OPERATIONAL FRAMES OF THE TOURISM SECTOR IN HUNGARY

- Hungary: dynamic developing country of the CEE Region, economic and cultural centre
- Desirable location within the European Union, well-developed infrastructure with further ambitious development programmes
- 16 years after change of regime tourism became one of the most successful sector of economy, with a lot of potential
- Fast changing condition, sharp competition on the international tourism market – challenges also for the Hungarian tourism sector
- From 2004 EU funds became available – new resources of developments
- National Tourism Strategy 2005 – 2013 Tourism strategy for a period of 8 years to point out the long term directions for a consistent tourism development activity
HUNGARY WITHIN EUROPE’S TOP DESTINATIONS

- Guests
- Guest nights

![Graph showing the number of guests and guest nights for Hungary from 2003 to 2006. The graph indicates a steady increase in both categories over the years.](image-url)
## PERFORMANCE OF THE TOURISM SECTOR IN HUNGARY

Source: Tourism Satellite Account (TSA) - Hungarian Central Statistical Office

<table>
<thead>
<tr>
<th>Index</th>
<th>Value (million euros)</th>
<th>Ratio to the whole of national economy (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP of tourism sectors</td>
<td>3.500</td>
<td>5</td>
</tr>
<tr>
<td>GDP of tourism with multiplication effects</td>
<td>5.560</td>
<td>8.5</td>
</tr>
<tr>
<td>Total tourism expenditures</td>
<td>3.868</td>
<td>8.8</td>
</tr>
<tr>
<td>tourism expenditures of foreigners in Hungary</td>
<td>2.388</td>
<td>5.4</td>
</tr>
<tr>
<td>tourism expenditures of local residents</td>
<td>1.480</td>
<td>3.4</td>
</tr>
<tr>
<td>The employees of tourism sector</td>
<td>398 000 persons</td>
<td>8.3</td>
</tr>
<tr>
<td>The employees of tourism sector with multiplication effects</td>
<td>490 000 persons</td>
<td>12.5</td>
</tr>
</tbody>
</table>

Average multiplications of tourism sectors and their effect on GDP: 1,692

Tourism demand per unit generates on average 1,692 output gross in the economy through its subcontract relationships.
TENDENCIES:

• Significant developments, growing service capacity, establishments with complex service supply (wellness, congress facilities, weather independent services)
• Presence of discount airlines, development of regional airports
• Length of stay get shorter but tourists prefer services of a higher standard
• Innovative tourism products are able to generate new demand (for example wellness hotels are very popular among local inhabitants)
• Attractiveness of Hungary is growing in new markets (UK, France, Eastern-Europe, Northern-Europe, China)
• Growing congress- and event market
• Rising importance of domestic tourism
TOP 10 incoming markets for Hungary and their share

- Germany: 38%
- Austria: 10%
- United Kingdom: 10%
- North European Countries: 9%
- USA: 8%
- Italy: 7%
- The Netherlands: 5%
- France: 4%
- Poland: 4%
- Spain: 5%
CONNECTIONS OF HUNGARY HIGHWAYS
TOURISM AND INVESTMENTS

Sources of the tourism developments: governmental + EU + private capital

✓ Last 15 years: considerable FDI to tourism sector
✓ Foreign capital preferred Budapest (investment boom Gresham Palace Four Season, New York Palace, Royal) more hotel developments are in progress: Balett Plaza, Hotel & Spa Rác, Klotild Palota)
✓ Result: quantitative und qualitative improvement in the hotel capacity
✓ Background: development of the real-estate sector in Hungary, prospective high rate of return of the hotel investments, favourable growing expectation of the tourism sector in the long run
RADICAL CHANGES IN THE HOTEL SUPPLY

1990

- 1* 18%
- 2* 23%
- 3* 34%
- 4* 20%
- 5* 5%

2006

- 1* 5%
- 2* 13%
- 3* 45%
- 4* 29%
- 5* 8%

Quality came to the front
Sources of the tourism developments: governmental + EU + private capital

