



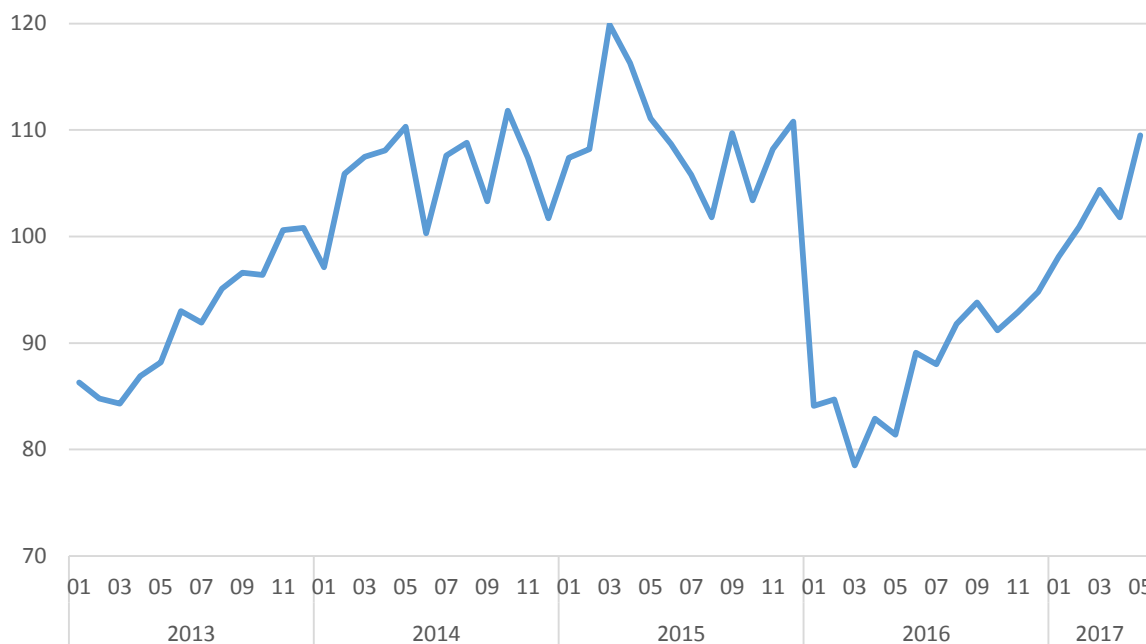
MINISTRY  
FOR NATIONAL ECONOMY

### *Hungary's construction sector boom continues*

Output volume growth observed at Hungary's construction sector has continued: in May 2017, the volume of output rose by 35.4 percent and 7.5 percent year-on-year and quarter-on-quarter, respectively – the latest construction sector flash report by the Hungarian Central Statistical Office (KSH) has announced.

Following a downturn in 2016, output growth of the domestic construction sector has picked up. The sector posted output growth of 22.1 percent in April – on the back of a low base in the previous year – and it soared 35.4 percent year-on-year in May 2017, totalling HUF 201 992bn in value.

