



MINISTRY FOR NATIONAL DEVELOPMENT AND ECONOMY



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# Present and Future of Industrial Biotech in Hungary

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**Governmental Issues in Industrial Policy**

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# Who does what in the Hungarian government in the field of innovation and industrial policy?

- Károly Molnár, Minister without portfolio responsible for R&D&I
- Gordon Bajnai, Minister for National Development and Economy



## Sector specific strategies

- New concept in the Hungarian development policy: sector specific industrial policy programmes in preparation
- Work started in September still in progress
- The unfolding financial market turmoil and its implication on the real economy put these strategies in limelight



## Implications of global financial market turmoil on Hungary: Financial markets

- Implications are the same as in most other markets in the region (and emerging markets in general)
  - Liquidity squeeze coming from extreme risk aversion
  - Dramatically increasing risk premia on interest rates
  - Falling stock prices
  - Pressure on the currency
- Hungary seems to be more vulnerable to global turbulences
  - High public and external debt (despite improving financial balances since 2006)
  - Poor fiscal track record (before 2006)
  - Supposed similarities with Iceland
- Speculation may have exaggerated market turbulences



## Implications of global financial market turmoil on Hungary: Real economic implications

- **Being an export-oriented economy, global slowdown has a major negative impact on economic growth**
  - Especially on export-oriented sectors (e.g. automobile industry, consumer electronics)
- **Liquidity squeeze and higher risk premia on global financial markets make external financing more expensive**
  - Foreign exchange loans sparser and more expensive
  - Tightening credit conditions (for households and businesses alike)
- **Hungarian GDP-growth is dependent on European demand**
  - Earlier baseline forecast for 2009 (+1.2%) consistent with available projections for the EU
  - But in a negative scenario (outright recession in Western Europe), Hungarian growth could be even negative



# NFGM strategy

- NFGM (Ministry for National Development and Economy) action plan 2008: designation of high priority, knowledge-intensive sectors with high growth and value added capacity that contribute to the competitiveness of the economy.
- Main aspects to be taken into consideration: the global market dynamics of the sector, new global challenges, technology trends, comparative advantages.



# Governmental priorities

- The priority sectors in the action plan of the Government: ICT, **biotechnology**, pharmaceutical industry, automotive industry, logistics and tourism.
- The priorities are reflected in the action plan of the Government 2008-2010



## Related strategies

- Strategy for the development of the SMEs
- Strategy for development of the foreign trade policy including FDI policy
- Science, Technology and Innovation Policy



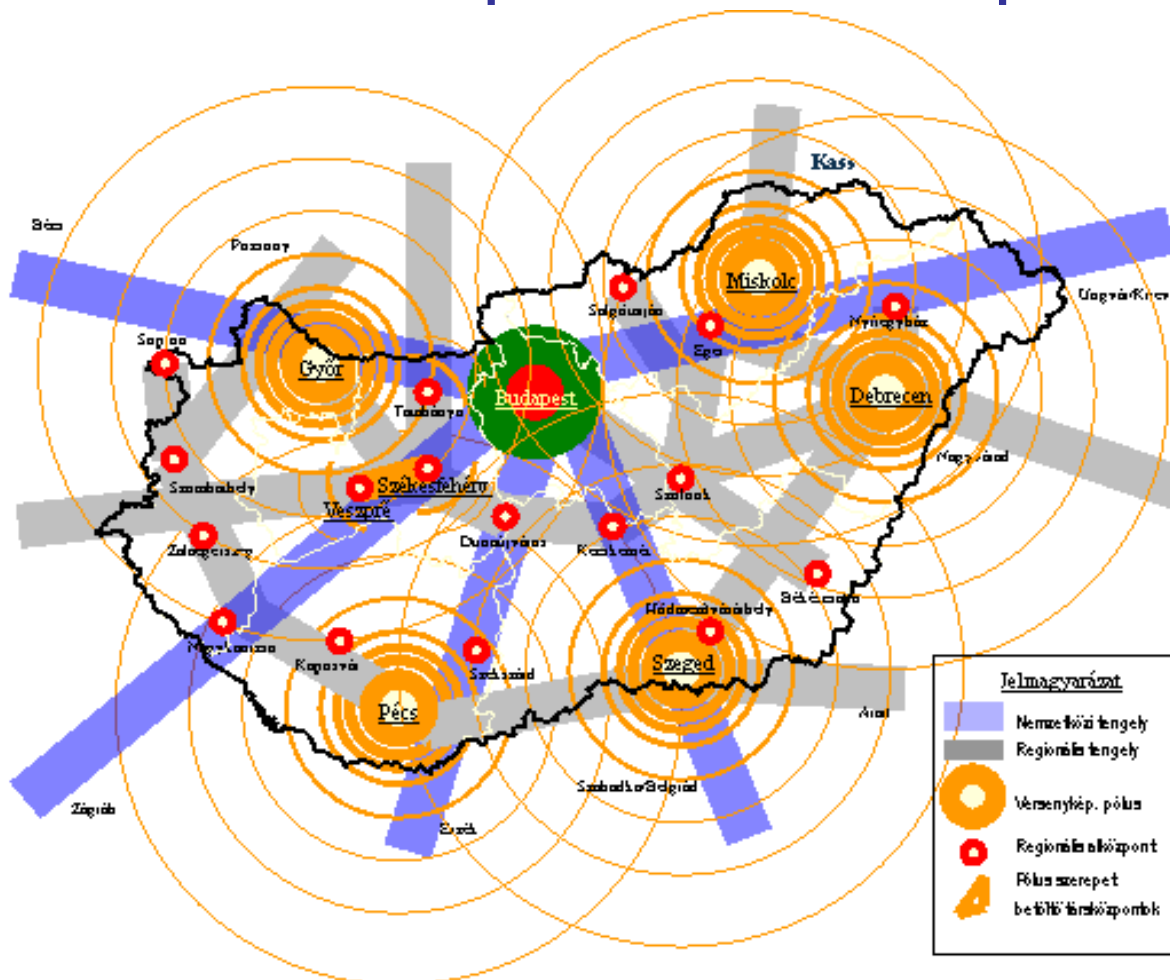
# Further Governmental programmes in implementation phase I.

## Pole Programme

Based on the cooperation of universities, companies, municipalities.

Results measured in:

- number and quality of clusters,
- export revenues of the poles
- number of new jobs





## Further related Governmental programmes in implementation phase II.

- Cash subsidy decided individually by the Hungarian Government (EKD) - R&D is included
- Economic Operational Programme – R&D priorities
- Research and Technological Innovation Fund



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Thank you for your kind attention!

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