



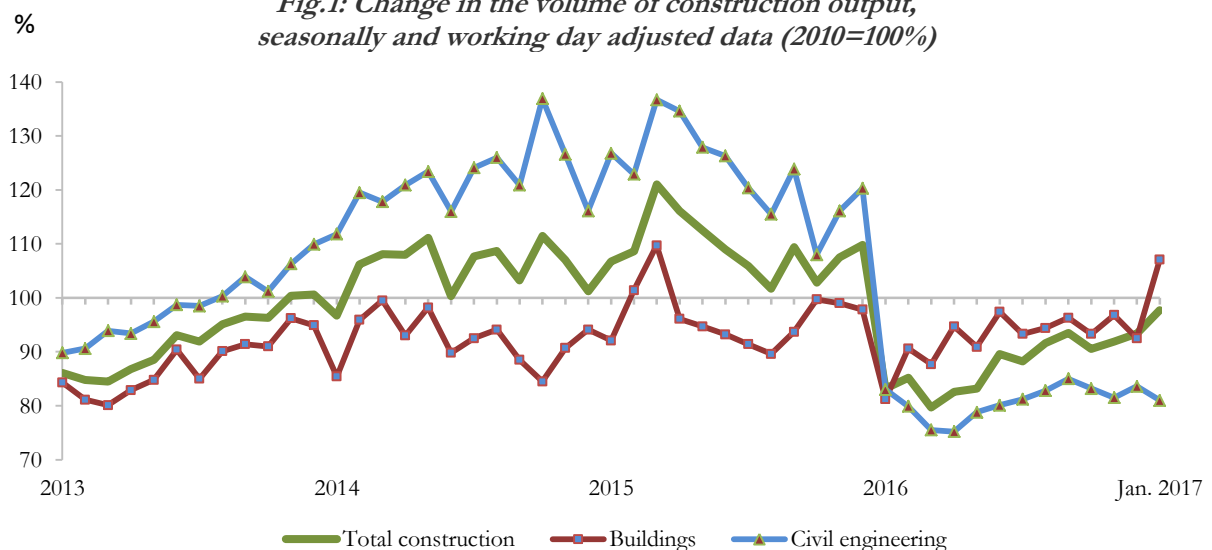
Hungary's construction sector rebounds strongly

According to data published by the Hungarian Central Statistical Office (KSH), in January 2017 the volume of construction sector output rose by 18.5 percent compared to the corresponding period of the previous year. In comparison to December 2016, the indices adjusted for seasonal and calendar effects show an increase of 4.6 percent. Data from the month of January, also considering developments started at the end of last year, signal a trend reversal following the downturn of 2016.

In 2016, the volume of construction sector output dropped, especially sharply at the beginning of the year, after an increase had been registered in the previous year. The value of output generated by the sector totalled HUF 1 284.2bn. Negative growth was the result of a 20 percent decrease in investment volume within the national economy and the fact that several large-scale, state-funded projects (e.g.: road construction, water and waste management facilities, etc.) had been completed by the end of 2015. The fall in the volume of development projects by budgetary institutions in 2016 has caused construction sector output – especially in the case of civil engineering works (roads, railways, water facilities, drainage, etc.) – to decrease by as much as 33 percent.

On the other hand, output in the other main group of construction, the construction of industrial and residential buildings, was only slightly lower, down by 3.7 percent, thanks to various trade, manufacturing industry and sports projects. The value of the output in the construction of buildings category was 36 percent higher than that of civil engineering works by the end of 2016.

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



Source: Hungarian Central Statistical Office (KSH)



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Although in 2016 the volume of output was in each month below the figure registered in the corresponding month of the previous year, in the final months of the year the number of newly concluded contracts of construction enterprises began to pick up.

In the month of December the volume of new contracts concluded doubled year-on-year, while in January this indicator showed a three-fold increase compared to the base month in the previous year.