**Fig. 1: The volume of construction output, seasonally and working day adjusted data (2010=100%)**



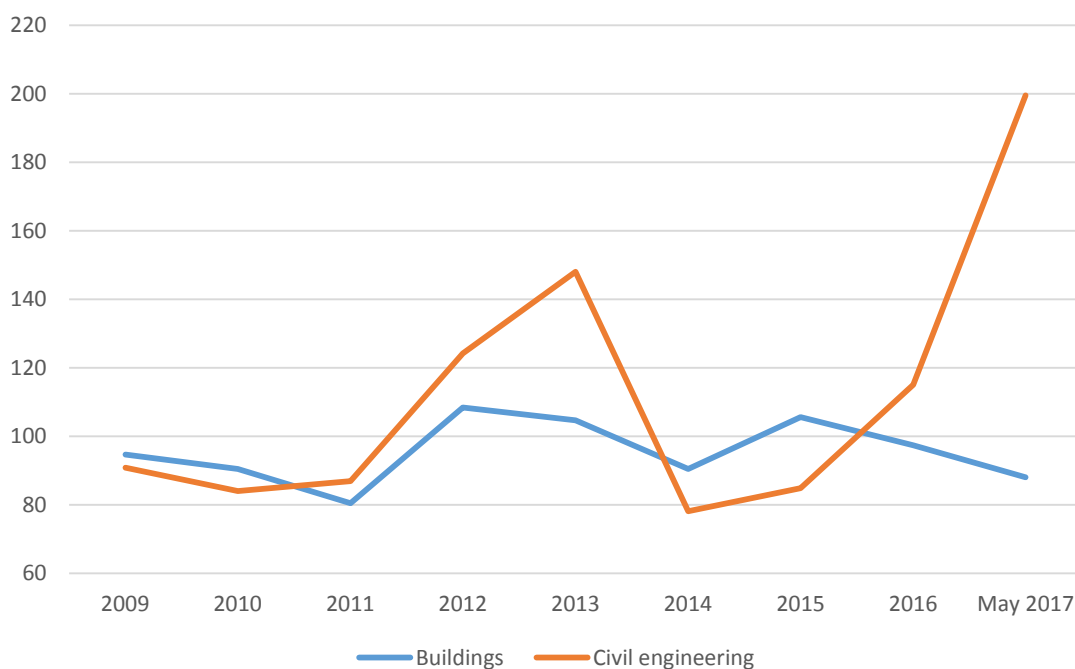
Source: Hungarian Central Statistical Office (KSH)

Output was higher in both main construction sector groups: it increased by 27.2 percent at the construction of buildings, thanks mainly to the rising number of industrial and storage facilities as well as buildings for educational and sports purposes. Output at civil engineering works jumped by 46.7 percent, mainly as a result of road and railway construction works.

This favourable trend is expected to continue in the remainder of 2017, as the volume of contracts has been rising, and the number of new contracts concluded in May was up by 53.2 percent year-on-year. This, however, was the outcome of two opposing factors (Fig.2): the

volume of contracts concluded for the construction of buildings fell by 12 percent, whereas those for civil engineering works gained 99.5 percent. The latter phenomenon was the consequence of contracts signed for the building of sports facilities and transport infrastructure development projects.