- In addition to Budapest, main territories of the investments: spots of the health tourism and lake Balaton
- In the country-side: considerable developments of tourism attractions with state subsidy – stimulating effect on the private capital (1 HUF state subsidy could activate 2 HUF private capital)
- New hotel projects connected to spa developments for example: Bük, Sárvár, Kehidakustány, Hajdúszoboszló
- Balaton: new image through development projects: wellness, MICE, golf
- EU membership: further impulse for tourism investments
INVESTMENT VOLUME OF SECTOR „HOTELS AND RESTAURANTS”

Source: CSO
A new approach: tourism is not only a sector of economy, but a part of life.

The main objective is to improve the quality of life by sustainable tourism development.

Considering the economic importance of tourism, the Strategy emphasizes that the benefit from tourism is much more than only a source of foreign income in the national economy.

National priorities of product development:
Health tourism (spa and wellness tourism)
Heritage tourism: attractions based on cultural and natural heritage: World Heritage sites, national parks, equestrian-, rural-, gastronomy and wine tourism, major Programmes of national and international importance
Congress tourism
NTS – TOOLS OF IMPLEMENTATION

Tools
- Regulation
- Stimulation of investments (EU, PPP, private sector, municipalities)
- Institutional tools
- Marketing, communication

Target groups
- Local communities
- Public administration
- Local governments
- Regional organizations of tourism and regional development
- Educational institutions
- Tourism enterprises, professional organizations
- Tourists
NTS – FINANCING BACKGROUND

For providing the necessary financial sources - in addition to the EU funds - investments of the private capital have also crucial importance.

EU+ co-financing+
other local sources (for example municipalities) 2.071 million Euro
Private capital: 2.642 million Euro
Total: 4.713 million Euro
Main Objectives of Tourism Development - Tourism in the National Development Plan II

• Main task: implementation of National Tourism Strategy
• Tourism parts of National Development Plan and Regional Operative Programmes based on the National Tourism Strategy
• 2007 – 2013: according to the plans: directly 1,2 billion euros EU fund can flow into the tourism sector (only through Regional Operative Programmes) + indirectly additional financial sources through other OP-s

• In the current planning period the tourism sector’s importance increased

National Development Plan I: 2,7% from the total development sources for tourism developments
National Development Plan II: expectation: 4,6%
Main Objectives of the subsidies:

- Creating new tourist attractions
- Development of world heritage sites, national parks, historical and cultural sites, equestrian bases, theme parks, resorts, congress centres, etc.
- Accommodation
- Human and institutional background developments
Health tourism in the National Development Plan II:

- **NDPII emphasises**: Hungary possess unique thermal water basis and geothermic conditions

- **Utilization of these conditions** has favourable economical and social effects, that is why we have to continue the development of the supply in the health tourism

- **Development of health tourism** is an objective of all Regional Operative Programme

- **New approach**: in the future - in addition to bath modernizing projects - crucial task the establishment of health resorts (complex supply: balneological and health care services of a high standard together with tourism services)
HEALTH TOURISM 2007 - 2013

National sources of finance for the development of health tourism

- State subsidy for reconstruction of historical baths
- Available sum for the objective: 7,2 million euros
- Maximum high of state subsidy: max. 2,4 million euros
- This is the second phase of the programme, first tender in 2005, 5 historical bath won state subsidy, reconstruction works in progress
HEALTH TOURISM 2007 - 2013

Investment possibilities:

- Connecting to National Development Plan II: overall collection of tourism projects
- A lot of new plans, project idea, but in many cases for the implementation also private capital is needed
- Possible field of investments: development of accommodation connected to spa- or health resort projects, aqua parks, adventure baths, wellness facilities, joining projects: active tourism + wellness (for example golf+wellness)
We hope to welcome investors from your country.
Thank you very much for your kind attention!