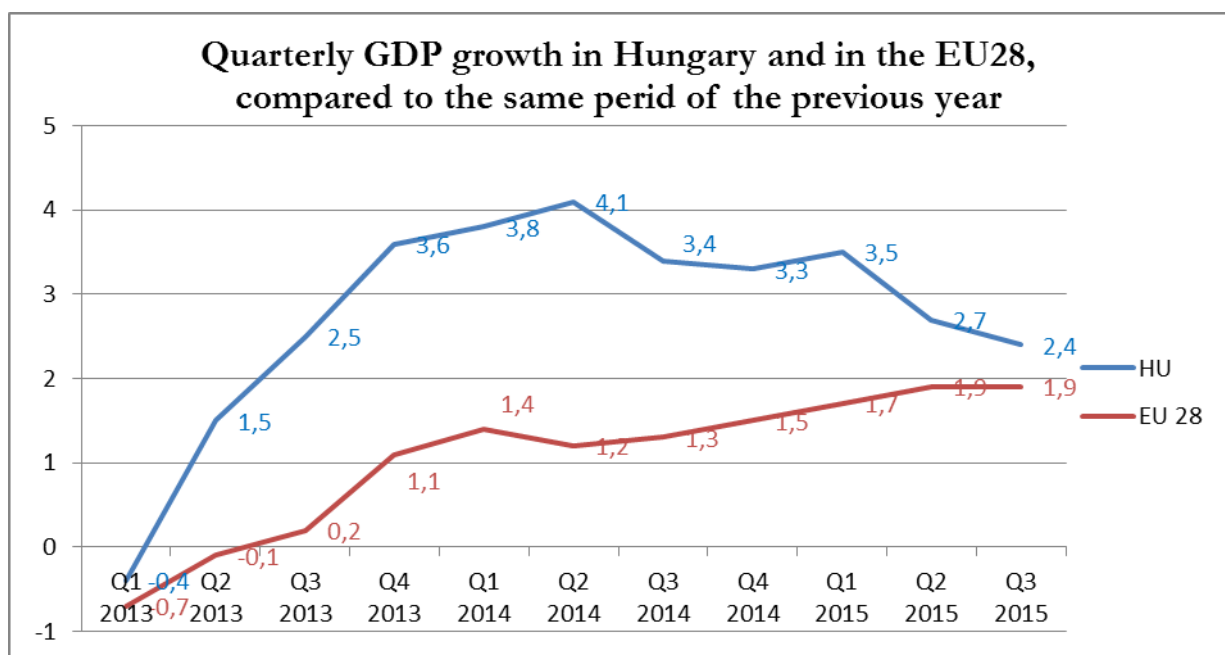




Upward economic growth trend in place since 2013 continued in 2015

In Q3 2015, economic output grew by 2.4 percent year-on-year, thus the pace of growth – due mainly to a high base – has slightly decelerated compared to that of previous quarters. Higher output on the production side was primarily the result of the expansion of the **industrial, retail trade, tourism accommodation and catering sectors**. On the consumption side, **household consumption** and **foreign trade surpluses** have fuelled GDP growth. In comparison to the previous quarter, the index – adjusted for seasonal and calendar effects – shows an increase of 0.6 percent in the third quarter of 2015.

In the period Q1-Q3 2015, Hungary's GDP grew by 2.8 percent year-on-year. (In the period January-September 2014 the economy expanded by 3.8 percent of GDP.) According to the index adjusted for seasonal and calendar effects, which is the most frequently used tool for international comparison, Hungary's economic output was up year-on-year by 2.6 percent in January-September 2015. This figure is above the EU average of 1.8 percent.



External demand has had a positive impact on GDP growth. In Q1-Q3 2015, the **volume of exports and imports** was up by 9.1 percent and 7.5 percent, respectively. Both inbound and outbound trade of goods and services saw significant expansion. Hungary has continued to be characterized by sizable economic openness. In the observed period, Hungary's **foreign trade**



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surplus totaled HUF 2396bn (some EUR 7.7bn), up by HUF 555bn (EUR 1.7bn) compared to the corresponding period of the previous year.

On the **production side**, several sectors of the national economy have added to overall economic growth. In comparison to the same period of the previous year, in Q1-Q3 2015 gross added value gained 2.9 percent, and within that the compound added value of productive sectors (agricultural, industrial and construction) grew by 3 percent. Added value of the **industrial sector** and within that of the manufacturing sector was up by 6.2 percent and 6.9 percent, respectively. (Within the manufacturing industry, the performance of the **motor vehicle manufacturing and related supplier sub sectors** has continued to improve significantly.) Added value of the **construction sector** – despite a slight drop of 0.5 percent in Q3 – was 4.3 percent higher in Q1-Q3 2015, and in this period every sub sector of the construction industry registered growth.

Added value at the **services sector**, which generates some two-thirds of total gross added value, rose in January-September 2015 by 2.8 percent year-on-year, and the majority of services sub sectors posted growth. The largest increase (6.1 percent) was recorded by the **retail trade** as well as the **tourism accommodation and catering industries**. Within these, both major sectors registered impressive growth. **Business services** have also significantly contributed to economic expansion, with year-on-year added value growth of 5.6 percent. Thanks to expansion in **information technology services**, added value at the information and communication sector grew by 3.2 percent. Within the services sector, the only sector with a slight added value decrease of 0.6 percent was **financial services**, regarding which a negative trend has prevailed in the past almost six years. This sector of the national economy has been affected by household loan trends. In January-September 2015, one of the main engines of GDP growth was **final household consumption**, which accounts for some 60 percent of total GDP, with a year-on-year increase of 2.3 percent. Within that, the volume of final household expenditures, representing the largest proportion of the components of the actual final consumption of households, grew by 2.9%.