**Fig. 2: Volume of new contracts (previous years=100%)**

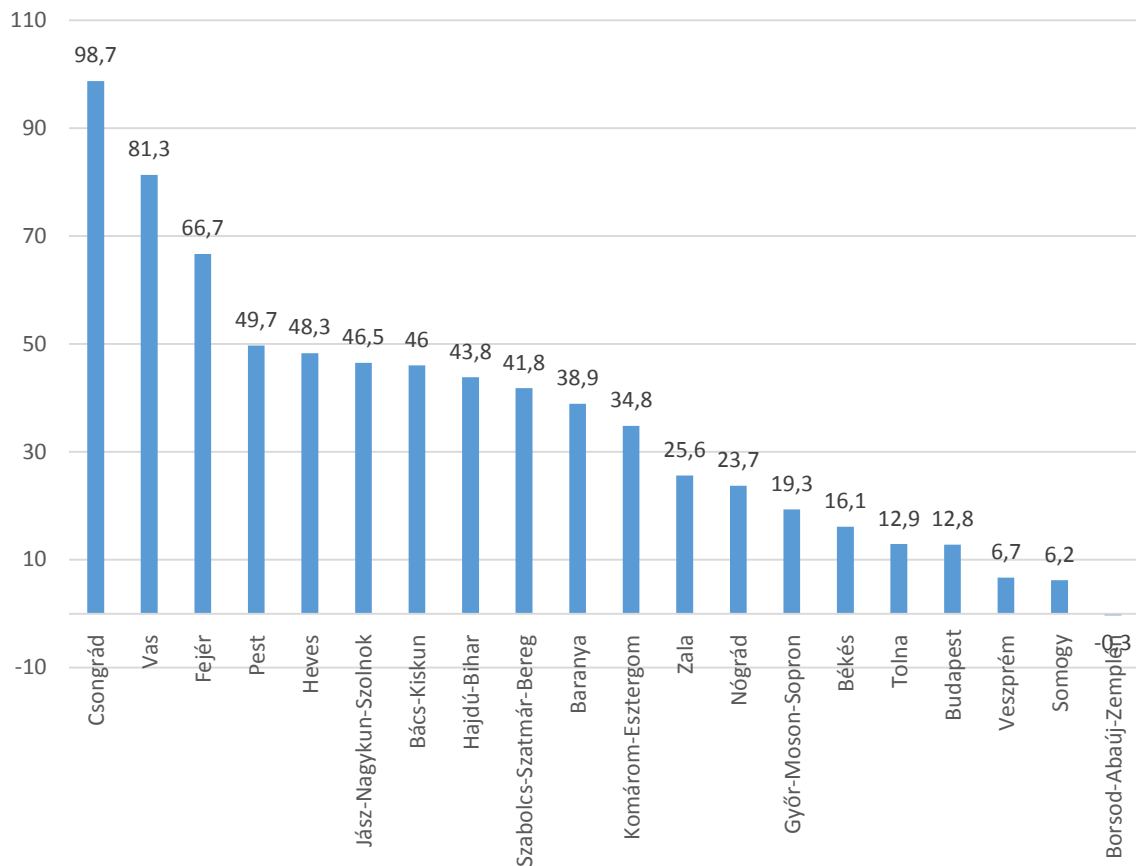


*Source: Hungarian Central Statistical Office (KSH)*

The volume of contracts at the end of the month rose by 94.3 percent year-on-year. The volume of contracts related to the construction of buildings and civil engineering works was up by 38.5 percent and 132.0 percent, respectively, in May 2017.

Analysing the performance of the construction sector by counties reveals that the largest output increases were registered in Csongrád, Vas and Fejér counties, and the only county where output was slightly down, by 0.3 percent, was Borsod-Abaúj-Zemplén (Fig.3.)

**Fig. 3: Volume change of construction sector output  
(compared to corresponding period of previous year, %)**

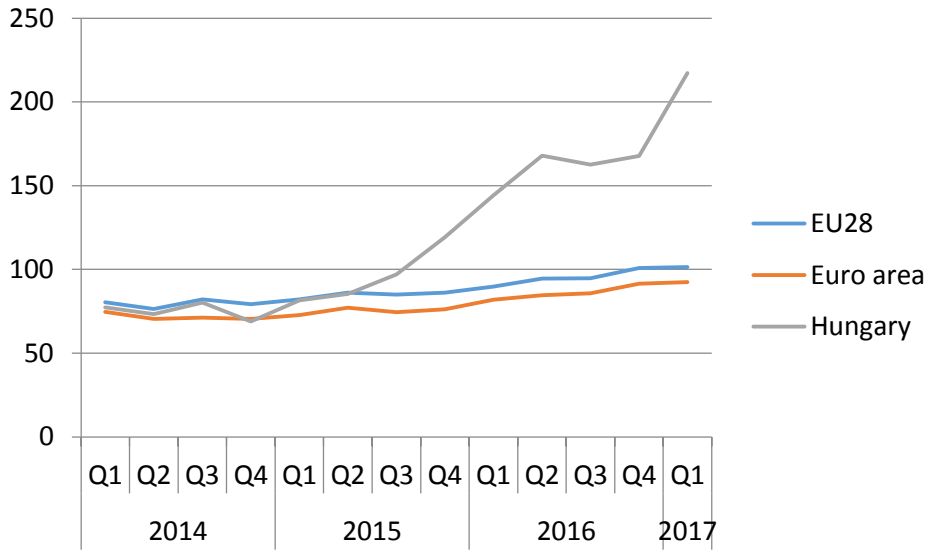


*Source: Hungarian Central Statistical Office (KSH)*

The construction sector confidence index by GKI Economic Research Co shows that for the year 2017 stakeholders expect output growth of some 20 percent in the sector. Besides EU-funded and state-funded projects, another major factor behind recent output growth has been the Family Housing Allowance scheme, which has substantially boosted housing projects since 1 July 2015. Since the programme's start, 50 000 applications have been registered in the value of HUF 126bn, the Minister for National Economy said.

