



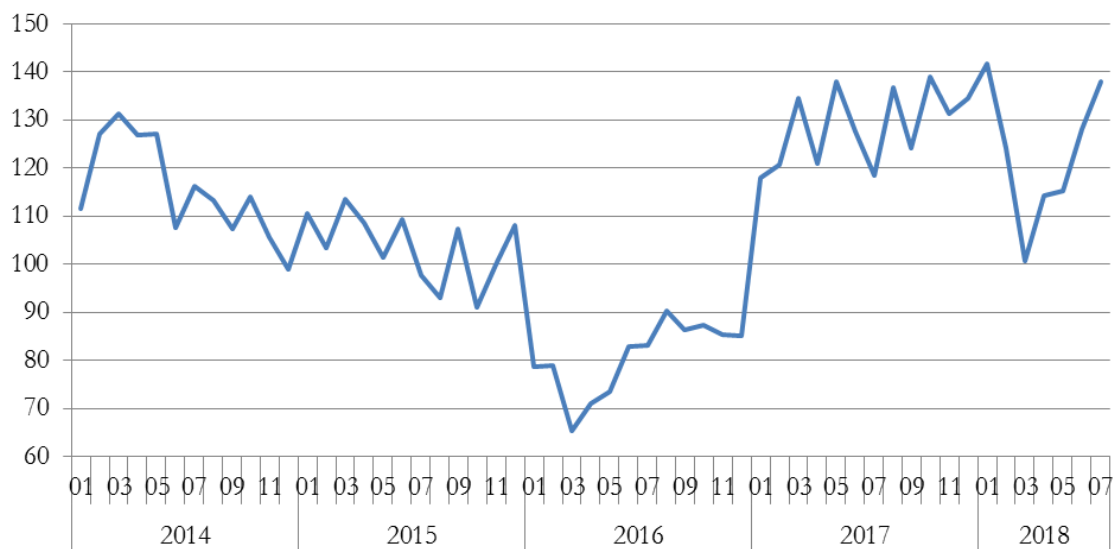
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Construction sector continues to expand dynamically

The volume of construction sector output continued to increase in Hungary. Unadjusted data show that in July 2018 the volume of output was up by 38 percent year-on-year – according to the latest construction sector report of the Hungarian Central Statistical Office (KSH).

In the period January-July 2018, the value of construction output totalled HUF 1 537bn (EUR 4.8bn), up by 22.2 percent compared to the corresponding period of the previous year. In the month of July, the value of output was HUF 284.6bn.

The volume indices of production in construction (raw data, same period of previous year = 100%)



Source: Hungarian Central Statistical Office (KSH)

Output was higher in both main construction sub sectors: the volume of output in the categories construction of buildings and construction of engineering works increased by 28.5 percent and 48.3 percent, respectively, year-on-year. With regard to the former, output was higher concerning the building of educational, industrial and retail facilities as well as residential buildings. As far as engineering works are concerned, road and railway construction and reconstruction as well as public utility projects continued to fuel output volume growth.

