

REGIONAL COMPETITIVENESS

Besides the economic competitiveness of enterprises, regional competitiveness includes the physical, environmental and human characteristics of the given region. Accordingly, besides economic factors, the territorial patterns of education levels and accessibility are also important aspects of the inquiry.

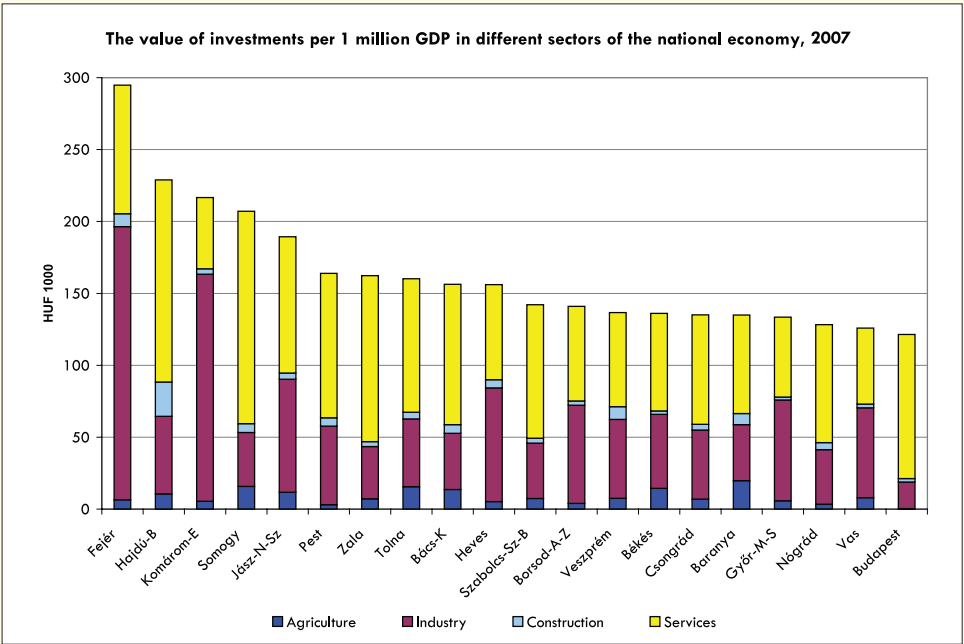
Basic economic factors

In Hungary, the **ratio of investments per HUF 1 million of the GDP** was HUF 152 900 in 2007, which means that 15.3% of the gross domestic product was re-invested into the economy in order to accumulate further tools of production. The regions of dynamic development are clearly indicated by the ration of investment per GDP index: it approached HUF 300 000 in Fejér county, while in Budapest and Vas county, it did not even reach HUF 130 000. Hajdú-Bihar, Komárom-Esztergom and Somogy counties also had investment per GDP values significantly higher than the national average.

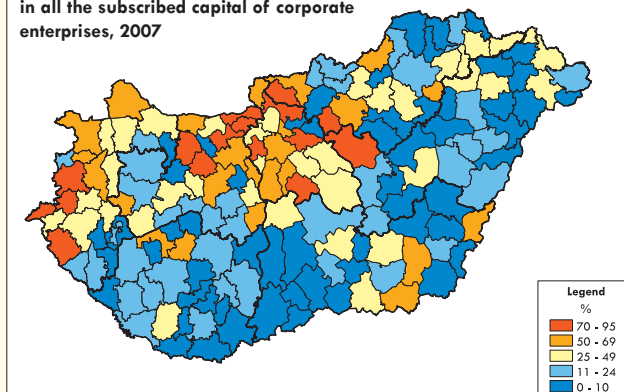
A little over half, 57%, of the **registered corporate enterprises** came from across the borders.

The share of foreign investment showed however, a notably high level of territorial divergence: in 2007, it was over 90% in the microregions of Szentgotthárd, Szombathely, Dabas and Esztergom, while, e.g., in the microregions of Mezőcsát, Sellye, Mórahalom and Nyírbátor, this ratio was barely 1-2%. A dominant share (>50%) of foreign investments characterises the agglomeration of Budapest as well as the Transdanubian microregions situated north and west of Lake Balaton. This high spatial concentration also, indicates that the major foreign investors still favour the more advanced regions.