The performance of the Hungarian construction sector has been remarkable even from an international prospect. The Eurostat's floor-area index, which is based on the size of floor areas registered in building permits, shows that this indicator rose in Q1 2017 – compared to the low point reached in Q1 2014 – by 26 percent within the EU member states, by 24 percent in the eurozone and by 181 percent in Hungary (Fig. 4).

**Fig. 4: Building permits - sqm of useful floor area, (seasonally- and calendar-adjusted data, 2010=100%)**

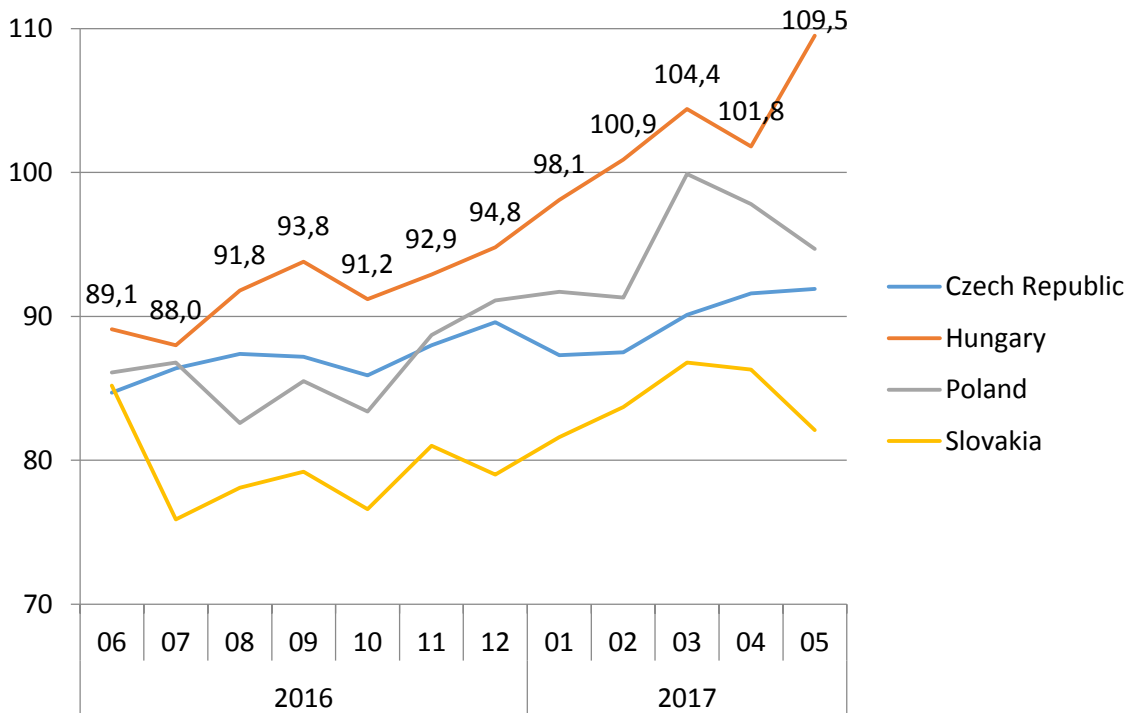


Source: Hungarian

Central Statistical Office (KSH)

Data from May 2017 indicate that Hungary's construction sector output growth was the largest within the Visegrad Four in comparison to the base of 2010 (Fig.5).

**Fig.5: Production in construction in V4 countries (seasonally- and calendar-adjusted data, 2010=100%)**



Source: Hungarian Central Statistical Office (KSH)

In light of the existing upward trend and the Government's housing measures, the sector's expansion is set to continue. As Minister for National Economy Mihály Varga has recently said, construction sector output data were in line with estimates predicted in the Convergence Programme, and both EU- and state-funded projects were driving the sector's growth.