



MINISTRY
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***Hungarian foreign trade sector reached the highest surplus in a decade
already in August 2015***

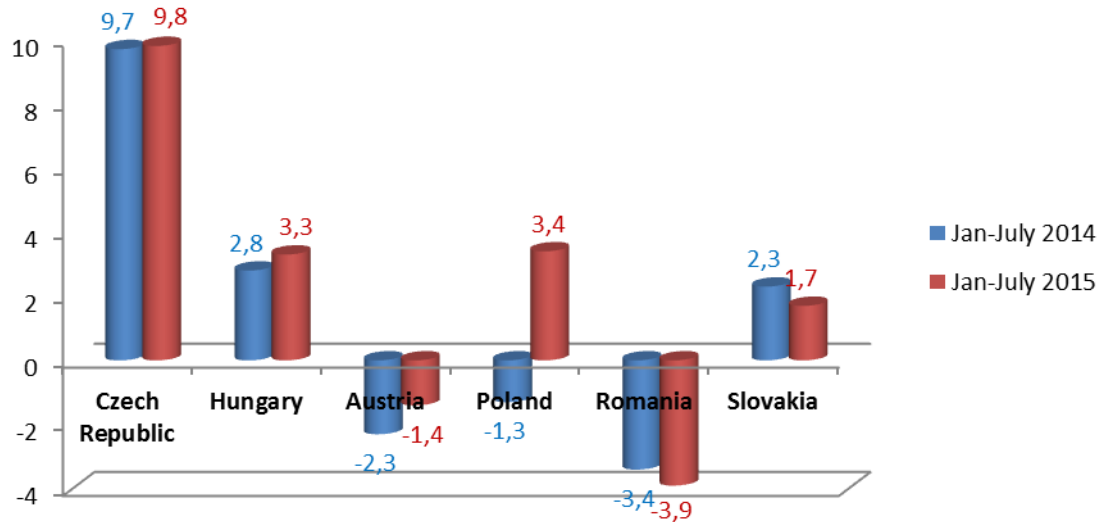
The value of both Hungarian exports and imports in the month of August 2015 grew by 6.2 percent, and thus the foreign trade sector posted a surplus of EUR 25 million in comparison to the corresponding period of the previous year. In the initial eight months of the year, the value of exports and imports increased in Euro terms by 7.4 percent to EUR 59.4bn and by 5.6 percent to EUR 54.1bn, respectively, year-on-year. Thus, the sector's surplus was up by EUR 1 214 million.

In August 2015, the value of exports and imports was EUR 6.5bn and EUR 6.1bn, respectively, while the surplus totalled EUR 459 million. Within the total volume, 79 percent of exports headed to and 76 percent of imports originated from EU member states.

Proportionately, these data are in line with the latest industrial output statistics, as according to the most up-to-date report of the Hungarian Central Statistical Office (KSH), the volume of industrial output grew year-on-year by 6.2 percent in August 2015. The pick-up of export volumes has been the result of accelerating economic growth in Europe and capacity expansion at the car industry and other sectors. The foreign trade outlook continues to be favourable, as a Euro exchange rate below last year's level, low oil prices and quantitative easing by the European Central Bank are expected to have a positive impact on Europe's economic expansion and to offset the slow-down of emerging markets, especially of China. Hungary may accumulate as much as EUR 8.4bn of foreign trade surplus for the whole year, as lower oil and energy prices are seen to counteract the import-boosting effect of rising household consumption, by reducing the value of energy imports by about EUR 2.5bn.