In Hungary, the high territorial concentration of enterprises was typical also in 2007. The average number of **enterprises per 1000 inhabitants** was 68 when including all enterprises, and 35 in the case

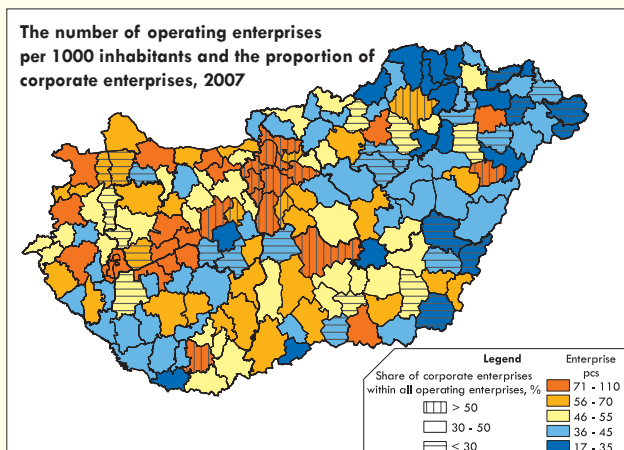


**The share of foreign capital
in all the subscribed capital of corporate
enterprises, 2007**



of only corporate enterprises. In the cases of the microregions of Budapest, Budaörs and Balatonfüred, this number (all enterprises per 1000 inhabitants) reached even 100, whereas, for instance, in the microregions of Bodrogek, Sellye and Baktalórántháza, this indicator was less than 30.

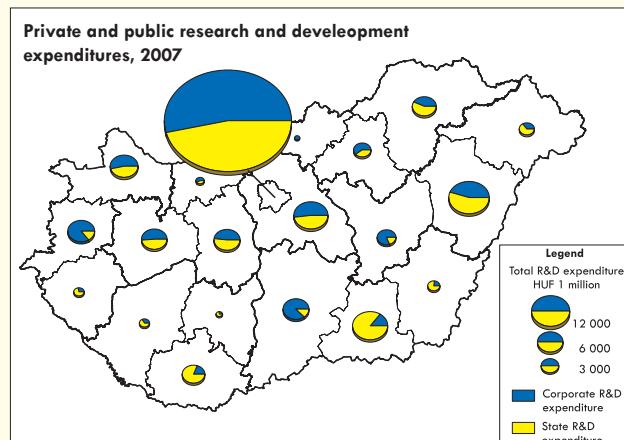
**The number of operating enterprises
per 1000 inhabitants and the proportion of
corporate enterprises, 2007**



The entire country is characterised by a low level of employment, however, it is more so in the eastern and southern counties. **Economic activity of the population**, that is, the proportion of the sum of employed and unemployed people within the total active-age population, was higher than the – rather low – national average of 61.9% in Zala and Vas counties, and in the capital. Szabolcs-Szatmár-Bereg, Baranya and Hajdú-Bihar with the lowest values, were lagging behind the average at least by 12% points, which means that in these areas, only half of the active-age population was in employment.

Intense territorial concentration is characteristic to research and development and to the whole spectrum of innovation, while there has been some slow decrease in the spatial disparities regarding investment into these activities. In 2007, the share of the capital city in all **R&D expenditure** exceeded 60%. From among the university centres, Hajdú-Bihar and Csongrád counties received 5-6% each, while Baranya and Borsod-Abaúj-Zemplén counties had concentrations

**Private and public research and development
expenditures, 2007**



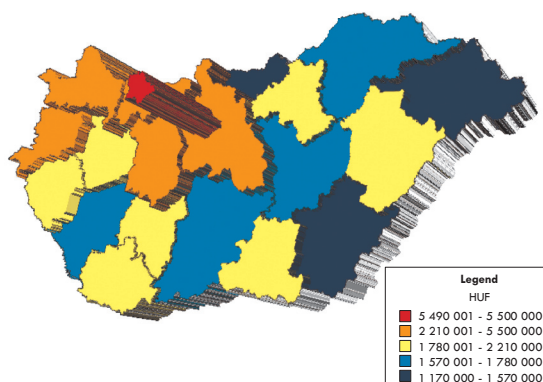
lower than 2-3% despite the strong R&D traditions at their universities.

