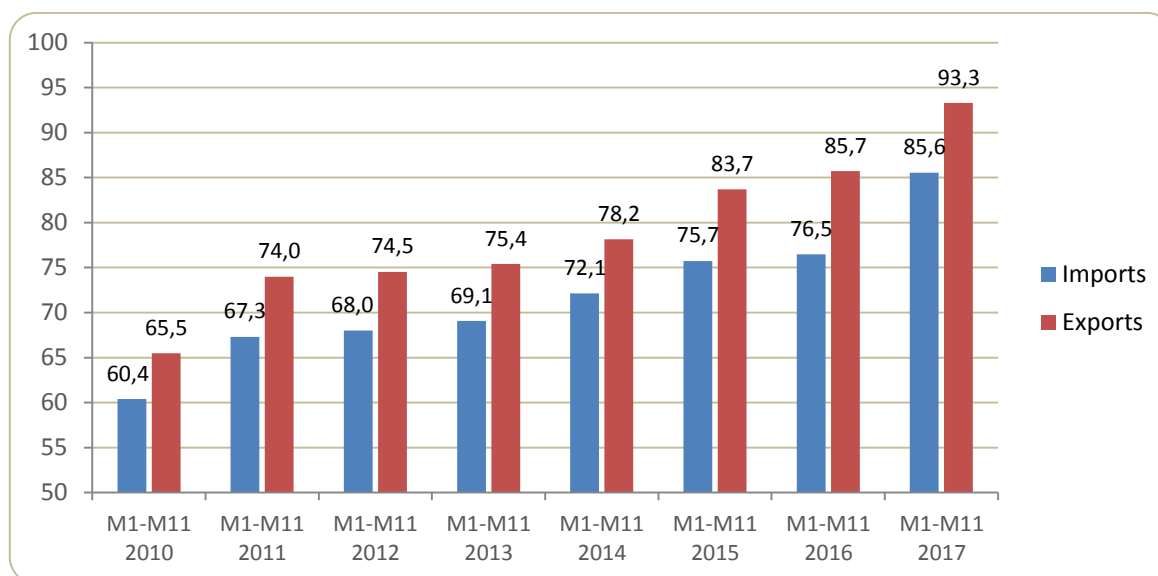


Hungary's foreign trade grew dynamically in 2017

Currently available data show that, at current prices, Hungary's external trade of goods in 2017 is predicted to have posted the largest growth in years. According to a recently published report by the Hungarian Central Statistical Office (KSH), in the period January-November 2017 the value of both inbound and outbound trade of goods already exceeded the level seen in the full year of 2016. The value of exports and imports totalled EUR 93.3bn and EUR 85.6bn, respectively, up by 8.8 percent and 11.9 percent year-on-year. The trade surplus, at EUR 7 741 million, was EUR 1 493 million lower than it was in the corresponding period of 2016.

Hungary has one of the most open economies in the European Union; in 2016 the value of exports accounted for 92.5 percent of the country's GDP, the fifth largest figure within the EU (the EU28 average is 44 percent). Given the sector's weight, the value of external trade and balance are vital factors in economic performance. Following a slump in crisis years, the value of the external trade of goods has gradually picked up in recent years: in January-November 2017 the rate of growth was the largest compared to the same periods of the past six years.

Fig.1: Value of external trade in goods in January-November of 2010-2017, (bn euro)



Source: Hungarian Central Statistical Office (KSH)

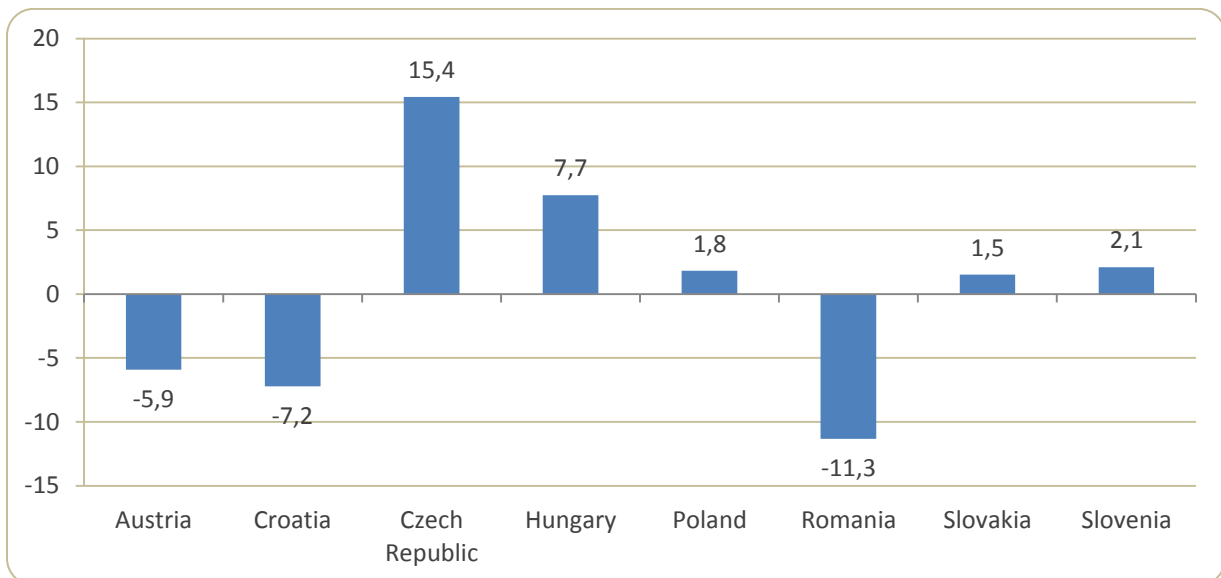


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Due to rising prices on foreign markets, the increase in the volume of external trade was lower than value growth, and thus the volume of exports and imports grew by 6.4 percent and 8.9 percent, respectively, year-on-year.

