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A photograph of a construction site at dusk or dawn, showing the silhouettes of several tower cranes and the steel framework of a building under construction against a clear sky.

THE CONSTRUCTION SECTOR

IN HUNGARY

FLANDERS INVESTMENT & TRADE MARKET SURVEY



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State of the Art

THE CONSTRUCTION SECTOR IN HUNGARY

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Overview compiled by Flanders Investment & Trade Budapest Office

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FLANDERS INVESTMENT & TRADE

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1. GENERAL INFORMATION

1.1. MAP OF HUNGARY



Source: CIA World Factbook 2017

Hungary has made the transition from a centrally planned to a liberal market-driven economy with a per capita income nearly two-thirds that of the EU-28 average. However, in recent years the government has become more involved in managing the economy. Budapest has implemented unorthodox economic policies to boost household consumption and has relied on EU-funded development projects to generate growth.

The economy is largely driven by exports, making it vulnerable to external market shocks. Following the fall of communism in 1990, Hungary experienced a drop-off in exports and energy supply from the former Soviet Union. Hungary embarked on a series of economic reforms, including privatization of state-owned enterprises and reduction of social spending programs, to shift from a centrally planned to a market-driven economy, and to reorient its economy towards trade with the West. These efforts helped to spur growth, attract investment, and reduce Hungary's debt burden and fiscal deficits. However, living conditions for the average Hungarian initially deteriorated as inflation increased and unemployment reached double digits. Conditions slowly improved over the 1990s as the reforms came to fruition and export growth accelerated. Economic policies instituted during that decade helped position Hungary to join the European Union in 2004; Hungary has yet to join the euro zone, however. Hungary suffered a historic economic contraction as a result of the global economic slowdown in 2008-09 as export demand and domestic consumption dropped, prompting it to take an IMF-EU financial assistance package.

Since 2010, the government has backpedaled on reforms and taken a more nationalist and populist approach towards economic management. The government has favored national industries and specifically government-linked businesses, through legislation, regulation and public procurements. In 2010 and 2012, the government introduced extra taxes on foreign-dominated sectors, such as banking, telecommunication and retail, because the move helped to raise revenues and decrease the budget deficit, thereby allowing Hungary to maintain access to

EU development funds. The policy deterred private investment, however. In 2011 and 2014, Hungary nationalized private pension funds. The move squeezed financial service providers out of the system, but it also helped Hungary curb its public debt and lower its budget deficit to below 3% of GDP, as subsequent pension contributions have been channeled into the state-managed pension fund. Hungary's public debt (at 73.9% of GDP) is still high compared to EU peers in Central Europe. Despite these reversals, real GDP growth has remained robust in the past several years because EU cyclical funding increased, EU demand for Hungarian exports rose and domestic household consumption rebounded. To further boost household consumption ahead of an anticipated 2018 election, the government has announced plans to increase the minimum wage and public sector salaries, to decrease taxes on foodstuffs and services, to decrease personal income tax from 16% to 15%, as well as to introduce a uniform 9% business tax for both small and medium enterprises and large companies. Real GDP growth slowed in 2016 due to a cyclical fallback in EU funds, but is expected to increase to above 3% in 2017 and 2018.

1.2. ECONOMIC STATISTICAL DATA HUNGARY

	2015	2016
GDP/capita	\$ 26,600 ¹	\$ 27,200 ¹
Purchasing power parity	€ 24,325 ⁴	€ 24,875 ⁴
GDP	\$262,4 billion ¹	\$ 267,6 billion ¹
Current prices	€ 240,0 billion ⁴	€ 244,7 billion ⁴
GDP	2,9% ²	2,0% ²
Real growth rate		
Labour force	4 124 252 ²	4 564 000 ²
Unemployment rate	4,4% ²	4,5% ²
Inflation	0,9% ²	2,3% ²
Consumer prices		