Economic performance

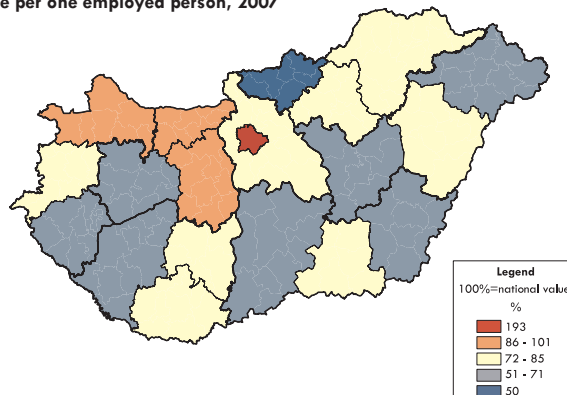
In 2007, Hungary's economic performance based on **GDP per capita** was 4% higher than in the previous year, slightly exceeding HUF 2.5 million. Within this, the capital city had still an outstanding role since its HUF 5.5 million per inhabitant was more than double than the national average, four times as much as the GDP per capita in Szabolcs-Szatmár-Bereg county, and almost five times higher than in Nógrád county. Besides these, Békés, Somogy and Jász-Nagykun-Szolnok belonged among the most disadvantaged regions based on GDP per capita, as their performance hardly reached two-thirds of the average in 2007.

The gross value added per person employed or apparent **labour productivity** is also outstanding in the capital city. In 2007, it exceeded the national average (5.6 million) only in Budapest, almost twofold. This

GDP per capita, 2007



The spatial concentration of gross added value per one employed person, 2007



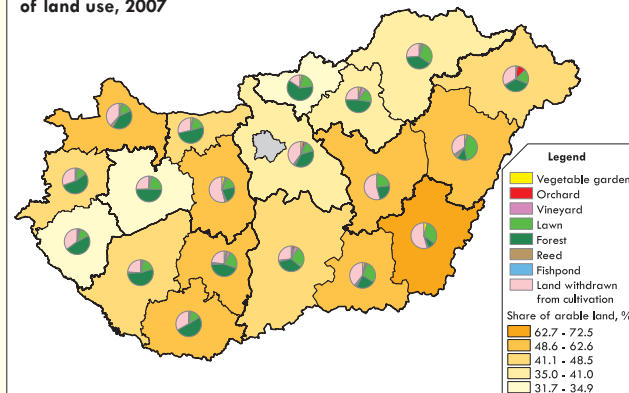
indicator in Győr-Moson-Sopron and Komárom-Esztergom counties showed values around the average, however, Nógrád county, with the lowest value, had lower labour productivity than the half of the national average.

The sectoral distribution of the **gross added value** (GAV) illustrates well the economic structure of the country, and more specifically, the dominance of the service sector. The weight of services within the total GAV was 69%, while industry and construction contributed with 27%, and the combined share of agriculture, fishery, hunting and forestry in GAV production was 4%.

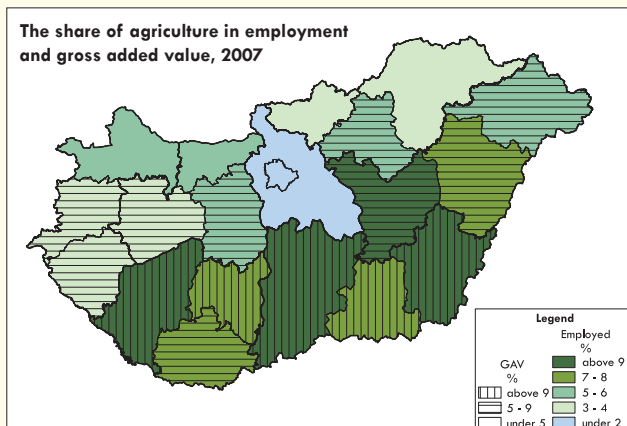
Agriculture

In 2007, **land use** in Hungary was dominated by arable land (48.4%); and forests followed as second because, as a result of reforestation carried out continuously for many decades, the proportion of forested land in the national territory has reached almost 20%. The proportion of those forests is still high which are

