

TRADE IN VALUE ADDED: HUNGARY

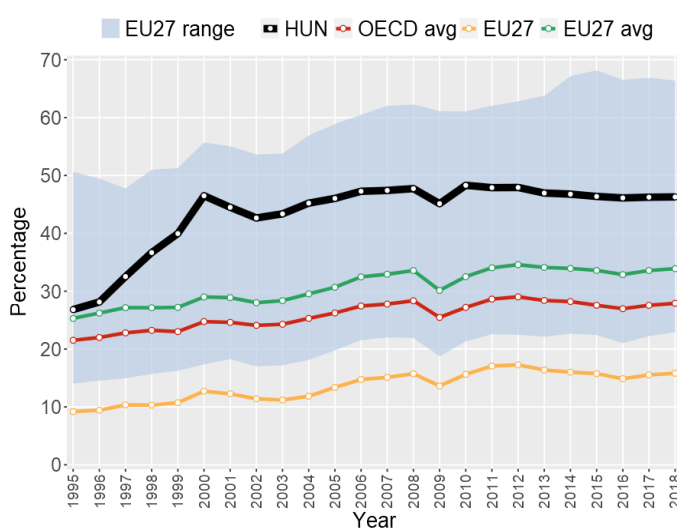
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Trade in Value Added (TiVA) indicators offer new insights into the commercial relations among economies and provide a broad view of where value is created along each stage of global value chains (GVCs). Painting a more complete picture than gross trade measures alone, the TiVA approach better reflects the significantly higher contribution made by services in GVCs, the role of imports in export performance, and the true nature of economic interdependencies. The 2021 version of the TiVA database covers 66 economies and 45 industrial sectors, for the years 1995 to 2018, and brings together indicators based on the value-added origins (both country and industry) of exports, imports and final demand. This note highlights the trade patterns in value-added terms for Hungary, with a view to informing policy making for a range of areas including trade, innovation and investment.

Key findings

- ▶ By the end of the nineties, Hungary rapidly integrated into the European regional value chains. Between 1995 and 2000, the foreign value-added content of gross exports grew from 26.8% to 46.9%. Afterwards, this share oscillated around 46% and since 2010 started to decrease from its maximum at 48.3% to 46.3% in 2018 (Figure 1).
- ▶ As a part of the central European car manufacturing cluster, Hungary is heavily dependent on foreign final demand for their products. In 2018, more than 80% of value added in manufacturing was sustained by foreign final demand, reaching 93.6% for *Motor vehicles* (Figure 2). At the same time, *Motor vehicles* manufacturing accounts for 22.6% of the total (both foreign and domestic) value added in Hungary's exports (Figure 3b).
- ▶ In 2018, Germany, Austria and Italy were Hungary's most significant export partners in gross exports. However, in value-added terms, the United States was the second-largest final destination for Hungary's value added (Figure 5). The highest shares of Hungary's domestic value added embodied in Hungary's manufactured imports (Figure 6, right) came from Germany (26.4%), the Slovak Republic (16.4%), the Czech Republic (12.6%), Austria (12.4%) and Poland (7.9%), illustrating the role of Central European value chains in serving final consumers outside the European Union.

Figure 1. Foreign value-added content of gross exports
As a percent of total gross exports, 1995 to 2018



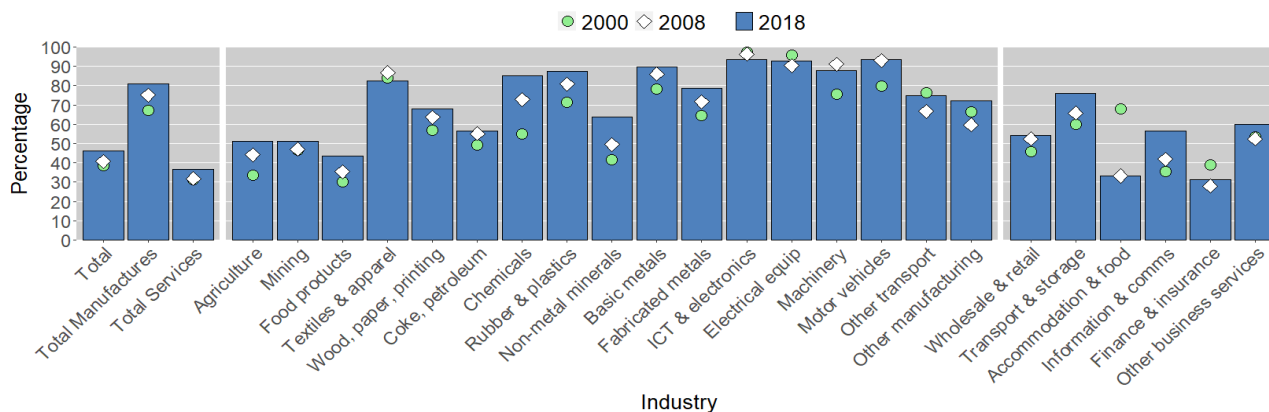
At the global level, the new TiVA indicators confirm that there has been a slowdown in GVC integration since the Financial Crisis in 2008-2009 (Figure 1). However, in general, foreign value added in trade increased between 2016 and 2018.