In the balance of trade, in January-October 2015 – as first estimates show – the volume of exports totaled EUR 75.8bn, up by 7.4 percent compared to the corresponding period in 2014. The accumulated volume of imports was EUR 69.0bn, 5.8 percent higher year-on-year. Within the observed period, in the majority of months **export growth was significantly**, several percentage points **higher than import growth**. The foreign trade sector closed the initial ten



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months of last year with a massive surplus of EUR 6.8bn, up by EUR 1.4bn year-on-year. **In October 2015**, the value of exports and imports grew by 8.4 percent and 4.3 percent, respectively, over the course of a twelve-month period. In the month of October, the sector posted a surplus of EUR 603 million, up by EUR 320 million, year-on-year.

According to final data from the period January-September 2015, the **volume of foreign trade** regarding exports and imports grew by 7.9 percent and 7.2 percent, respectively, compared to the initial nine months of 2014. The **forint prices** of goods involved in foreign trade fell slightly compared to the period January-September 2014: export and import prices edged down by 0.5 percent and 1.0 percent, respectively. As a consequence of the fact that the drop of import prices exceeded that of export prices, **terms of trade** improved by 0.5 percent. The forint depreciated by 0.1 percent against the Euro and by 22 percent against the US Dollar.

Performance by sectors

In October 2015, the volume of industrial output increased by 10 percent year-on-year. Thus, **industrial sector output has seen continuous growth for more than two years**. The volume of exports and domestic sales grew by 15 percent and 5.2 percent, respectively. The output volume of the **manufacturing** and **energy sectors** was up by 10 percent and 11 percent, respectively, while output at the less significant sector of mining fell by 38 percent compared to October 2014. Data adjusted for seasonal and workday effect show that in the month of October industrial sector output was 1.7 percent higher month-on-month.

In the initial ten months of 2015, **the majority of manufacturing sub sectors registered output growth**; the largest increase of 17 percent was recorded at the **motor vehicle manufacturing sector**, which accounts for 30 percent of total manufacturing output. Output at the **rubber products, plastics and construction material manufacturing sectors** soared by 14 percent, thanks to rising sales on the domestic and foreign markets. Output at the electronics industry, which almost exclusively produces goods for export markets and constitutes 11 percent of total output volume, grew by 5.3 percent. Within this sector, output concerning the two largest sub sectors, rose by 24 percent at electronic consumer goods manufacturers and fell by 9.4 percent at telecommunication equipment manufacturers. Output of the **food industry** (food, beverages, tobacco products), which generates more than one-tenth of total output, rose by 3.7 percent, within that output at the largest sub sector of meat producers grew by 5.5 percent. The food industry's volume of sales on domestic and foreign markets gained 0.7 percent and 10



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percent, respectively. Following a two-month period of negative growth, the **pharmaceutical sector**, a minor division, saw output increases of 4.3 percent in October and 3.7 percent in the initial ten months of 2015. Due mainly to lower demand on foreign markets, output decreased by 3.1 percent at manufacturers of **coke and refined petroleum products** and by 3.3 percent at manufacturers of **machinery and equipment**.

In **January-October 2015**, the volume of construction sector output rose by 3.1 percent year-on-year. Output at the construction of buildings and civil engineering works sectors increased by 4.4 percent and 2.2 percent, respectively.

Out of services sectors, a **positive retail sales trend has been in place since 2013**. In light of the first estimate, the volume of sales **in the month of October** and the period **January-October** grew by 4.0 percent and 5.7 percent, respectively, compared to the same period of the previous year. (Data adjusted for calendar effects show increases of 4.5 percent and 5.8 percent.) In the initial ten months of 2015, the volume of sales rose year-on-year by 3.5 percent at food and non-specialized food retailers, by 7.5 percent at non-food retailers and by 7.6 percent at retailers of automotive fuels.

The number of guest and tourism nights at **accommodation establishments** rose by 7.9 percent and 6.0 percent, respectively, in the **initial ten months of 2015** compared to the corresponding period of the previous year. The number of tourism nights by foreign and domestic guests gained 5.6 percent and 6.3 percent, respectively -- rising to a total of 11.4 million and 11.3 million tourism nights -- year-on-year. In the month of October, the number of arrivals by foreign guests fell for the first time since September 2014, due to a large extent to the 14 percent drop in the arrivals of German guests. Higher arrivals figures boosted revenues at accommodation establishments: at current prices, they recorded gross revenue growth of 11 percent (to HUF 316bn). The increase was fundamentally the result of higher accommodation prices, stemming mainly from soaring room prices and to a lesser extent from the growth in arrivals. The volume of payments by SZÉP vouchers totaled HUF 15.3bn, up year-on-year by 4.9 percent at current prices.

The volume of sales at **accommodation establishments** grew by 11 percent compared to January-October 2014, and within that period the sector registered double-digit growth since June 2015.



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