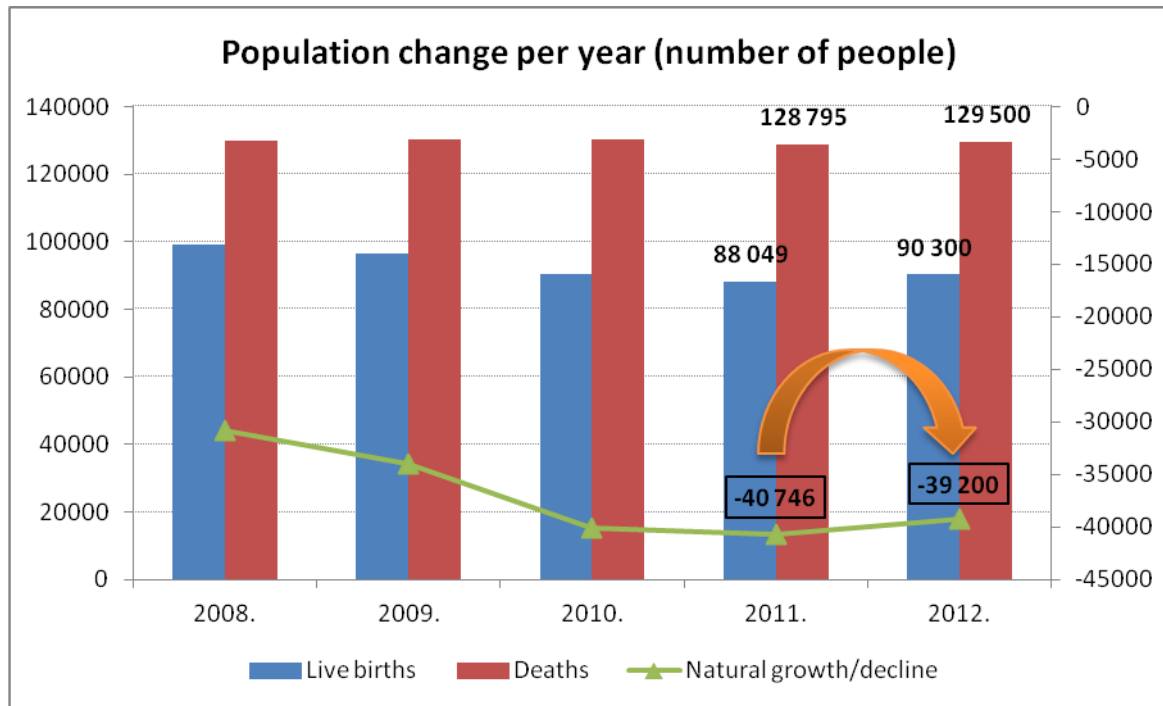




Pace of population decline slowing down

The pace of population decline moderated in 2012 compared to the previous year, as the number of births increased significantly last year.

