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Rising industrial output and sales lifted producer prices in the sector

According to the latest data published by the Hungarian Central Statistical Office (KSH), the upward trend in industrial output has continued in 2017. Last week at a board meeting of the Association of Hungarian Pharmaceutical Manufacturers (MAGYOSZ), Minister for National Economy Mihály Varga said that besides the motor vehicle industry the pharma industry was a major growth engine of the Hungarian economy. Producer prices in the sector have also picked up concurrently with surging industrial sector output. In December 2017, producer prices grew by 3.9 percent year-on-year, while in the year 2017 they were up by 3.3 percent compared to the level of the previous year.

Favourable economic conditions and rising output have fuelled producer prices in the industrial sector: in December 2017, prices increased by 3.9 percent year-on-year. Prices for domestic sales grew by 3.6 percent on average. Within that, prices in the manufacturing sector, which accounts for some two-thirds of industrial sales, were up by 5.2 percent, while energy sector prices (for electricity, gas, steam and air-conditioning) edged up by 0.1 percent compared to data from December 2016.

Taking a look at the price indexes of domestic industrial sales shows that prices in intermediate goods industries, capital goods industries and durable consumer goods industries rose by 3.7 percent, 2.6 percent and 3.4 percent, respectively.

The export price index of industrial products rose by 4 percent year-on-year. Within that, prices were up by 3.9 percent for manufacturing industry products (sales of which constitute 95.1 percent of the total value of industrial exports) and by 6.5 percent in the energy industry (sales of which account for 4.6 percent of total) (Fig. 1.).



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Fig.1. Change in industrial producer prices, (corresponding period of the previous year = 100 %)



Source: Hungarian Central Statistical Office (KSH)

Data from the entire year of 2017 show year-on-year increase of 3.3 percent in industrial producer prices. In the observed period, the price index for the domestic sales of industrial products increased on average by 4.7 percent. Within that, the respective prices for manufacturing and energy industry products rose by 6.7 percent and 0.4 percent year-on-year. The export price index grew slightly less markedly, by 2.6 percent, as a result of 2.5 percent growth in the manufacturing sector and 4 percent growth in the energy sector. (Fig. 2.).

Fig.2. Change in industrial prices, (corresponding period of the previous year = 100 %)



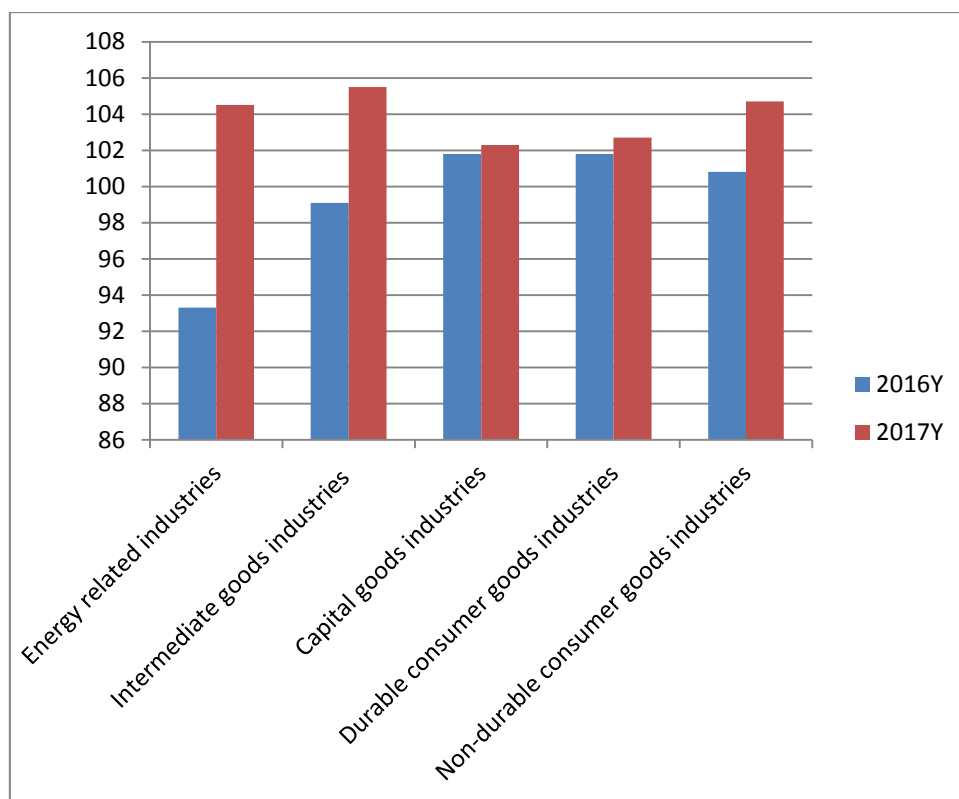
Source: (Hungarian Central Statistical Office (KSH))



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The analysis of producer price indexes for domestic sales reveals that compared to the previous year prices edged higher in each sector in the year 2017. The largest increase was registered in the price index for energy-related industries but the pace of growth was similar in the case of prices in non-durable consumer goods industries. In intermediate goods industries, capital goods industries and durable consumer goods industries, prices were up by 5.0 percent, 2.3 percent and 4.6 percent, respectively. (Fig. 3.).

*Fig.3. Price indices of industrial domestic sales by categories of final use,
(corresponding period of the previous year = 100 %)*



Source: Hungarian Central Statistical Office (KSH)

Favourable economic conditions were a key factor behind the growth of industrial producer prices. The pharmaceuticals sector has also benefited from the global upturn: the pace of growth in investment volume was remarkable even from a European perspective. The sector was also singled by the Minister Mihály Varga at a recent board meeting of MAGYOSZ as a leading force among Hungarian industries.

In his speech, the Minister stressed that the pharmaceuticals industry was a key determinant of the country's competitiveness, as the sector's performance was outstanding in terms of



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productivity, added value and exports. The sector's share of total R&D spending is some 40 percent, he said. This industry appears to be the most innovative sector in Hungary, Mihály Varga added, which is capable of adopting new technologies and, accordingly, of rapid expansion. The sector employs 14 000 people and it provides the livelihood of another 34 000. The sector comes as second best in the country in terms of value added, and 80 percent of products are for export. That is why, the Minister pointed out, the Government has been committed to supporting the development of pharma companies through the extension of the vocational education and tertiary education systems, the enlargement of the supplier development and export incentive programmes, and the review of existing regulations on intellectual property rights and patent procedures.