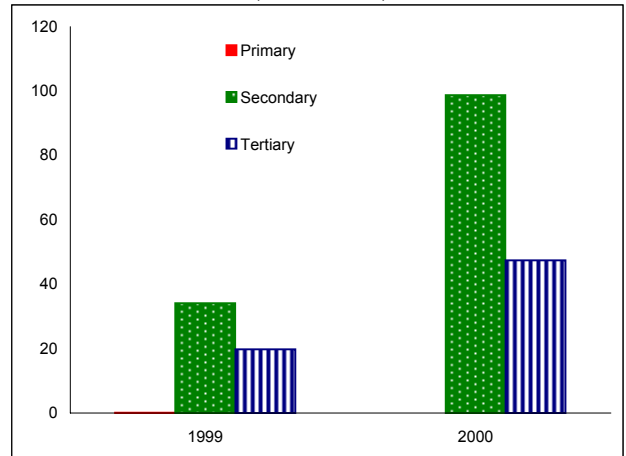


Table 2. The three most important industries^a in terms of FDI stock, 2000

(Shares in total)

Year	Inward FDI stock
2000	Business activities (16%), trade (12%), finance (11%)

^a At the 2-digit level of the ISIC classification.

Figure 7a. Number and employees of affiliates of foreign TNCs in Hungary, 1998-2000

(Number and thousands of employees)

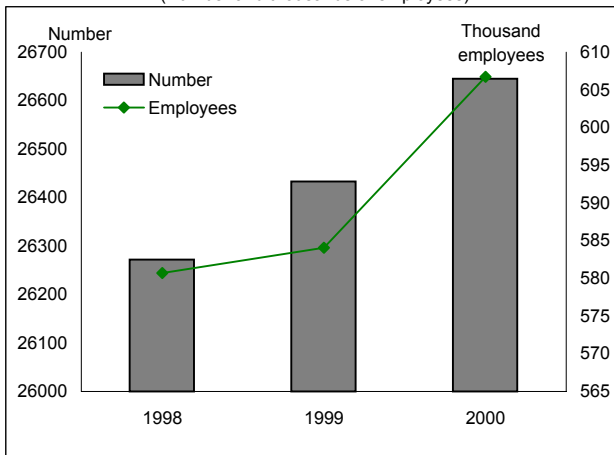


Figure 7b. Assets, sales, value added, exports, and imports of affiliates of foreign TNCs in Hungary, 1998-2000

(Billions of forint)

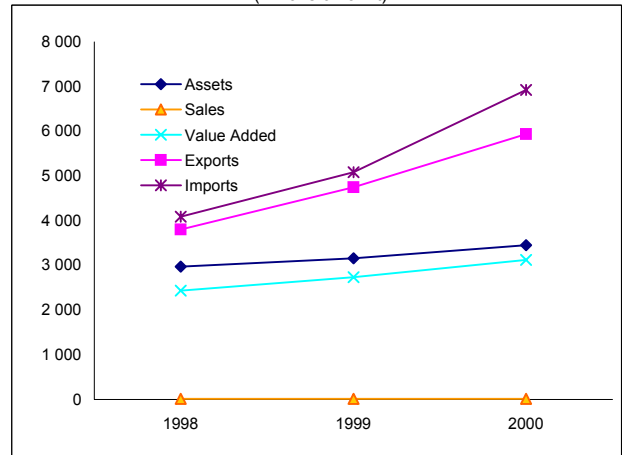


Figure 8. FDI flows as a percentage of gross fixed capital formation, 1990-2000

(Per cent)

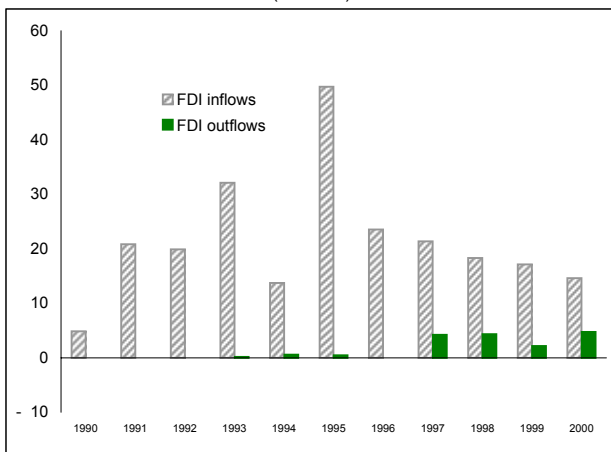
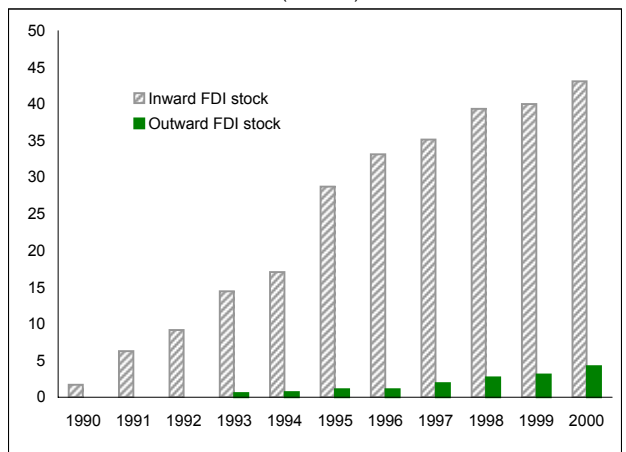


Figure 9. FDI stock as a percentage of gross domestic product, 1990-2000

(Per cent)



FDI in brief: Hungary (concluded)

Table 3. Largest three home-based TNCs and largest three foreign affiliates in the economy

(Millions of dollars)

Company	Country	Industry	Sales
A. Industrial sector			
a) Largest three home-based TNCs, 2001			
MOL Hungarian Oil and Gas Plc.	Hungary	Petroleum and natural gas	3850
Tiszai Vegyi Kombinát Rt.	Hungary	Chemicals	489.9
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b) Largest three foreign affiliates, 2000			
Audi Hungaria Motor Kft.	Germany	Motor vehicles	3 190.6
Philips Magyarország Kft.	Netherlands	Electronic equipment	2 266.3
IBM Storage Products Kft.	United States	Electronic equipment	2 239.7
B. Tertiary sector			
a) Largest three home-based TNCs, 2001			
Hun-Ex	Hungary	Hotel	...
Interlichter	Hungary	Transport	...
Matav	Hungary	Telecommunications	...
b) Largest three foreign affiliates, 2000			
Matav Rt.	Germany	Telecommunications	1 565.3
Panrusgaz Magyar-Orosz Gazipari Rt.	Russian Federation	Distributive trade	1 027.6
Metro Holding Kft.	Germany	Distributive trade	715.1
C. Financial sector			
a) Largest three home-based TNCs, 2001			
National Savings and Commercial Bank Ltd (OTP Rt.)	Hungary	Banking	...
b) Largest three foreign affiliates, 2000			
Central European International Bank Rt. (CIB)	Italy	Banking	192.9
ABN Amro Bank Rt.	Netherlands	Banking	153.7
Raiffeisen Bank Rt.	Austria	Banking	115.1