Between 2008 and 2018, the foreign content of Hungary's exports is estimated to have decreased from 47.7% to 46.3% - significantly above the OECD average of 27.9%. Compared to 2008, the foreign content of exports in 2018 was 1.4 percentage points lower.

The role of foreign final demand in domestic production

Overall, in 2018, 46.1% of Hungary's domestic value added was driven by foreign final demand, up from 40.8% in 2008. By industry, the shares ranged from *Motor vehicles* (93.6%) and *ICT and electronics* (93.6%) at the higher end to *Financial and insurance* (31.2%) at the lower end.

Figure 2. Hungary - domestic value added in foreign final demand
As a percent of value added, by industry, 2000, 2008 and 2018



The importance of imports for exports

The industries with the most foreign value-added contents in their exports (Figure 3a) were *ICT and electronics* (68.1%), *Motor vehicles* (64.9%) and *Coke and refined petroleum products* (63.9%). *Motor vehicles* generated the greatest source of domestic value-added content of exports in 2018, accounting for 7.9% of gross exports (Figure 3b), followed by *Transport and storage* (6.1%) and *Wholesale and retail trade* (5.3%). The most foreign content in total exports came from *Motor vehicles* (14.6%).

Figure 3a. Hungary - foreign value-added content of gross exports
As a percent of gross exports, by industry, 2000, 2008 and 2018

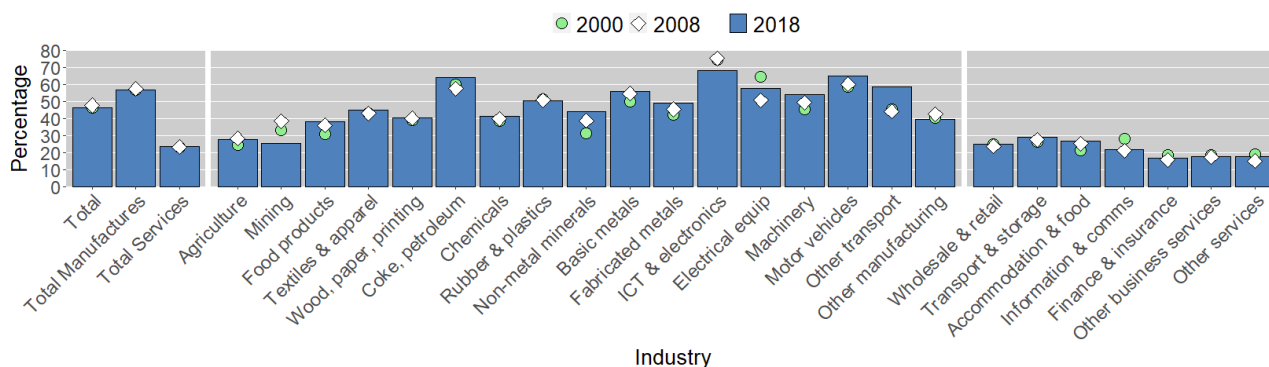
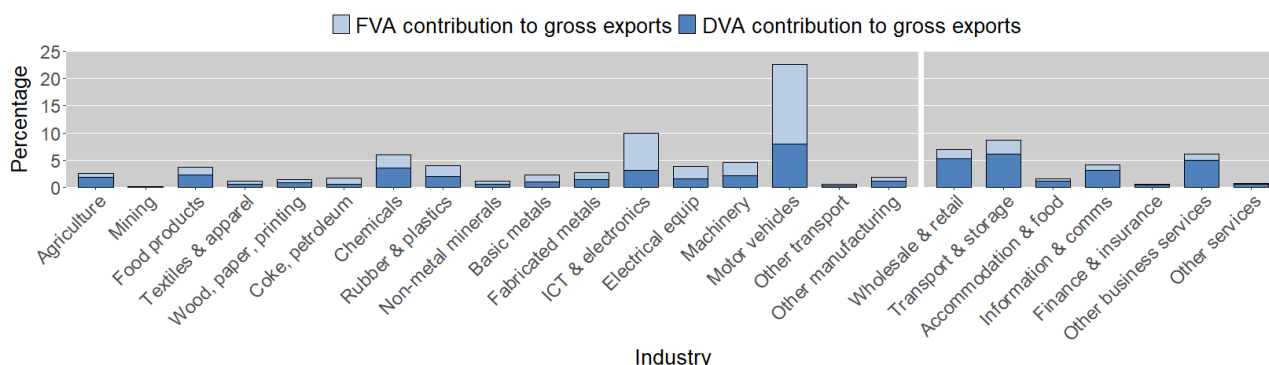
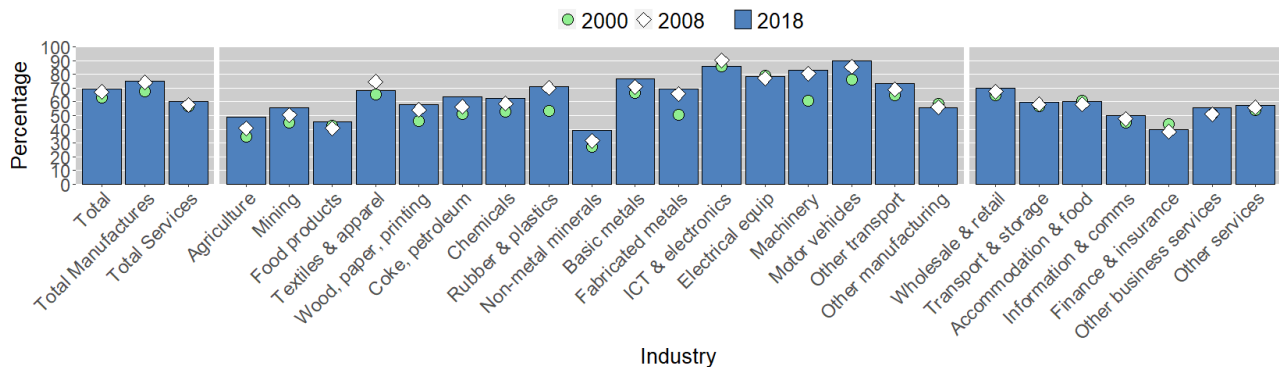


