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Hungary excels in globalization ranking

Ernst&Young published its annual report on globalization last week which included its Globalization Index 2012 for the 60 largest economies of the world. **The index analyzes the drivers of globalization on the basis of five sub-indices:** openness to trade, capital movements, exchange of technology and ideas, labour movements and cultural integration. The Globalization Index gauges the openness of countries by 23 various indicators. For determining scores of the categories its qualitative sub indicators (information based on surveying company chief executives – soft data) and quantitative sub indicators (information from international databases – hard data) were weighted differently. For the calculation of final scores the weighting of individual pillars also varied. Thus, **the main index is basically composed of 5 sub-indices which are made up by indicators.**

Key achievements

In the Globalization Index 2012 **Hong Kong, Singapore, Ireland, Belgium and Switzerland are ranked as top five.** In comparison to last year's report Singapore came ahead of Ireland and Switzerland advanced from rank eight to five. **Hungary**, which is preceded by the Netherlands, Sweden and Denmark in addition to the top five, **is placed as 9th after having moved up one notch from rank 10 last year.** At the bottom of the list of 60 countries are Kazakhstan, Indonesia, Venezuela, Algeria and Iran.

Among our regional peers Slovakia (12) advanced three places in the Globalization Index 2012; while the Czech Republic (18) and Poland (27) preserved their positions of last year.

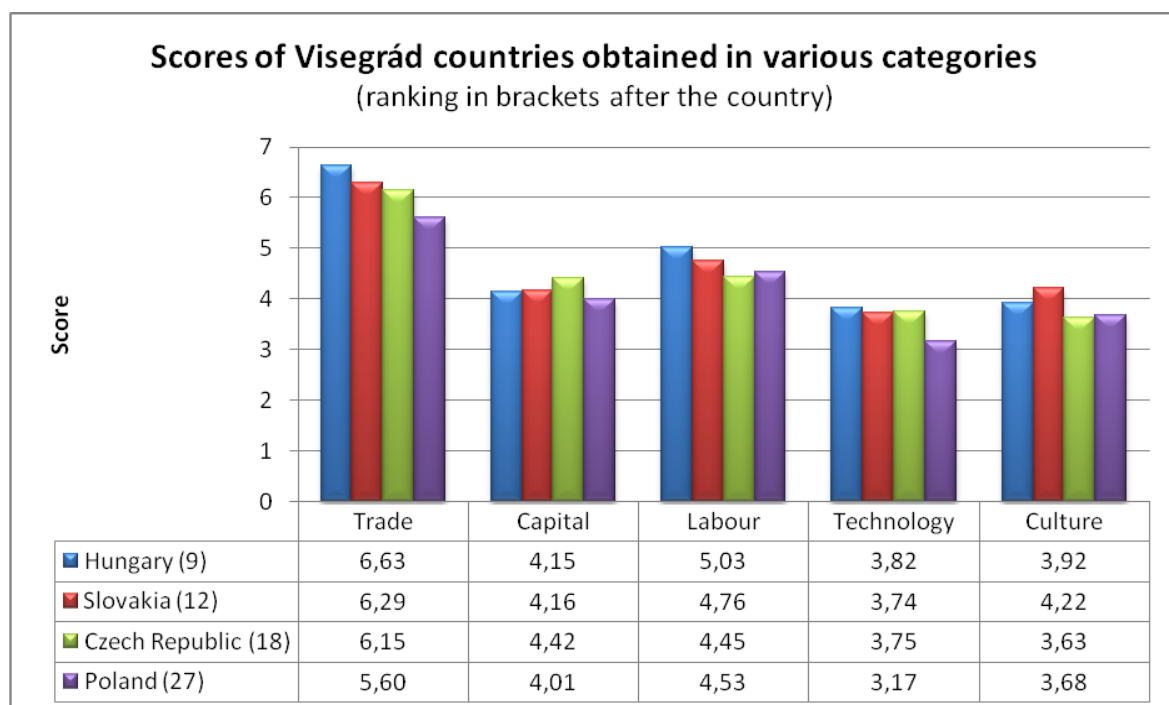


The level of integration of Hungary and the region

The level of **Hungary's global integration** is quite high even from a global perspective: according to scores achieved in the category of trade, **Hungary has the third most open economy in the world**. With regard to the Central Eastern European (CEE) region, Hungary is the most open country among its neighbours, the one best integrated into world trade.

In the categories of **trade, labour market and technology** (trade in information and communication technologies, trade in creative goods and services, the number of internet and broad-band internet subscriptions) **Hungary was awarded the highest score among the Visegrád Four**.

As far as cultural integration is concerned, Hungary comes as second after Slovakia in the region. In the field of **movement of capital and finance**, however, the country slipped to rank three among regional peers.



Source: Ernst&Young



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In comparison to other surveyed countries the openness of Hungary regarding the movement of goods and services increased (on the basis of scores obtained), and **the country managed to improve its position in the category of cultural integration.** In the field of technology, however, the scores Hungary received declined significantly compared to the previous survey and as a consequence **the country's advantage vis-à-vis the Visegrád countries has diminished.**

Future expectations

According to the Globalization Survey (based on the Globalization Index and a survey of 750 company chief executives), in spite of weak growth in 2012 and unstable economic outlook for 2013 **globalization continues to strengthen among the majority of the 60 leading economies of the world, which has been mainly driven by the cross-border movement of technologies and innovative ideas.** The analysis of the Globalization Index highlights the improving globalisation scores of median-growth or rapid-growth markets (Vietnam, Malaysia, Thailand) and those of smaller European countries, such as Hungary.

At the same time those surveyed expressed their grave concerns as in the next 12 months **economic weakness parallel to ever-increasing global competition may result in more protectionism which in turn can be an obstacle to the process of globalization.** Survey respondents expressly emphasized the challenges and concerns they face while operating in BRIC countries or in confronting the economic downturn of these countries.



Appendix

Main categories and applied indicators:

1. Movement of goods and services:

Total trade (exports and imports) as of GDP
Trade openness (5=very high)
Tariff and non-tariff barriers (5=very low)
Ease of trading (5=very easy)
Current-account restrictions (5=very low)
Share of main trading partners in total trade (%)

2. Movement of capital and finance:

FDI stocks (in and out, as percentage of GDP)
Portfolio capital flows (in and out, as percentage of GDP)
Government policy towards foreign investment (5=very encouraging)
Expropriation risk (5=non-existent)
Investment protection schemes (5=very good)
Domestic favouritism by the government (5=no favouritism)
State control/ownership (5=no state interference)

3. Exchange of technology and ideas:

Trade in ICT goods (exports and imports) as percentage of GDP
Trade in creative goods and services (exports and imports) as percentage of GDP
Broadband subscriptions (per 100 people)
Internet subscribers (per 100 people)

4. Movement of labour:

Net migration rate (per 1000 population)
Current transfers (in and out, as percentage of GDP)
Hiring of foreign nationals (5=very easy)

5. Cultural integration:

Tourism (in and out, per 1000 population)
International total fixed telephone traffic (minutes/capita)
Openness of national culture to foreign influence (5=very open)