The proportion of arable land the distribution of land use, 2007



The share of agriculture in employment and gross added value, 2007



in deteriorated condition or which are less valuable plantations of pine, poplar, locust-tree forests. In Nógrád county, forests represented 41.4% of the area, and this is the only county where the share of forests exceeds that of the fields. Forests and fields are distributed in a regular inverse way among the counties, for example, Békés county, which ranks first consid-

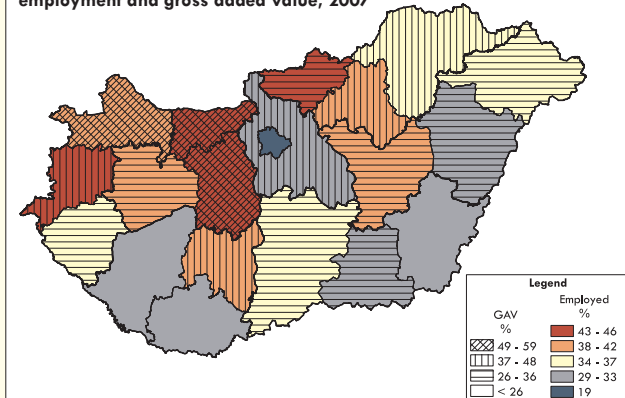
ering the proportion of fields, is the last county in terms of forest coverage. The third most significant form of land use in Hungary is of lands withdrawn from cultivation. The share of these later was 17% in 2007, and has been continuously increasing due to infrastructural developments (especially, clearway construction), greenfield investments, and the expansion of residential areas

Agriculture, game management, fishery and forestry provided only 4.7% of the employment in Hungary in 2007. The highest level of **agricultural employment** was in Bács-Kiskun county, where it reached a share of 10%. The counties most agrarian in profile can be found in South Transdanubia, as well as in the Northern and Southern Great Plain regions. In these areas – with the exception of Szabolcs-Szatmár-Bereg county – 7-10% is the typical share of agricultural employment. The **number of agricultural enterprises** is decreasing constantly; in 2007, there was already fewer than 23 000 of these functioning in the country, which meant 3.3% of all operating businesses. They can be found in the greatest numbers in the southern, and eastern, north-eastern parts of the Great Plain, in the border regions of Southern Transdanubia, and the southern part of the Small Hungarian Plain, where their share varied between 13-19%. The contribution of agriculture to the production of **gross added value** is greatest also in the southern part of the country, in the area stretching between Békés and Tolna counties. Its share can reach here even 10%, while it is lowest in Pest county (2%).

Industry and construction

32.8% of **the employed** was working in the sectors of industry and construction. The combined share

The share of industry and construction in employment and gross added value, 2007



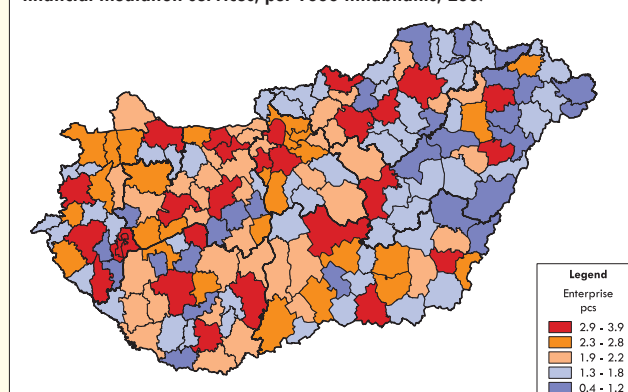
of these sectors in employment was an outstanding 46.3% in Komárom-Esztergom county, and these sectors were also strong within the employment structure in Fejér, Vas and Nógrád counties. In Budapest, on the other hand, employment in construction and industry was notably low, 19%. The contribution of the industrial sector and construction to the **gross added value** was the most significant in Komárom-Esztergom county, near 60% of the total GAV, and it was around 50% also in Fejér and Győr-Moson-Sopron counties. Only in these three counties was the greater part of gross added value produced by other than the service sector. Industry and construction had the least significant role in the capital city, Somogy, Baranya and Békés county. Within the country, **construction** was the most significant in the Central Hungary region in terms of its share in **gross added value**. From all the GAV produced by construction (HUF 1 017 billion), 27% came from the capital, and 14% was generated in Pest county. Győr-Moson-Sopron, Borsod-Abaúj-Zemplén and Hajdú-Bihar counties produced 5-5% of