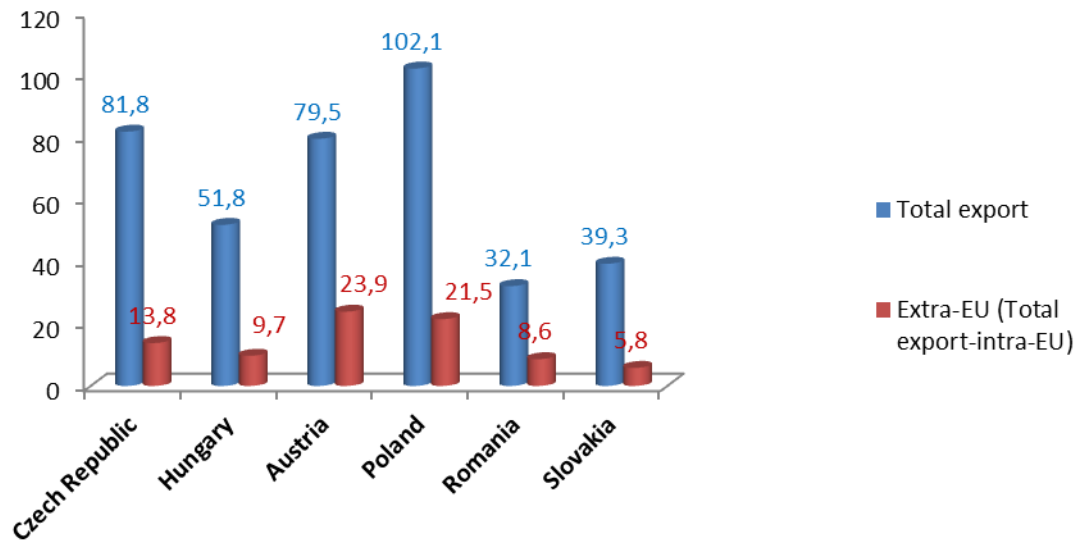
*Foreign trade surplus/deficit of CEE countries,
intra-EU and extra-EU, in January-July 2014 and 2015, bn EUR*



Foreign trade balances are good indicators for evaluating the stability and growth prospects of various economies in terms of economic competitiveness and the success and competitiveness of countries' private sectors on international markets. **While international trade balances show massive surpluses and improving trade trends in Hungary and Poland,** Austria has only managed over the past one year to slightly reduce its deficit and the surplus of the Czech Republic stagnates, albeit at a high level. In the two other observed Central European countries, the balance of trade has clearly deteriorated.



*Export volumes of CEE countries, total and extra-EU,
January-July 2015, EUR bn*



Source: Eurostat

The above chart aptly demonstrates the size and composition of exports in various countries that result in the aforementioned trade balances. The volume of extra-EU exports is probably one of the best indicators of the competitiveness of an economy, as a large share of intra-EU exports is typically comprised by the re-exported goods of the affiliates of enterprises based in another EU member state. For example, while the volume of Czech exports is outstanding, especially in comparison to the similar-sized Hungarian economy, the share of “independent” exports heading to extra-EU markets is much smaller than Hungary’s within the total national export volume. The same is true of Slovakia: while the volume of exports is significant relative to the size of the country and in a regional comparison, extra-EU exports constitute 14 percent of total whereas in case of Hungary this indicator shows 19 percent and in case of Austria – one of the wealthiest countries of the EU – it is nearly 30 percent. The Hungarian Government has repeatedly declared that it aims to reach the same figure by 2020: the one-third of Hungarian exports is expected to head to extra-EU destinations and thus reduce dependence on intra-EU trade and supplier chains. The drive to create a much more diversified economic structure also hopes to see domestic enterprises with competitive export potentials of their own, in parallel with maintaining the current level of re-exports to other affiliates within the European Union.