Figure 3b. Hungary - industry share of domestic and foreign value-added content of gross exports
As a percent of total gross exports, 2018



Of the total value of Hungary's imports of intermediate goods and services in 2018, 69.3% was subsequently embodied in exports, significantly above the OECD average of 47.9%, and close to the share in 2008 (67.3%). The originating industries with the highest shares of intermediate imports used in Hungary's exports were Motor vehicles (89.9%), ICT and electronics (86%) and Machinery and equipment, nec (83.2%).

Figure 4. Hungary - imported intermediate inputs used for exports, by industry-origin of imports
As a percent of intermediate imports, 2000, 2008 and 2018



Hungary: international flows of goods and services, main players

In gross terms, Germany (21.8%), Austria (5.6%) and Italy (5.3%) were the three most important Hungarian export market destinations in 2018. The top three final destinations for Hungary's value added were Germany (17.1%), the United States (7.8%) and Italy (5.4%).

For imports in gross terms, Hungary's top three partners in 2018 were Germany (22.6%), Austria (8.3%) and Poland (6%), while in value-added terms, the top three were Germany (19.2%), Austria (6.7%) and the Russian Federation (5.8%).

Figure 5 Hungary - exports and imports: main partners
As a percent of total gross and value-added exports and imports, 2018

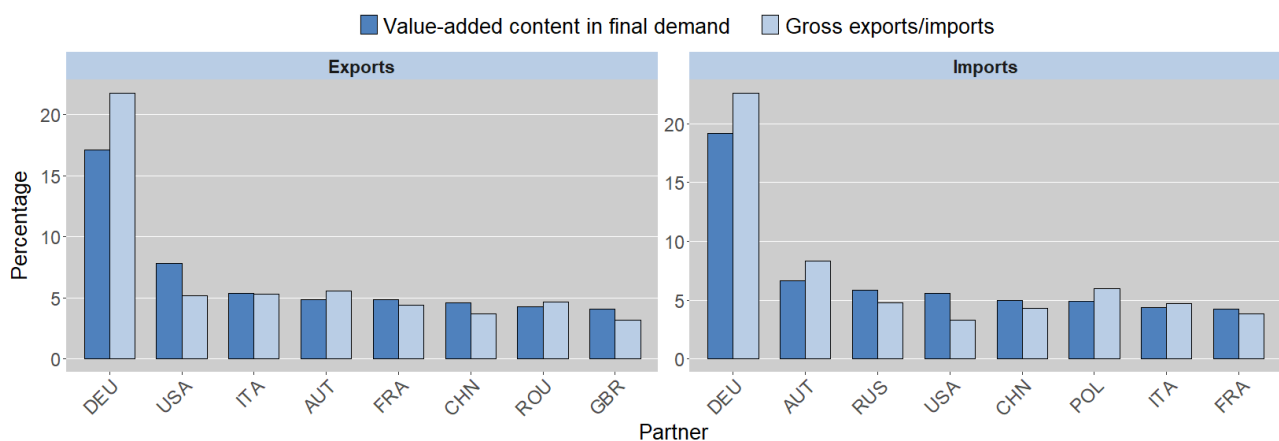
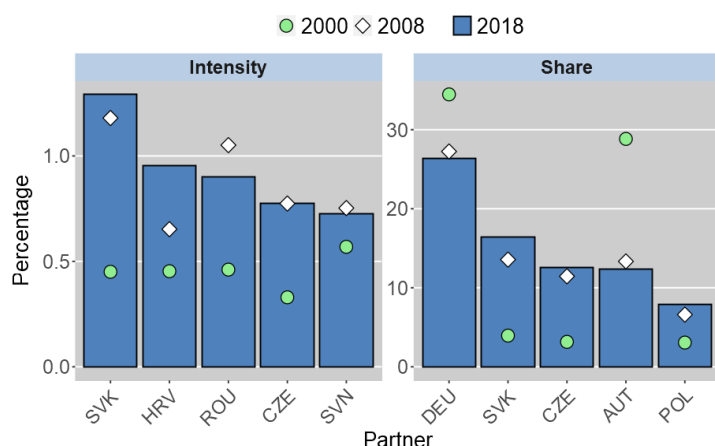