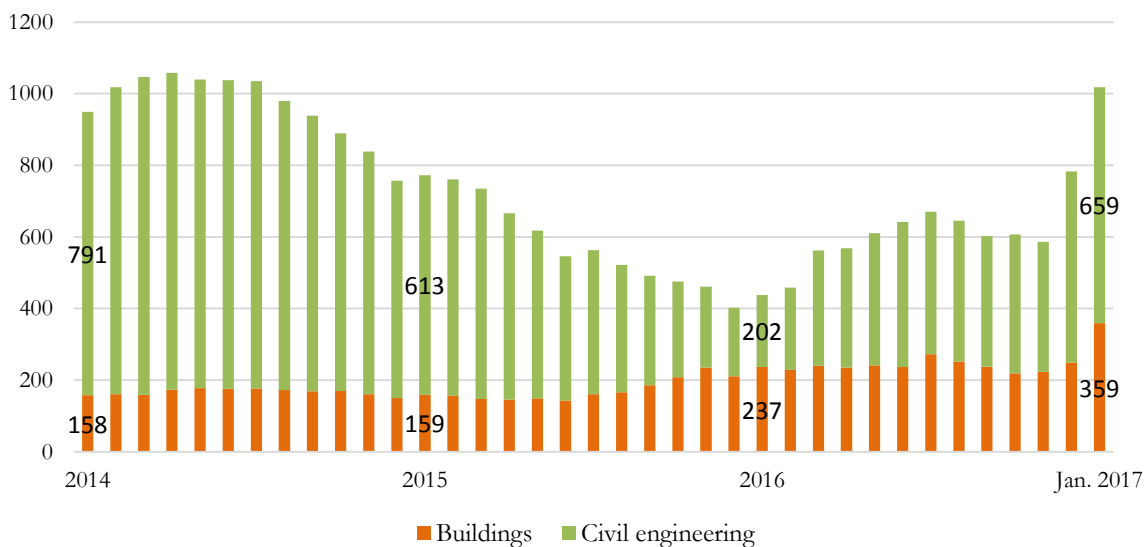
In December 2016 and January 2017, several sizable contracts were signed for the construction of motorways, which caused the volume of contracts for civil engineering works increase at the largest extent, by 173 percent and 153 percent, respectively.

Within new contracts concluded in January, those for the construction of buildings saw the largest growth of 287 percent, with several new contracts made for the construction of sports, industrial, storage and trade facilities.

The volume of the stock of contracts at construction sector enterprises was up year-on-year by 123 percent at the end of January 2016.

The value of the stock of contracts was HUF 1 018bn at the end of January, a figure unprecedented in the past two-and-a-half years. Within this amount, the value of contracts for the construction of buildings and civil engineering works was up by 51 percent and 226 percent, respectively, year-on-year.

Fig.2. Stock of orders at the end of reference month, bn HUF



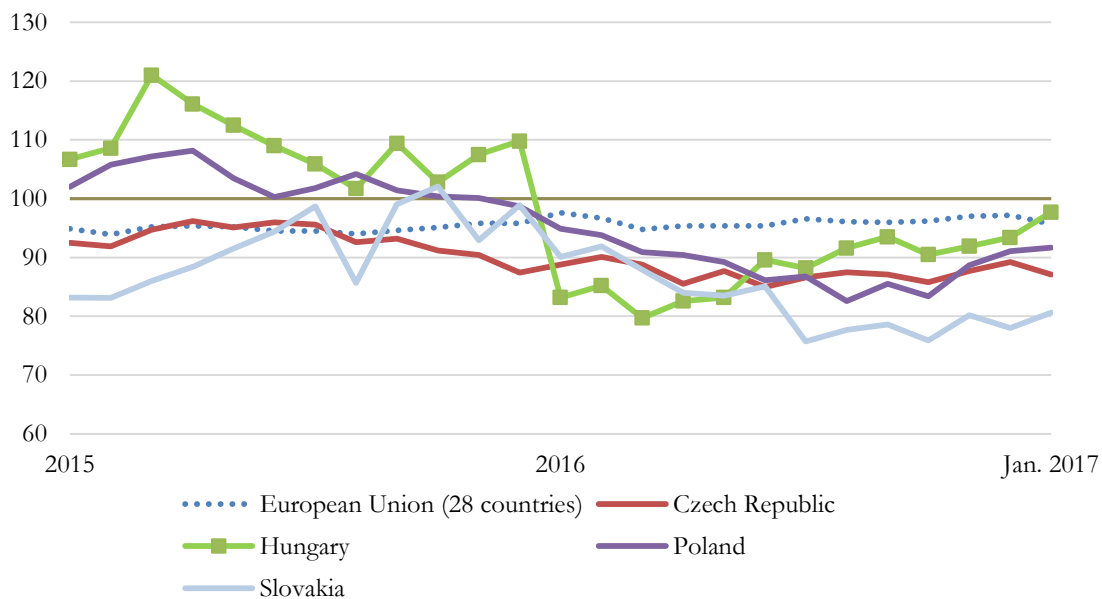
Source: Hungarian Central Statistical Office (KSH)



