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## INVEST

### FOREIGN DIRECT INVESTMENT

Hungary maintains a high per capita stock of foreign direct investment FDI for Central and Eastern Europe standards. However, the 2009-2010 crisis has strongly affected FDI flows to the country and since then the volume of inward flows has been lower. According to UNCTAD's [World Investment Report 2023](#), FDI inflows increased to USD 8.5 billion in 2022 compared to USD 7.5 billion one year earlier; whereas the FDI stock stood at USD 104.2 billion. Data by the Hungarian Investment Promotion Agency points out that a total of 92 major FDI deals were finalized in 2022, resulting in the creation of approximately 15,000 new jobs and the retention of tens of thousands. Eastern countries remained pivotal, with South Korea leading in FDI volume for the third time, following 2019 and 2021. The automotive, electronics, and food sectors continued to hold significant prominence in terms of investment. In terms of stock, the main investors are Canada, the Cayman Islands, the Netherlands, Germany, Luxembourg, and Austria. FDIs are mainly oriented towards financial services, manufacturing, trade, real estate, and scientific and technical activities. According to the latest figures from the OECD, in the first semester of 2023, Hungary registered a negative investment inflow of almost USD 1.4 billion, compared to USD 2.5 billion registered in the same period one year earlier.

The national foreign investment screening mechanism requires foreign investors seeking to acquire more than a 25% stake in a Hungarian company in sensitive sectors - such as defence, intelligence services, certain financial services, electric energy, gas, water utility, and electronic information systems for governments - to seek approval from the Interior Ministry. Furthermore, approval from the Ministry of Innovation and Technology (MIT) has to be sought for greenfield or expansion of existing investments. Hungary has benefited in recent years from a change in the direction of FDI from low-value textile and food-processing sectors to wholesale, retail trade and repair of vehicles. The country's central location and high-quality infrastructure have made it an attractive destination for FDI. Furthermore, it has one of the lowest corporate tax rates in Europe. However, the demographic decline of the country and the slow progress of the education system impede crucial structural transformation, with several foreign companies identifying shortages of qualified labour as the main obstacle to investment in Hungary. The country ranks 35th out of 82 countries in the Economist Business Environment ranking and 46th out of 64 in the [World Competitiveness Index](#). Furthermore, it ranks 35th among the 132 economies on the [Global Innovation Index 2023](#) and 72nd out of 184 countries on the [2023 Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
<b>FDI Inward Flow</b> <i>(million USD)</i>	7,047	7,559	8,571
<b>FDI Stock</b> <i>(million USD)</i>	102,128	104,788	104,254
<b>Number of Greenfield Investments*</b>	100	121	96
<b>Value of Greenfield Investments (million USD)</b>	3,760	6,372	12,420

Source: UNCTAD - Latest available data.

Note: \* Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	Hungary	Eastern Europe & Central Asia	United States	Germany
<b>Index of Transaction Transparency*</b>	2.0	7.5	7.0	5.0
<b>Index of Manager's Responsibility**</b>	4.0	5.0	9.0	5.0
<b>Index of Shareholders' Power***</b>	7.0	6.8	9.0	5.0

Source: Doing Business - Latest available data.

Note: \*The Greater the Index, the More Transparent the Conditions of Transactions. \*\*The Greater the Index, the More the Manager is Personally Responsible. \*\*\* The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

## WHAT TO CONSIDER IF YOU INVEST IN HUNGARY

### Strong Points

Strong points for FDI in Hungary:

- Hungary is widely considered to be the gateway to Central and Southeast Europe, which makes it an attractive market for foreign investment.
- Hungary's labour force is highly educated and skilled with a particular emphasis on engineering, medicine and economics.
- The labour force is also cheap which allows the country to optimally integrate itself within the European production chain and to be considered as an efficient production workshop.
- Hungary continues to be one of the fastest growing EU economies. Its financial system is one of the most developed in the region.
- Well-established infrastructure and a clear legal and regulatory framework give Hungary a favourable environment for sustainable growth.
- Integration in the EU reinforces its political and economic stability, while the support of large international organisations has reduced the effects of the crisis.

### Weak Points

Weaknesses for FDI in Hungary include:

- Banks suffered heavy losses as a result of debt buyback and speculative investments
- The currency (HUF) is prone to depreciation
- Low investments in innovation and R&D, a high level of energy dependence and a sometimes fragile banking sector (public and private) put Hungary at risk of a glass ceiling and allow some observers to be alarmed by the capacity of the country to reinvent itself and thus to be able to leave its current economic role.
- Cronyism and corruption
- Possibility of economic problems because of political conflict with the European Union
- Dependency on Russian energy exports

## Government Measures to Motivate or Restrict FDI

Attracting foreign investment is a priority for the Hungarian Government. The Government established [the Hungarian Investment Promotion Agency \(HIPA\)](#) with the aim of providing professional help to foreign companies intending to invest in Hungary.

The recovery from the Covid-19 crisis has been facilitated by support measures. To reform the economy and increase competitiveness, incentive measures include:

- The improvement of the administrative situation and the reduction of formalities
- The facilitated acquisition of building permits;
- As part of the EU budget cycle (2021-2027), EUR 52.8 billion will be allocated to productivity, research, development, innovation, infrastructure and renewable energy;
- To promote investment, the corporate tax rate was lowered to 9%, and the social security contributions to 13%;
- The government provides special incentive package for investments over a certain value (generally above EUR 10 million), for investors who establish manufacturing facilities, logistics facilities, regional service centers, R&D facilities, bioenergy facilities, or those active in the tourism sector.

## INVESTMENT OPPORTUNITIES

### The Key Sectors of the National Economy

Agribusiness, pharmaceuticals, energy optimization, renewable energies, transport equipment and related equipment, the health and well-being industry, information and communication technologies. For further details, consult the dedicated page on the website of the Hungarian Investment Promotion Agency.

### High Potential Sectors

Environment, Housing, Information and Communication Technologies. For further details, consult the dedicated page on the website of the Hungarian Investment Promotion Agency.

### Privatization Programmes

The Hungarian State Ownership Company is the legal successor of the State Ownership and Privatisation Corporation. It is in charge of managing and privatizing state property. Since most state-owned enterprises are now privatised, the process has slowed significantly in recent years. Instead, the local government seemed to reverse the trend, since it has recently taken more ownership or de facto control in certain sectors, including energy and public utilities.

### Tenders, Projects and Public Procurement

[Ted - Tenders Electronic Daily](#), Business opportunities in EU  
[Tenders Info](#), Tenders in Hungary

## Sectors Where Investment Opportunities Are Fewer

### Monopolistic Sectors

Post, public transport. In recent years, the government has increased its ownership share or de facto control over certain sectors, including energy and public utilities.

## Sectors in Decline

Mining, Textile.

## Finding Assistance For Further Information

### Investment Aid Agency

[Hungarian Investment Promotion Agency](#)

### Other Useful Resources

[Official News Portal \*About Hungary\*](#)

[Budapest Chamber of Commerce and Industry](#)

### Doing Business Guides

[Hungary Doing Business Guide - The U.S. Embassy in Hungary](#)

[Doing Business - Hungary \(World Bank\)](#)

[Hungary 2022 Doing Business Guide \(Crowe\)](#)