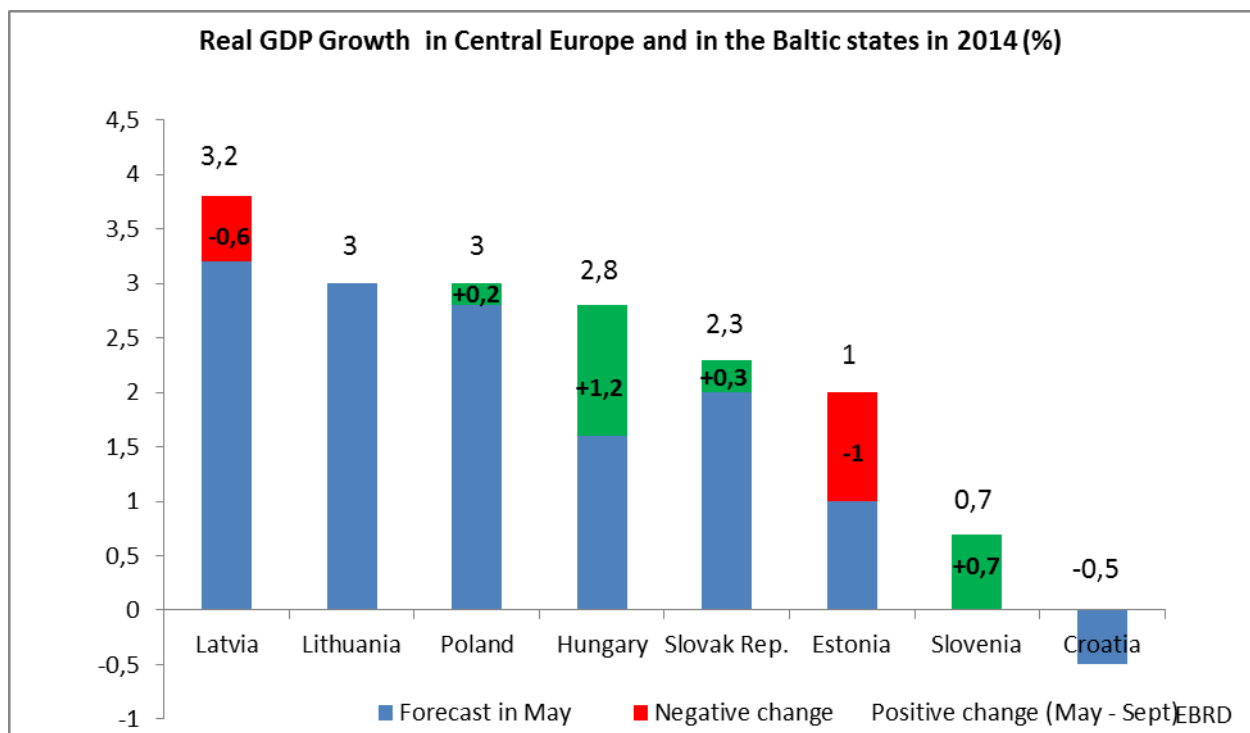


## EBRD upgrades forecast on Hungary's GDP growth

The post-crisis rebound of the eurozone's economy has also helped Central and Eastern European countries to bolster their economies. According to the latest EBRD report, Hungary and Poland are the countries with the largest growth potential in the region. The subsequent revision in the middle of September, following the latest EBRD report of May, modified the former GDP forecasts. The institution revised upward Hungary's GDP growth by 1.2 percentage points resulting in the largest positive change regarding CEE and Baltic states. As far as our region is concerned, the former 2.8 percent GDP growth figure for Poland has been upped to 3 percent, indicating – together with the current Hungarian GDP growth estimate of 2.8 percent – that in spite of the Russia-Ukraine conflict these two countries are determining the region's economic expansion.