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In the European Union, due to the financial and economic crisis output in the construction sector fell by more than 30 percent in the period 2008-2013. The downturn has affected each member state, albeit at a different extent. Following output increase of 6 percent in the period April 2013-April 2014, the EU's construction sector has seen sluggish growth. In the year 2016, output was up by only 1.3 percent within the economic bloc.

Fig.3: Total construction output of EU-28 and V4 countries
Seasonally and calendar adjusted data, 2010=100%



Source: Eurostat

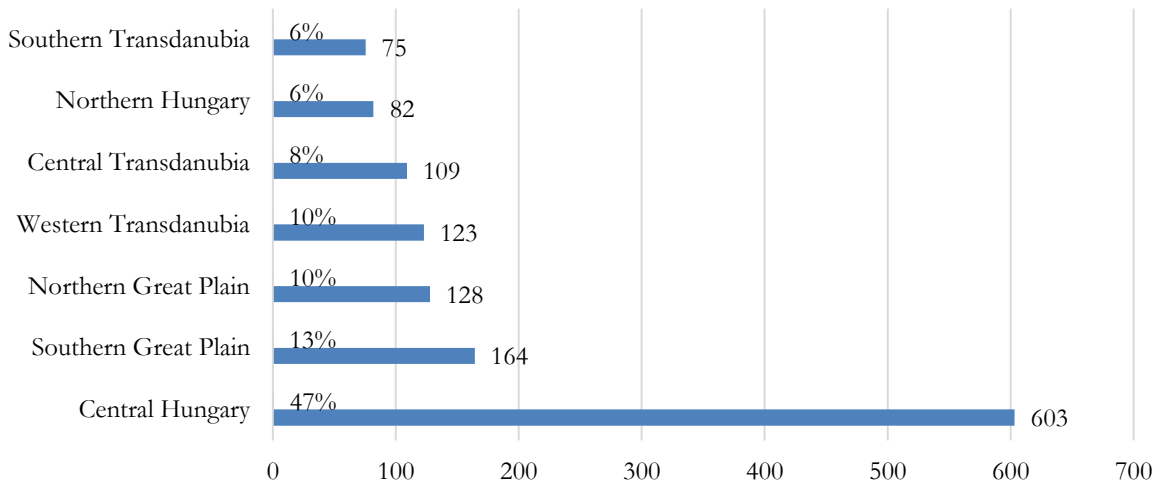
In January 2017, output fell by 3.3 percent year-on-year and by 1.5 percent month-on-month within the EU28. Hungary's January data, on the other hand, are impressive: the 18.5 percent year-on-year growth rate places Hungary on top of the EU's ranking, while the 4.6 percent month-on-month increase makes the country the second best in the bloc, right after Romania (+5.1 percent).

From a regional aspect, Central Hungary traditionally has the largest weight in terms of construction sector output; in the year 2016 almost half (47 percent) of output was produced in this region. The second most productive region was Southern Great Plain (13 percent), while Southern Transdanubia and Northern Hungary have each accounted for only 6 percent of output.



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Fig. 4: Output of construction by regions, year 2016 (% , bn HUF)



Source: Hungarian Central Statistical Office (KSH)

The sector's outlook is highly promising for the year 2017. Along with the positive developments in recent months, the Government-initiated Family Housing Allowance (CSOK) is expected to give additional momentum to construction sector boom. Besides these factors, development projects set to be implemented as a result of EU-funded programmes announced this year will also absorb substantial construction sector capacities. Since December 2016, construction enterprises have become more upbeat: the GKI confidence index has hit an almost 19-year high in March 2017.