Thanks to the ongoing economic boom, the external trade grew dynamically in almost every EU member state in the year 2017. Export and import increase rates were similarly remarkable in the CEE region in general and within the Visegrad Four in particular. However, the surplus of Hungary's external trade sector was outstanding, the second highest after that of the Czech Republic.

*Fig. 2: External trade balance in V4 and some other Central European countries
(January-November 2017, bn euro)*



Source: Eurostat, Hungarian Central Statistical Office (KSH)

Fig. 3 shows to what extent various **commodity groups** contributed to the external trade balance in January-October 2017, the period for which detailed data are available.

The surplus of Hungary's external trade account was to a large extent generated by the commodity group of machinery and equipment, which accounts for 56 percent of the total exports. The value of exports grew – in Euro terms – by 6 percent, thanks mainly to the high value of motor vehicles and electric machinery and equipment sold abroad. On the other hand, the surplus of this commodity group declined by EUR 500 million year-on-year, due to the skyrocketing volume of domestic projects which has caused imports to grow by 9 percent, well above the growth rate of exports. The trend was just the opposite in the case of the commodity

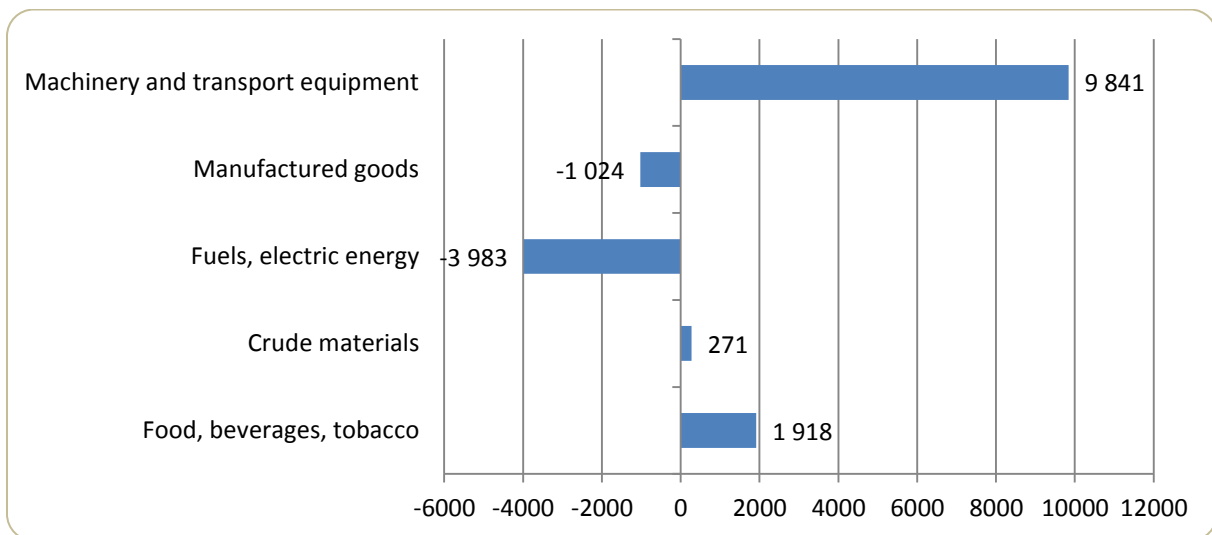


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group of food, beverages and tobacco products, where a surplus of some EUR 2bn was recorded, primarily as a result of the 31 percent jump in the export of cereals and cereal products, fuelled to a large extent by wheat and corn sales.

While the import volume of fuels and electric energy increased by 13 percent, the import value – due to marked price increases on world markets – soared 41 percent year-on-year. Accordingly, this sector saw the trade gap widen to EUR 4bn, up by almost EUR 1bn compared to last year.

*Fig. 3: External trade balance by main groups of commodities
(January-October 2017, million euro)*



Source: Hungarian Central Statistical Office (KSH)

Trade partner data show that 76 percent of Hungary’s inbound and 79 percent of outbound trade were conducted with EU member states. The growth dynamics of non-EU trade has exceeded that of EU trade, as imports and exports increased by 21 percent and 10 percent, respectively. The largest growth in both inbound and outbound trade was registered vis-à-vis non-EU member European countries, boosted mainly by the import of fuels and the export of processed goods. Above-average export growth was also recorded with regard to new EU member states and Asian countries, thanks to processed goods – especially chemical products and pharmaceuticals concerning the former and machinery and equipment (especially motor vehicles) regarding the latter.

One can conclude that trends in Hungary’s external trade last year aptly reflect the favourable tendencies observed elsewhere in the Hungarian economy: the export side signals robust industrial output growth, while the import side shows an upturn in domestic demand and



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vigorous investment and consumption growth. For this year, a similar trend is being expected in external trade as new facilities begin to operate thanks to the completion of capacity expansion projects in the automotive industry, investment activity is predicted to remain robust and domestic demand is prognosticated to continue to grow.