the GAV generated by the construction sector, while the shares of Nógrád and Zala counties were insignificant (1% each). In 2007, more than half of the **investments in construction** were concentrated in Budapest and Hajdú-Bihar and Pest counties. Hajdú-Bihar county had taken a particularly big leap ahead compared to 2006, in which the completion of the Görbeháza-Nyíregyháza section of the M3 motorway at the end of 2007 played a significant role.

Services

Services are the most significant sector in Hungary both in terms of employment and value production. In Budapest, in 2007, already 80.4% of **the employed** were working in the service sector, and nationally, also, the average was 62.4%. After the capital city, services are dominant mostly in the less developed counties: Pest, Csongrád, Baranya, Somogy and Hajdú-Bihar counties. At the same time, the only county where the share of the service sector in employment was lower

The number of operating enterprises in the sector of financial mediation services, per 1000 inhabitants, 2007



in 2007 than 50% is the mainly industrial Komárom-Esztergom county. In the case of the majority of the counties, services contributed the most to the production of the **gross added value**: 82% in Budapest, 69% in Somogy county, and 63-65% in Csongrád, Hajdú-Bihar, Nógrád and Szabolcs-Szatmár-Bereg counties within the total GAV. The **number of operating financial businesses per 1000 inhabitants** was 2.1, and its main territorial pattern was a capital vs. countryside distinction. Financial activities were most common in the microregions of county seats, in the immediate agglomeration of Budapest as well as in the microregions of Western and Central Transdanubia.

Tourism

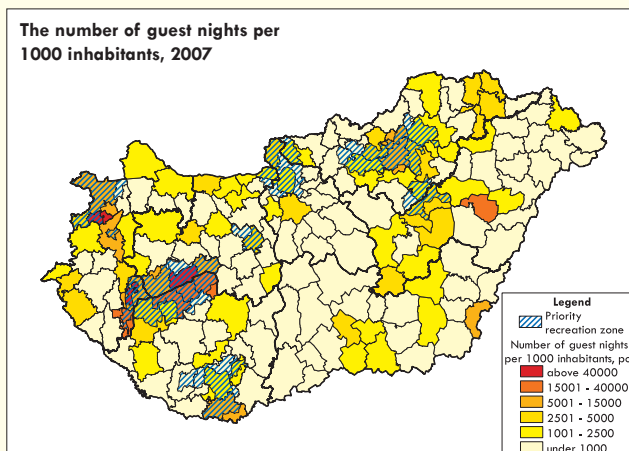
The territorial pattern of **tourist traffic** looked similar in 2007 to what it had been in the preceding years. It had a strong spatial concentration, and those microregions were ranking highest in 2007 which contained destinations with an absolute tourism appeal (such as

our internationally competitive thermal baths in the microregions of Hévíz, Csepreg, Zalakaros, Hajdúszoboszló, Siklós, Gyula, Sárvár; the traditional summer holiday places along the Balaton lakeside contained by the microregions of Balatonfüred, Balatonföldvár, Siófok, Fonyód, Keszthely and Balatonalmádi, etc.) as well as the capital city. At the other end of the scale, microregions less favoured by tourism could be found in the external and internal peripheries (along the Ukrainian-Hungarian border, parts of the Romanian-Hungarian border area, the Croatian and Serbian border regions, the Great Plain, and the inner peripheries of Transdanubia), which typically had below 400 guest nights per 1000 inhabitants.