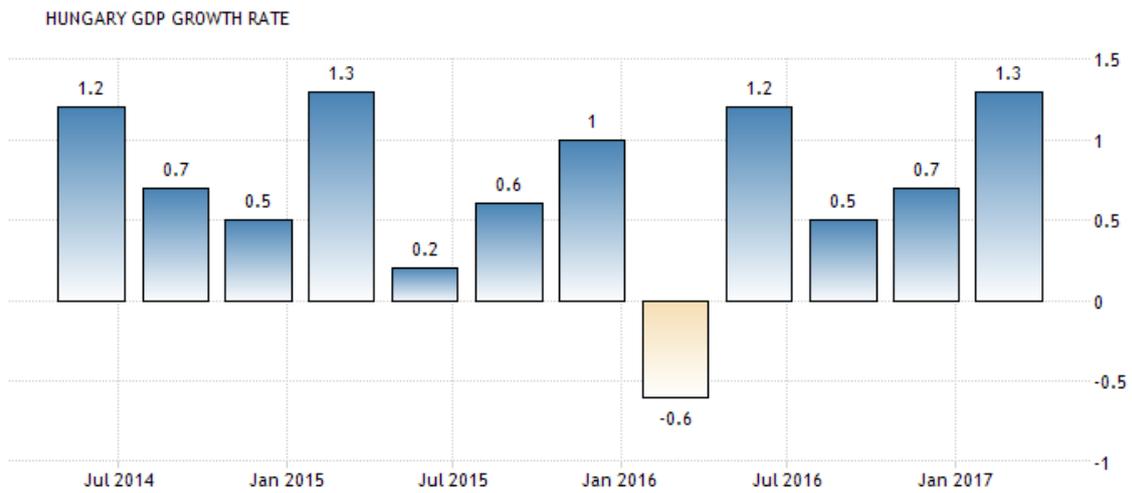
¹ Source: CIA World Factbook 2016

² Source: www.ksh.hu

³ Source: <http://www.tradingeconomics.com/hungary/indicators>

⁴ 1 USD = 0, 8606 EUR (26/07/2017), Source: www.tijd.be/wisselkoersen

1.3. ECONOMIC TRENDS



SOURCE: TRADINGECONOMICS.COM | HUNGARIAN CENTRAL STATISTICAL OFFICE

Source: www.tradingeconomics.com | Hungarian central statistical office 2017



SOURCE: TRADINGECONOMICS.COM | HUNGARIAN CENTRAL STATISTICAL OFFICE



SOURCE: TRADINGECONOMICS.COM | HUNGARIAN CENTRAL STATISTICAL OFFICE

1.4. KEY INDICATORS

Item	Year 2014	Year 2015
Population	9.877.000	9.856.000
Growth rate of population	-0,14‰	-0,21‰
Consumer price index	100,0	100,1
Average net wage/month	HUF 155.690	HUF 162.275
Total export value	€ 84,5 billion	€ 90,5 billion
Growth rate of export value	3,7%	7,1%
Total import value	€ 78,3 billion	€ 82,4 billion
Growth rate of import value	4,8%	5,2%
Exchange rate (avg.) (USD – HUF)	USD 1,00 = HUF 232,52	USD 1,00 = HUF 279,46
Exchange rate (avg.) (EUR – HUF)	EUR 1,00 = HUF 308,66	EUR 1,00 = HUF 309,90

Source: National Statistical Office of Hungary website (www.ksh.hu),
National Bank of Hungary Website (www.mnb.hu)

1.5. PER CAPITA PURCHASE POWER IN HUNGARY BY SMALL REGIONS 2016

Pockets of wealth in Hungary near capital and toward Austrian border:

- Hungarians have an average per-capita purchasing power of € 5,549 which puts the country one notch below Poland in 30th place. This equates to 40.6% of the European average.
- Hungary is divided into 20 counties, the most affluent of which is the capital city of Budapest, which has an average per-capita purchasing power of € 6,963 per inhabitant. This amounts to around 26% more than the national average, but only half of the European average.
- Only 7 of the 20 counties have an above-average purchasing power. These are located in and around the capital city of Budapest and in a continuous cluster toward the Austrian border to the west.