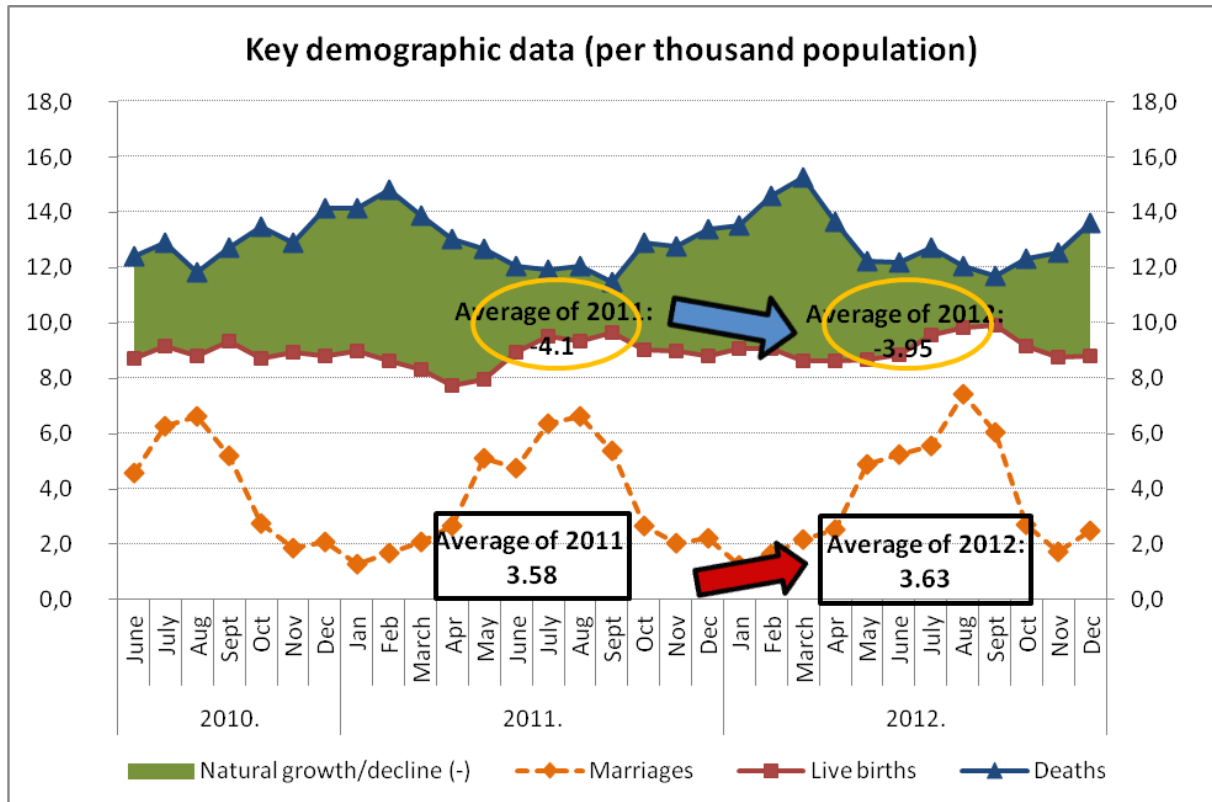


Source: Hungarian Central Statistical Office (KSH)

The fact that 2 251 more children were born signals that the family-friendly policy of the Government has been effective; family tax allowances introduced as of January 2011 appear to have succeeded in their object. People's inclination to have children has increased as the Government had consistently pursued a policy to protect families and had reduced the burdens of those with children by effective tax cuts. In addition, slowing population decline may in the longer term contribute to a higher employment rate, higher economic growth and lower old dependency ratio.

The number of births was the highest in August when 8 257 children were born, and number of deaths peaked in March when 12 866 people deceased, which can partly be attributed to the flu epidemic. It is worth pointing out that the number of abortions was 2 343 lower than last year, which corresponds to a decrease of 6.1 percent.

The chart below helps follow the change in the number of live births, deaths and marriages (per thousand population):