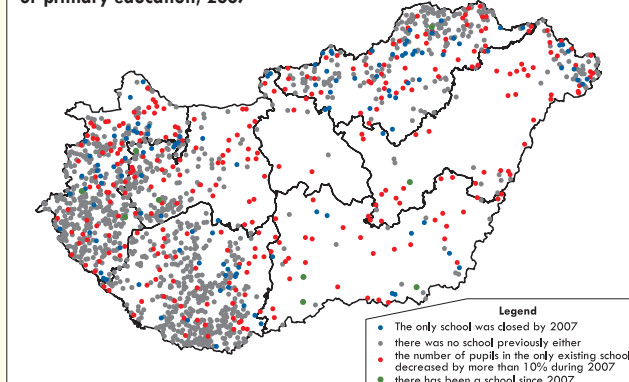
The distribution of **accommodation capacity** per 1000 inhabitants indicated also a strong territorial concentration. Among the regions with the highest accommodation capacities could be found those with important tourism destinations (Balaton region, holiday resorts of great importance) with values above 1000. The great number of microregions with values below 50 indicates, however, the need to improve the tourism infrastructure.

Education

Economic competitiveness depends fundamentally on the availability of adequately qualified labour force, which can be ensured only through a refined and accessible education system. Due to a gradual decrease in the number of children of primary school age, the number of **pupils in primary schools** dropped in 2007 by 2 500–4 000 in the case of six regions, while in Southern Transdanubia, it increased by 100. Within a year, the number of places with primary school functions was reduced by 173, as a consequence of which,



Problem regions concerning the provision of primary education, 2007



119 municipalities were left without a primary school in 2007. The **number of primary schools** decreased most in Northern Hungary, by 42. Their numbers increased to a negligible extent only in Komárom-Esztergom and Pest counties.

In **secondary education**, the combined number of students in grammar schools and vocational second-

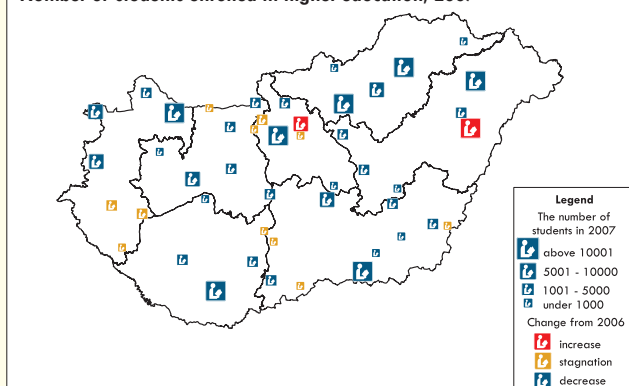
ary schools grew to 534 thousand, while the number of participants in vocational training decreased further (to 134 thousand), although it is true that the annual change was only by 1-2 thousand.

In 2007, 396.3 thousand students participated in **higher education**, which means a considerable decrease by 18.4 thousand compared to the previous year. This decline could be observed in all regions; it was the most substantial in Central Hungary (approximately by 4 400 students), while it was the least significant in Central Transdanubia (about 1 500). The dominance of Central Hungary however, remains: in 2007, 44.3% of all students, some 175 thousand people enrolled in higher education in this region.