1.6. TOP TEN COUNTIES (MEGYÉK) IN HUNGARY

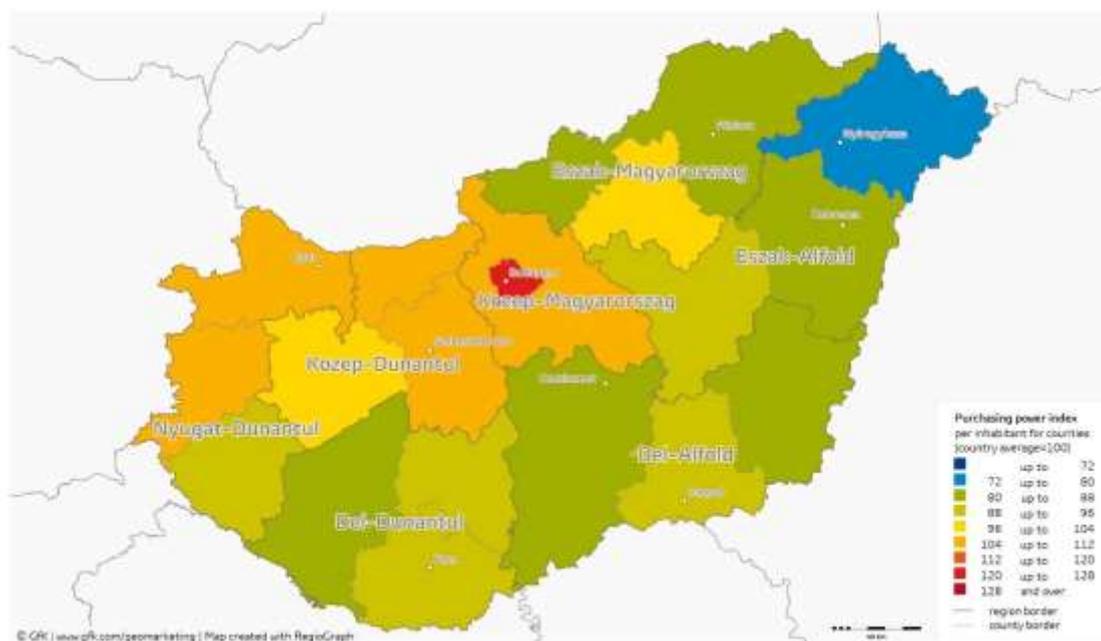
rank	county	inhabitants	per-capita purchasing power in €	national index*	European index*
1	Budapest	1,759,407	6,963	125.5	50.9
2	Komarom-Esztergom	297,914	6,128	110.4	44.8
3	Fejer	418,487	6,126	110.4	44.8
4	Pest	1,234,541	5,958	107.4	43.6
5	Gyor-Moson-Sopron	455,217	5,849	105.4	42.8
6	Vas	253,689	5,791	104.4	42.4
7	Veszprem	344,302	5,638	101.6	41.2
8	Heves	299,219	5,347	96.4	39.1
9	Tolna	223,618	5,298	95.5	38.8
10	Zala	275,027	5,238	94.4	38.3

GfK Purchasing Power Hungary 2016

*index: value per inhabitant / average = 100

The poorest county is in Hungary's easternmost region, along the border with Romania and the Ukraine: With a per-capita purchasing power of € 4,152, Szabolcs-Szatmar-Bereg lies around 25% below the national average and around the same level as the inhabitants of Romania.

GfK Purchasing Power Hungary 2016



Hungary = 100%

Within Hungary, GfK naturally found Budapest citizens to have the greatest amount of purchase power, with a score of 125.5 against the Hungarian benchmark rating of 100. Within Budapest, Buda districts dominated the top of the table: The top five districts in the index were XII (166.5), I (162.9), II (162.3), V (146.1), and III (141.1).

In a regional breakdown, the highest incomes were in Budakeszi, in Budapest's green belt. The lowest were in the northeast of the country.

In the county-by-county analysis, the northwest regions fared best: Komárom-Esztergom (110.4), Fejér (110.4), Pest (107.4), Győr-Moson-Sopron (105.4), Vas (104.4) and Veszprém (101.6) counties were the only regions with average or better scores on the index. Szabolcs-Szatmár-Bereg finished dead last among Hungarian counties, with its index rating of 75.2 significantly lower than any other.

Hungary's Per Capita Annual Living Expenditure – 2014

Item	Year 2014 (HUF)	% of total expenditure
Food and non-alcoholic beverages	209.898	23,1
Beverages, tobacco	28.355	3,1
Clothing and foot-wear (with services)	33.776	3,7
Maintenance of dwelling and household energy	208.665	23,0
Furniture, household equipment and routine maintenance	33.618	3,7
Health	44.771	4,9
Transport	114.350	12,6
Communication	67.594	7,4
Culture, recreation	64.036	7,1
Education	7.716	0,9
Hotels & restaurants	34.422	3,8
Miscellaneous goods & services	60.474	6,7
Total	907.675	100,0

Source: Statistical Yearbook of Hungary 2015

2. DESCRIPTION OF THE SECTOR

2.1. OUTPUT OF THE HUNGARIAN CONSTRUCTION INDUSTRY IN 2016

The whole construction industry implemented construction-assembly works in a value of 1.813 billion HUF (appr. 6 bn €) at current prices, which volume was 18,8% lower than in 2015 and construction producer prices rose by an average of 2,8% compared to 2015. Compared to 2015, the volume of output decreased in both main groups of constructions, by 3,7% in the construction of buildings and by 33,0% in that of civil engineering works. The largest decrease occurred in the output of road and railway construction enterprises.