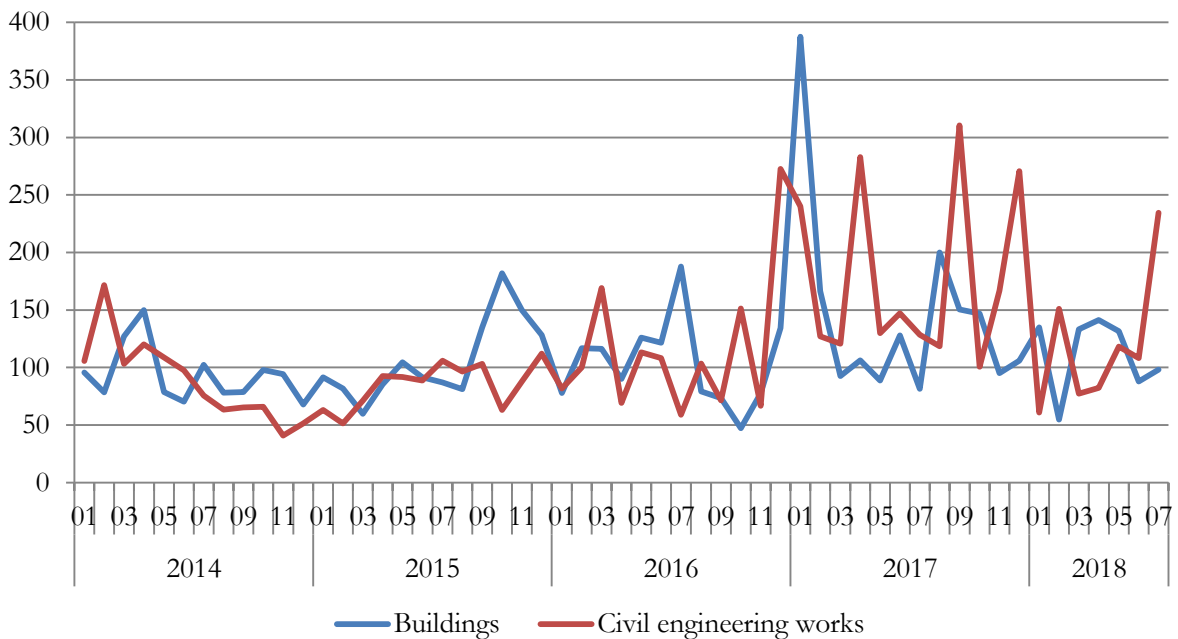
Both the volume of contracts at the end of July and the number of new contracts signal the sector's further expansion. The volume of new contracts gained 70.3 percent, driven by two



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opposing factors: the number of contracts for the construction of buildings edged down by 1.8 percent, while that for the construction of civil engineering works increased by 134.4 percent compared to July 2017, as a result of a number of high-value contracts for the implementation of transport infrastructure and telecommunications projects.

***The volume indices of new contracts in construction industry by main groups of constructions
(same period of previous year = 100.0%)***



Source: Hungarian Central Statistical Office (KSH)

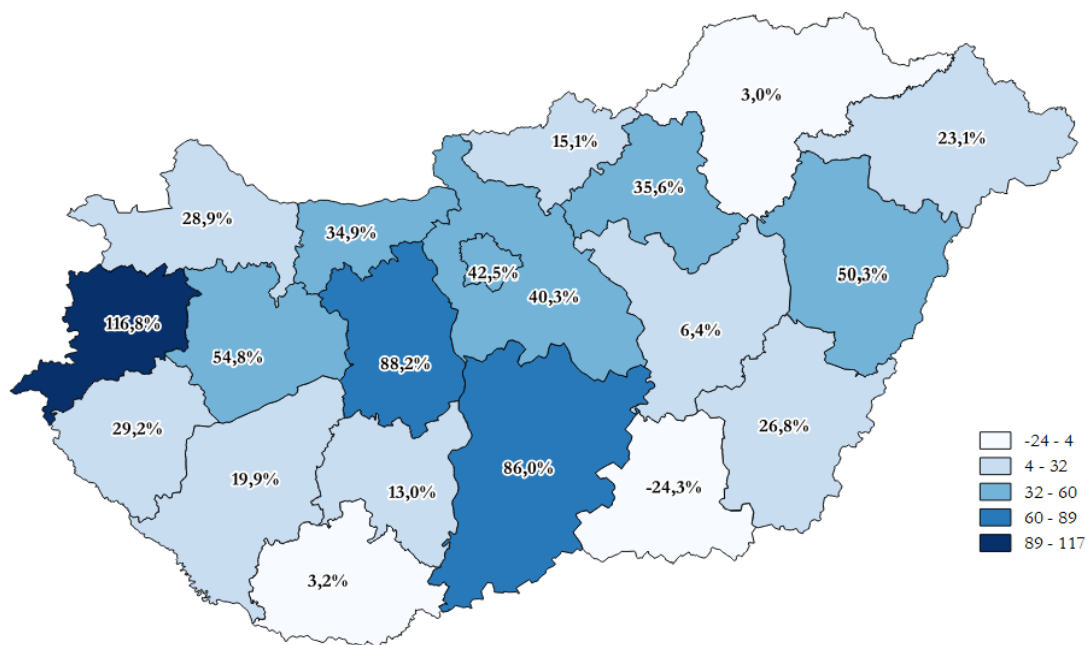
The number of contracts in the construction sector was up by 61.6 percent at the end of July 2018. Within that, the number of contracts for the construction of building and civil engineering works increased by 4.9 percent and 82.4 percent, respectively, compared to July 2017.