Source: EBRD

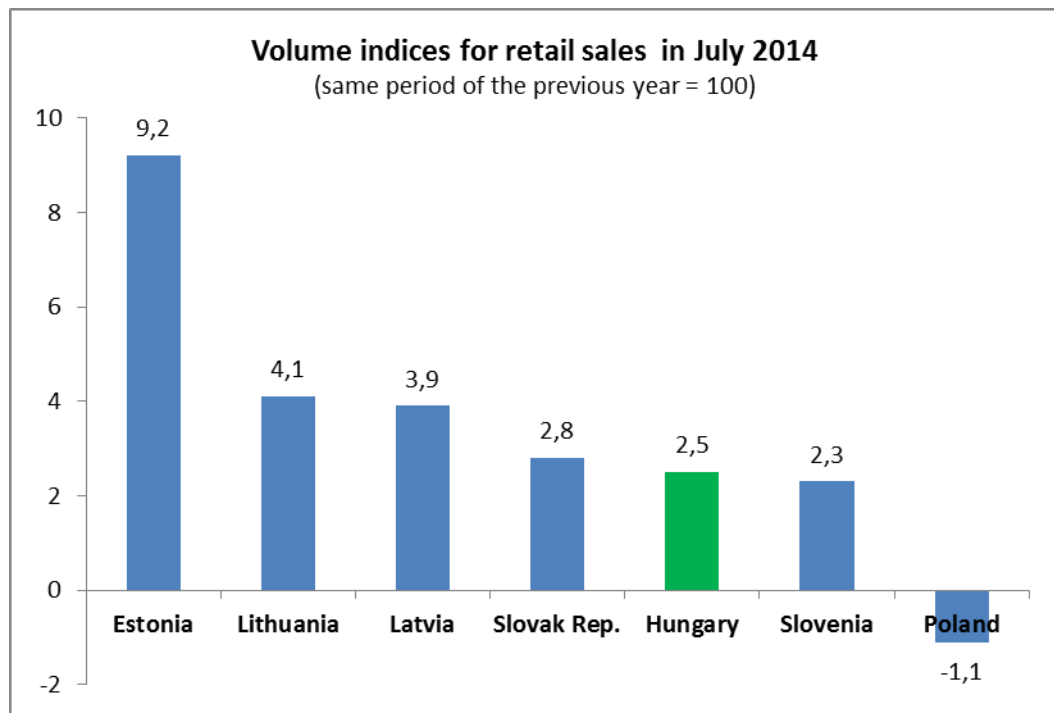
Taking into account the fact that Hungary's GDP increased by 3.9 percent in the second quarter of 2014 the EBRD's decision did not come as a surprise. The report is pointing out that exports



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have significantly contributed to the expansion of the economy. One of the key objectives of Hungarian foreign trade policy is to lift the share of exports to non-EU countries from 21 percent to 33 percent until 2020 and concurrently maintain the role of trade conducted within the European Union.

Government measures aiming to boost household consumption have also been instrumental in GDP growth. In light of data compiled by the Hungarian Central Statistical Office (KSH), in the second quarter household consumption was up by 1.6 percent year-on-year. In Hungary, the volume of retail sales has been on the rise for the thirteenth consecutive month and it was up by 2.5 percent in July 2014, compared to the corresponding period of the previous year. Eurostat is estimating that in the 28 member states of the European Union the volume of retail sales was 1.0 percent higher in July; accordingly, the 2.5 percent increase recorded in Hungary is well above the EU average. With regard to the Visegrád Four, Hungary beats Poland where the volume of retail sales fell by 1.1 percent. On the other hand, the pace of retail sales growth among Baltic states is significantly higher than that of the CEE region: the respective figure for Estonia exceeds 9 percent, while the indicator is some 4 percent for Lithuania and Latvia.





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Added value has recently increased within the main national economy sectors (trade, hospitality, transport, storage, information, communication), but the Government's relief scheme for forex debtors is also expected to add to GDP growth. EU funds, the 60 percent of which will be disbursed for economic development and the creation of jobs, are also playing a key role in placing the Hungarian economy on a steadily ascending path. The business-friendly investor environment of Hungary has been attracting one large corporation after the other to settle in the country. Last week, for example, Apollo Tyres officially announced to invest EUR 475 million and bring its first green-field investment project to be implemented outside of India to Hungary. The facility on the outskirts of Gyöngyöshalász (Heves County) will produce Apollo and Vredestein tyres for European markets. The construction of a new production site of Béres Pharmaceuticals Ltd, valued at some HUF 500 million, was the second large-scale project revealed within the past seven days.