At the end of November 2016 there were 88 959 construction organizations registered in the sector, including private entrepreneurs, which figure is 134 less than in late 2015. The number of

existing undertakings included in the above figure is around 82 000. The number of construction undertakings registered by the Hungarian Chamber of Commerce and Industry was 63 800 at the end of 2016.

According to the population employment data of KSH [Central Statistical Office of Hungary], the number of employees in construction sector is 277 800, representing 6,4% of the total number of employees in the whole national economy. This figure includes 114 200 persons in employment status.

The volume of orders at the end of 2016 and the number of new contracts were 89% higher than they were one year earlier. The estimated output of the Hungarian Construction Industry will be approximately 2.000 billion HUF (6,7 bn €) in 2017.

In 2016, 9 994 new dwellings were built, 31% more than a year earlier. The total number of issued dwelling construction permits and simple declarations concerning the construction of new dwellings was 31 559, more than two and a half times higher than in 2015.

In 2016, compared to the previous year:

- the number of dwellings built increased in all types of settlements, there was a higher than average increase in towns of county rank (49%) and in Budapest (44%);
- the proportion of dwellings built by individuals fell from 59% to 49%, that of dwellings built by enterprises increased from 39% to 50%;
- among the newly built residential buildings, the proportion of homes built in family houses fell from 60% to 51% and the share of homes put to use in multi-storey, multi-dwelling buildings increased from 33% to 42%;
- the average floor-area of homes put to use decreased by 7 sq. m to 94 sq. m;
- the total number of issued dwelling construction permits and declarations was 31 559, more than two and a half times higher than in the previous year, within this there was a nearly three-fold year-on-year increase in Budapest;
- based on new construction permits (declarations), 87% more, i.e. a total of 12 206 residential buildings are planned to be built, while the number of permits issued for non-residential buildings increased by 43% (6 632 units).

2 485 homes have been dissolved in 2016.

2.2. OUTPUT OF THE HUNGARIAN CONSTRUCTION INDUSTRY IN 2017

In June 2017 the volume of building industry exceeded by 27,2% the relatively low base of the same period of the previous year.

On the basis of the index modified by the seasonal effect and working days, the production of the building industry in June 2017 grew by 1,1% compared to the previous month. The prices in the industry increased by 4,6% in the 2nd quarter of 2017 compared to the same period of 2016.

June 2017, compared to June 2016:

- The construction of buildings increased by 26,1%, while the other type of erections (road, railway) by 29,6%. As regards the buildings, mainly industrial buildings and storages, but also sports projects and educational buildings were erected.
- The volume of new contracts increased by 39,6% while within this contracts for building construction by 26,8%, other construction contracts by 47,9%. This latter category is concerning mainly road and railway developments.
- The production prices concerning buildings were 7,8% higher than in the same period of the last year, while in the case of other projects this figure was +2,6%, and the most significant, special construction category by 4,5%.

According to the National Federation of Hungarian Building Contractors the main sources of the growth in 2017 will be the public procurements realized from EU funds, and the construction of dwelling. The total increase is expected to be 10%. The financial support of the Government for the families' homes (CSOK) is resulting a significant increase of the number of new apartments (about 20.000 is foreseen for 2017).

A reduced VAT (5%) and the possibility of recuperation of the VAT for the dwelling real estates is also a favorable development. Also new and favorable credit lines were introduced. The increase of the categories without building permission, only announcement makes the administration less complicated. A new Public Procurement Law was introduced. About 10% increase in the wages can be a remedy for the lack of labor (gross hourly wage from € 8,5 to € 9,5).