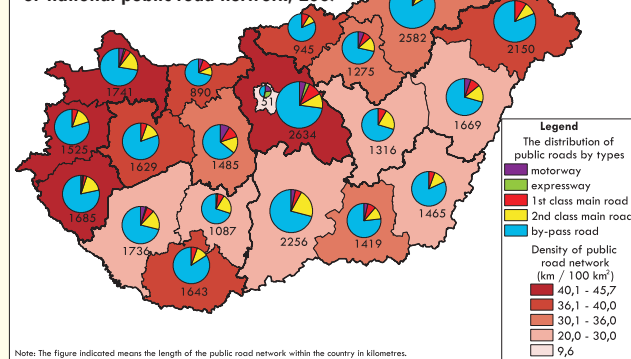
Transport and communication

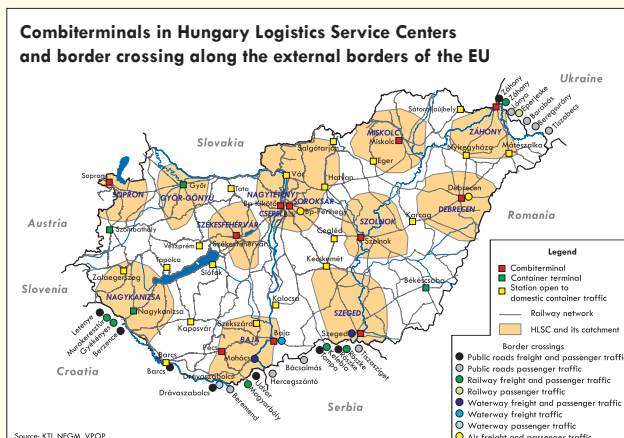
At every spatial level, accessibility is a development factor of strategic importance. The **clearway network** has reached a total length of 1 032 km by the end of 2007. The construction of M3, M6, M7 and M8 was continued, thus the motorway network was extended

Number of students enrolled in higher education, 2007

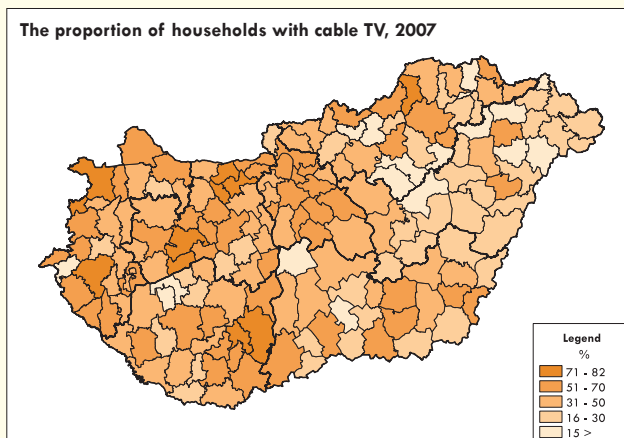


The territorial differences in the density of national public road network, 2007





by 76.4 km in the course of this year. The accessibility of the eastern and south-western parts of the country was especially improved from the direction of Budapest. Rest of the road developments meant mainly restoration and multi-lane widening, and was carried out mostly in Borsod-Abaúj-Zemplén, Szabolcs-



Szatmár-Bereg, Bács-Kiskun and Békés counties.

The length of the **railway network** stayed at 7 896 km in 2007. No new lines were built, only some reconstruction work was performed along the Budapest-Cegléd-Szolnok, the Budapest-Újszász-Szolnok, the Cegléd-Kecskemét, the Boba-Bajánsenye, the Szajol-Mezőtúr, the Békéscsaba-Lőkősháza and the Budapest-Esztergom sections, as well as along the Érd section of the Budapest-Székesfehérvár line; and the renovation of the Northern Railway Bridge was continued in Budapest.

Water transport is the most significant in Hungary along the Danube, which is a Helsinki corridor. The most substantial **port investments** in 2007 were the further improvement of the harbours of Győr-Gönyű, Csepel Freeport, Mohács and Baja.

There are 6 international **airports** operating in Hungary: Budapest-Ferihegy, Debrecen, Győr-Pér, Pécs-Pogány, Nyíregyháza and Sármellék Airports. From among these, traffic is outstanding only at Ferihegy Airport, where it was 8.3 million people in 2007, and where it reached up to 130 thousand aircrafts by 2007.

The sectoral distribution of **freight transport** showed the dominance of public roads: near 67% of all freight transport was carried out on public roads, 18% on railways, 11% on pipelines, and 4% on waterways.

In June 2007, the number of **mobile subscriptions** exceeded that of the population of the country, and reached 10.2 million. Thus, there were already 101.7 subscriptions per 100 inhabitants, which meant a 2.6% rise in one year. In terms of **access to cable TV**, there was a decline in most of the regions between 2006 and 2007. Decrease occurred in all three regions of Transdanubia and in Eastern Hungary, while there was still some growth in Central Hungary.