Figure 6. Hungary's domestic value-added content of manufactured imports, top 5 partners

As a share of total Hungary's value added embodied in Hungary's imports (right) and as a percent of total imports by partner (left)



In 2018, the highest shares of Hungary's domestic value added embodied in Hungary's manufactured imports (Figure 6, right) came from Germany (26.4%), the Slovak Republic (16.4%) and the Czech Republic (12.6%).

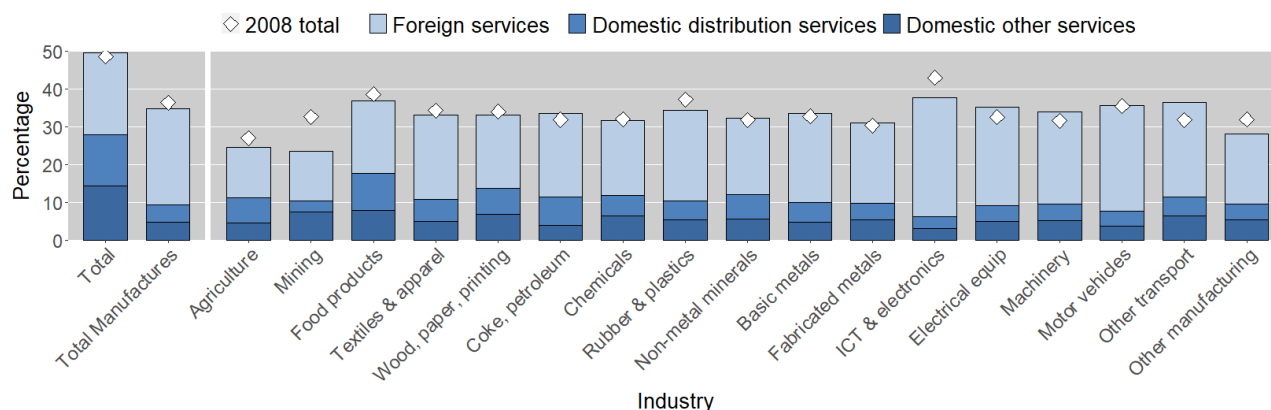
The trading partners with the highest shares of Hungary's value added in their exports of manufactures to Hungary (Figure 6, left) in 2018 were the Slovak Republic (1.3%), Croatia (1%) and Romania (0.9%).

The importance of services in international trade

Services are a significant contributor to Hungary's economy, accounting for 49.6% of Hungary's gross exports in 2018 (Figure 7) - below the OECD average of 55.7%. Foreign services contributed 21.8% to the value of total gross exports. For manufactures, services value-added content was 34.8% of gross exports, with the highest shares in ICT and electronics (37.8%), Food and beverages (37%) and Other transport equipment (36.5%).

Figure 7. Hungary - services content of gross exports

As a percent of gross exports by industry, 2018



Further information is available to supplement this country note:

- ▶ Access the data at: <http://oe.cd/tiva>
- ▶ Guide to TiVA 2021 Country Notes: www.oecd.org/sti/ind/tiva-2021-guide-to-country-notes.pdf
- ▶ TiVA indicators are based on the 2021 version of ICIO tables: <http://oe.cd/icio>
- ▶ Related indicators of Trade in Employment <http://oe.cd/io-emp> and Trade in Embodied CO2 <http://oe.cd/io-co2>
- ▶ Trade policy implications of global value chains: <http://www.oecd.org/trade/topics/global-value-chains-and-trade/documents/trade-in-value-added-2021.pdf>

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