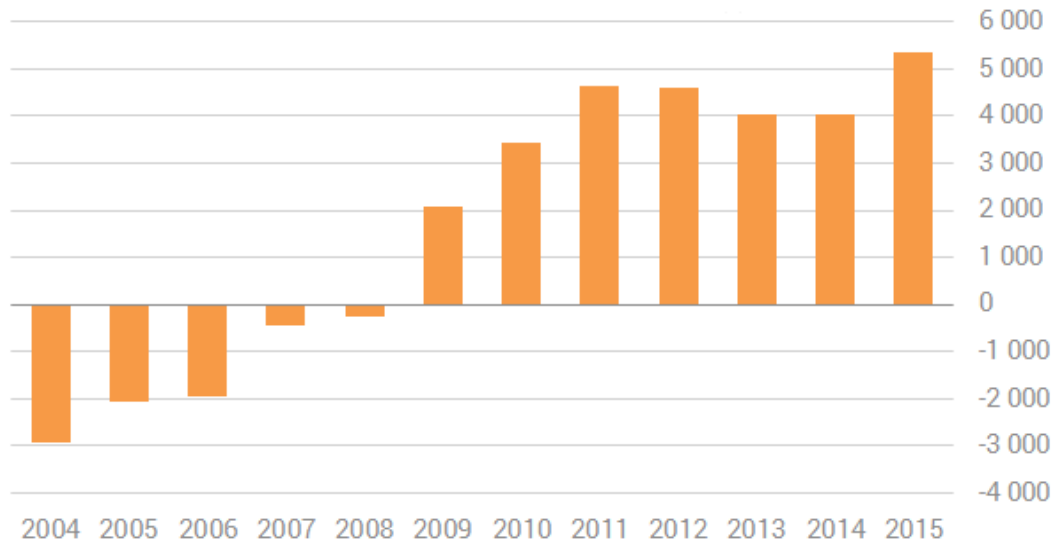
The orange columns below show the accumulated foreign trade surpluses/deficits in the January-August periods of each year since 2004, and it is obvious that the aforementioned surplus of



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EUR 8.4bn can be attained this year, as Hungary's economy already reached a record-high accumulated surplus at the end of August 2015.

Hungary's foreign trade balance in the periods January-August, year-on-year (million EUR)



Source: Hungarian Central Statistical Office (KSH), Portfolio

The text in the box below provides an exact picture of the composition of Hungarian exports and imports, and it clearly shows that the composition of exports which had been dominated and distorted by the motor vehicle industry in the past years has by now become more diverse, it rests on broader foundations and several other, self-reliant sectors are also contributing to dynamic export growth. Thanks to an exceptionally supportive foreign trade institutional background and the accelerated lending by Hungary's EXIM Bank, which aims primarily to boost the export potentials of domestic SMEs as well as large enterprises, the export performance of sectors that already display remarkable achievements is expected to further improve in the remainder of this year and next year.



Exports and imports by sectors, in July 2015 and in the period January-July 2015

The export volume of machinery and transport equipment continued to indicate above-average growth: in Euro terms it was up by 10.9 percent compared to July 2014. The export volume of manufactured goods rose by 5.5 percent, while that of foodstuff was down by 1.0 percent year-on-year. Also in Euro terms, the volume of exports of raw materials as well as fuels and electricity fell by 18.5 percent and 36.6 percent, respectively.

July's imports rose on the back of the 12.9 percent increase in the import of machinery and transport equipment, but the categories of food and manufactured goods also posted above-average growth (5.2 percent and 4.8 percent, respectively). The value of imports of fuels and electricity in Euro terms fell in July 2015 by 39.1 percent year-on-year, while concerning the volume of imports, it fell less owing to lower prices, by 27.7 percent.

In the initial seven months of the year, the value of exports and imports in Euro terms rose by 7.5 percent and 5.5 percent, respectively. In the observed period, the foreign trade sector posted a surplus of EUR 4 852 million, up by EUR 1 189 million. The volume of exports of machinery and transport equipment increased by 12.1 percent; within that, exports of road vehicles as well as electric machinery and equipment grew by 24.0 percent and 15.9 percent, respectively. In January-July 2015, the export volume of manufactured goods was 5.7 percent higher year-on-year; within that category, the volume of exports of medicine and pharmaceutical products as well as rubber products soared by 20.7 percent and 12.1 percent, respectively. The exports of foodstuff were up by 1.9 percent, while those of cereals gained 14.7 percent. The export volume of machinery and manufactured goods rose by 13.0 percent and 7.5 percent, respectively. The value of fuels and electricity imports in Euro terms slumped by 28.9 percent; within that, the value of imports of electricity and coal increased by 6.9 percent and 13.7 percent, respectively, while that of fuels and gas fell by 31.9 percent and 39.4 percent, respectively.

Source: Hungarian Central Statistical Office (KSH)