Stresspoints in 2017:

- Low productivity
- Lack of skilled labor, problems of training and adult training, guest workers
- Difficulties in the generation changing
- Problems of project preparation
- Procurement problems
- Weak control of the market (mountebanks)

3. MEANS OF PENETRATING THE MARKET

3.1. FAIRS, EXHIBITIONS



3.2. PROFESSIONAL PRESS

Market: <http://www.market.hu/en>

Hungarian architect and interior design periodicals (12)	
alaprajz online	Architecture, design, constructions, details, products
Architectura Hungariae	Architectural history, monument protection, contemporary architecture
Családi Ház és Ötlettár	Builders, architects, entrepreneurs
Építőmester online	Journal for construction contractors, entrepreneurs, builders
Érték forma	Architects, plans, buildings
Facility Management	Building management - Real estate management
Intérieur Magazin	Interior design and form culture, classical and modern styles, representative and exceptionally inventive interior and exterior spaces
Lakáskultúra	Home furnishing magazine
OCTOGON (tipp)	Architectural and design magazine
SzépLak Magazin	Furnishings, ecology, environment culture
Tojás	Architectural and interior design journals
Új Magyar Építőművészet	Cultural Journal of the Hungarian Architects' Association
Hungarian databases, architect websites	
Archicentrum	CAD Nodes, CAD Library, GDL Objects, Product Data Sheets, Utilities, Application Guides, Brochures, Price Lists
Archi-data Kft.	Building material product information system, POI building material catalog
Archilink	Buildings - Architects - Builders - Materials - Real Estate - Cad Design
Archinet	Companies, products, current prices in the construction industry
Archiweb	Architecture, construction online
Bau-Data	Online project information
Betonnet	Information additive - Independent concrete portal
Construnet	Database and Forum 'Construction'
Épinfó (új)	Domestic selection of building materials, building equipment, equipment products and technologies
Épít.hu	Entrepreneurial market, economy, housing, institutions, knowledge center, publications
Építési piac	Construction portal
Építészfórum (tipp)	The Hungarian Architectural Forum
Építinfó	Builders, designers, contractors, building materials distributors. Design contests, legal and technical specifications, construction machinery
ÉPTÁR (új) (tipp)	Directly accessible electronic building material database from internet browsers and most widely used architectural design software (ArchiCAD, Architectural Desktop, 2004 Allplan)
Házépítő	Building material, design, construction, execution, installation

Homegarden	Housing and object culture designers, building material and furniture catalog
Lakberendezés.hu	What to know about home
Otthonok	Information website for builders
Otthonunk	Housing, house construction, garden, real estate
Otthonweb	Renovated home portal - house construction, building material, furnishings, furniture, garden, financing, security
Tűzinfo.hu	Fire information portal - Fire protection of buildings, publications, news, legislation, trademarks, products, service providers, publications

3.3. MARKET RESEARCH INSTITUTIONS

AC Nielsen Piackutató Kft.

H-1056 Budapest, Váci u. 8I

Tel: +36 1 327 97 00

Fax: +36 1 327 97 90

E-mail: hungary@nielsen.com

Website: www.nielsen.com

Contact: Tóth Judit Szalókné (Mrs)

Contact person: Erik Vágyi (Mr) – ad hoc researches

+36 1 327 97 38

erik.vagyi@nielsen.com

Activity: carries out studies on the attitude of customers; product and packaging testing; saleability testing; pre- and post-testing of ads; advertisement monitoring; commercial monitoring; distribution-sale system testing; public and corporate testing of banking and insurance systems; marketing consulting; consulting; retail index research.

GfK Hungaria Piackutató Kft.

H-1077 Budapest, Vesselényi u. 17.

Tel: +36 1 452 30 50

Fax: +36 1 320 17 76

E-mail: firm@gfk.com

Website: www.gfk.hu - www.gfk.com - www.gfk.tanulmanyshop.hu

Man. dir.: Otília Dörnyei (Ms)

Enikő Gál (Ms)

Officer: Ákos Kozák (Mr)

Activity: market and public opinion surveys; media monitoring

4. HOMOLOGATION OF PRODUCTS

ÉMI-TÜV SÜD Kft.

Dózsa György út 26

2000 Szentendre

Tel: +36 26 501 120

Fax: +36 26 501 150

info@emi-tuv.hu

<http://www.emi-tuv.hu> (also in English) [map](#)

Dugonics utca 11

1043 Budapest

Tel: +36 1 399 3600

Fax: +36 1 399 3603

info@emi-tuv.hu

Contact us



Find out how we can support you

Tel: +36 26 501 120

Send us your enquiryinfo@emi-tuv.hu

<https://www.emi.hu/EMI/web.nsf/Pub/contacts.html>

QUALITY CONTROL

Nemzeti Fogyasztóvédelmi Hatóság

(Hungarian Authority for Consumer Protection)

1088 Budapest, József krt.6.

Mail addr: 1428 Budapest, Pf. 20.