Source: KSH

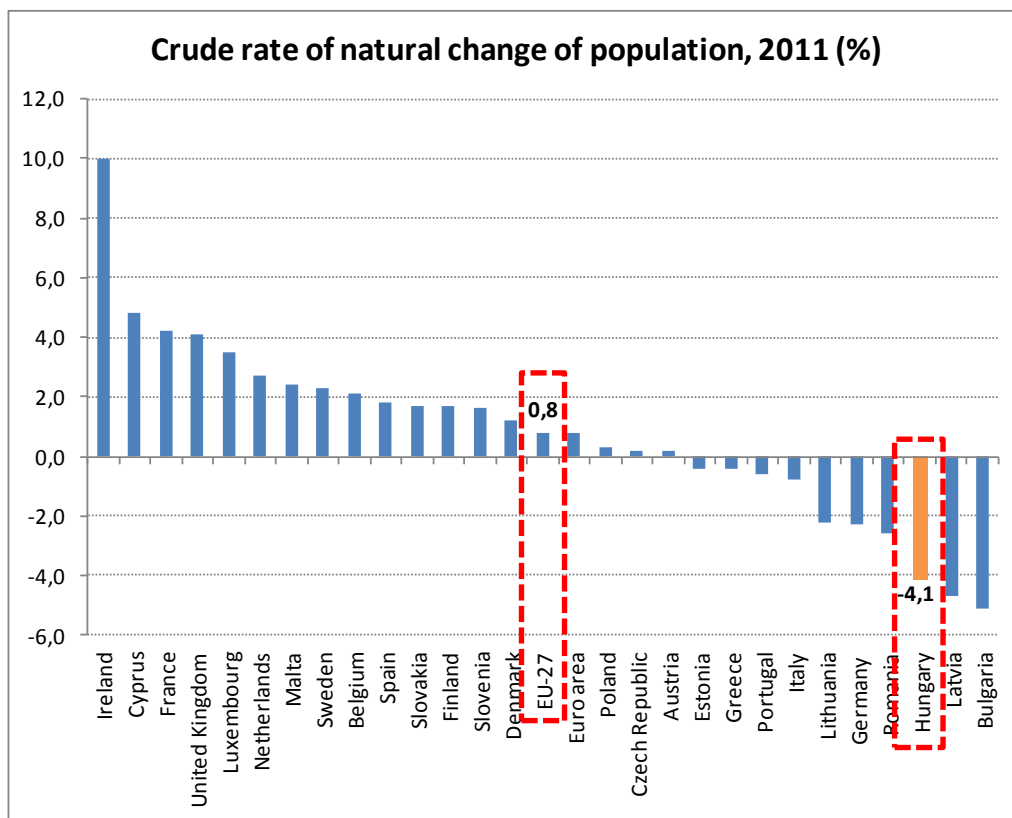
While in 2011 the rate of natural population decline was 4.1 per thousand people, this figure improved to 3.95 last year, as a consequence of two factors: the number of live births increased from 8.8 to 9.1 and the number of deaths edged up from 12.9 to 13.0. Meanwhile, the number of marriages was also slightly higher: while in 2011 there were on average 3.58 marriages per thousand population (per month), last year this figure was already 3.63. As in the past few years, most couples, altogether 6 259, tied the knot in August. As far as the entire year is concerned, the number of nuptials was 36 200 which is 388 -- 1.1 percent -- more than last year's statistics.



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How positive these demographic data are is reflected by the fact that among European Union member countries in 2011 the pace of population decline was higher than Hungary's only in Bulgaria and Latvia. Therefore, Hungarian developments in 2012 are highly favourable and they are the result of both properly acknowledging and addressing the issue.

The Hungarian rate of population decline of 4.1 percent per thousand population is slightly below that of Bulgaria's 5.1 percent or Latvia's 4.7 percent, but unfortunately it is far higher than statistics for the entire EU which signal population growth of 0.8 percent for the EU in 2011. The chart below shows the rate of natural population growth/decline.



Source: Eurostat

Partly in order to curb population decline, as of 1 January 2011 an uncomplicated and proportionate family taxation system was introduced which acknowledges two key values: work and raising children concurrently to having a job. Because as long as having children poses the risk of poverty in Hungary, giving birth to children is unattractive or it is even considered as a drawback.

The direct consequence of that is an aging population which leads to increasingly deteriorating economic conditions and an unsustainable pension system. Without a few exceptions, this tendency has also been a characteristic feature of developed countries.

The current taxation system introduced by the Government favours families as it provides unprecedented tax incentives for those raising children while having a job and it will serve as the basis for an employment and demographic trend reversal. As in January 2011 every fifth out of the 3.7 million employees concerned utilized family tax allowance already for their first salary demonstrates the success of this measure.

Since then it has become even clearer that the tax system had fulfilled expectations. Family tax allowances have motivated families to have children and that was reflected in the higher number of births in 2012. The almost 800 thousand parents using the tax incentive in 2011 claimed about 160bn forints from family tax allowances: this was the extra amount left at families.



Source: KSH



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According to the latest data published by the Hungarian Central Statistical Office (KSH), between 2010 and the end of Q3 2012 real wage increase was 3.8 percent in the national economy, whereas real wages among those with three or more children was more than 15 percent higher in the initial three quarters of 2012 compared to 2010.

Family tax allowances significantly reduce the tax base and thus families with at least three children may even be entirely exempt from paying personal income tax.

Family tax allowances based on 2013 regulations:

	Deductions from tax base (HUF)	Tax allowance (HUF)
For up to two dependants		
	For 1 child	62 500
	For 2 children	125 000
For at least three dependants		
	For 1 child	265 250
	For 2 children	412 500
	For 3 children	618 750

Source: Ministry for National Economy (NGM)