Tel: +36 1 459 48 00

Fax: +36 1 210 46 77

www.nfh.hu/en

Managing director: Mr. István SZENTE

foigazgato@nfh.hu

5. SETTING UP A COMPANY IN HUNGARY

Business entities may be established by a written contract, namely by Articles of Association (Charter, Deed of Foundation). The Articles and their modifications must either be public documents, or must be countersigned by a Hungarian lawyer. The Hungarian lawyer must represent the business entities before the Court of Registration during the registration procedure. All companies need to be registered by the competent Court of Registration. Application for the registration must be filed within 30 days after the establishment of the company (i.e. after the execution of the Articles). The filing requirements are strict. Decrees regulate the type, the format

and the number of the documents to be filed. Failing to meet those requirements will generally result in the refusal of the incorporation.

Categories of companies (in brackets the Hungarian abbreviation)

General partnership (kkt)	Partnership form	Non legal entity
Limited partnership (bt)	Partnership form	Non legal entity
Joint enterprise (kv)	Partnership form	Legal entity
Limited liability company (Kft.)	Limited company form	Legal entity
Company limited by shares (Rt.)	Limited company form	Legal entity

(More information on doing business in Hungary and useful addresses can be acquired at Flanders Investment & Trade Budapest Office – E-mail: budapest@fitagency.com)

6. PUBLIC BODY

GOVERNMENT OFFICE (also in charge of building industry)

Head office: 1055 Budapest, Kossuth Lajos tér 4.

Postal address: 1860 Budapest

Tel: +36 1 441 3000

titkarsag@me.gov.hu

Mr. Zsolt FÜLEKY, Deputy state secretary in charge of building issues

7. PROFESSIONAL ORGANISATIONS

ÉVOSZ- (National Federation of Hungarian Building Contractors)

H-1013 Budapest, Döbrentei tér 1.

<http://www.evosz.hu/27-fooldal/40-introduction>



	Telefon	Fax:	E-mail:
Secretariat	201-0333/24	201-3840	evosz@evosz.hu
Pete Zoltán (contact person - English)	201-0333/20	201-3840	zpete@evosz.hu
Fazekas Eszter	201-0333/13	201-3840	eszter@evosz.hu
Nagy Lajosné	201-0333/26	201-3840	nagyeva@evosz.hu
Závodiné Sánta Melinda	201-0333/12	201-3840	melinda@evosz.hu

MÉASZ (Hungarian Building Material Association)

Postal address: 1135 Budapest, Tahi u. 53-59

Head Office: 1103 Budapest Noszlopy u. 2.

Tel: +36 70 274 5541

measz@mcsz.hu

www.measz.hu

Executive director: Mr. László SZARKA (speaks English)

Chairman: Mr. Győző VIDOR



Épületszigetelők, Tetőfedők és Bádigosok Magyarországi Szövetsége

(Hungarian Association of Roof Insulators, Roofing and Tanners)

H-1101 Budapest, Albertirsai út 10

Tel: +36 1 264 82 76

emsz@emsz.hu

www.emsz.hu

Facebook: <https://www.facebook.com/EMSZ.Titkarsag/>

Dr. László KAKASY, Chairman

Magyar Mérnöki Kamara

(Hungarian Chamber of Architects)

<http://www.mmk.hu/>

Mr. Gyula Nagy, Chairman

nagy.gyula@mmk.hu

Tel: +36 1 455 70 85

8. ENCLOSURE

USEFUL LISTS OF ARCHITECTS, IMPORTERS, PRODUCERS

Updated lists are available at FIT Budapest Office (budapest@fitagency.com), or through the Provincial Offices of Flanders Investment & Trade

ARCHITECT OFFICES
BUILDING EQUIPMENT TRADE
BUILDING MACHINERY 2ND HAND
BUILDING MACHINERY RENT
BUILDING MATERIAL TRADE
CONCRETE PRODUCTION
CONSTRUCTION BRIDGE
CONSTRUCTION RAILWAY
CONSTRUCTION ROAD&MOTORWAY
DIY
DOORS WINDOWS MANUFACTURE
ELECTRICAL INSTALLATION
ENGINEERING ACTIVITIES
HEATING SYSTEMS MANUFACTURE
INDUSTRIAL BUILDINGS HALLS
INSULATION
MAIN CONTRACTORS
ROOFING
STEEL CONSTRUCTION
STEEL COIL SHEET IMPORT
SURFACE TREATMENT

Disclaimer

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