An analysis of county-level performance shows that compared to the base of July 2017 the largest growth was recorded in Vas County (+116.8 percent). The following four counties registered above 50 percent increases: Fejér (+88.2 percent), Bács-Kiskun (+86 percent), Veszprém (+54.8 percent) és Hajdú-Bihar (+50.3 percent). The only county with was a decrease was Csongrád, due to a high base last year.



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*The volume indices of production in construction by county, July 2018
(same period of previous year = 100.0%)*



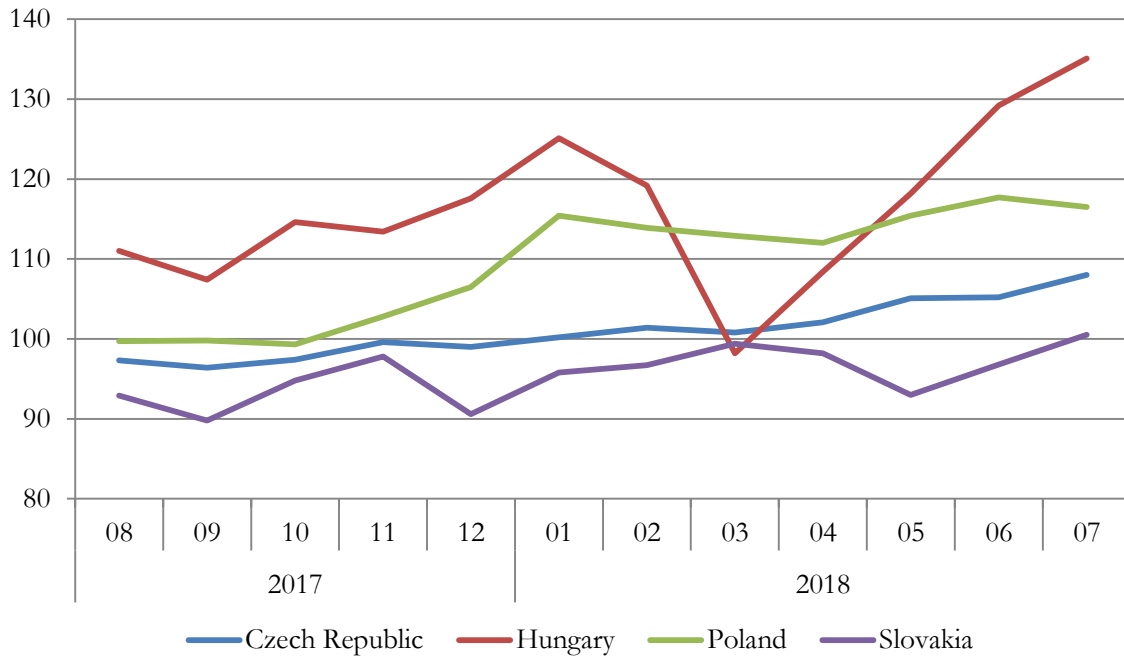
Source: Hungarian Central Statistical Office (KSH)

The performance of the Hungarian construction sector was outstanding even from a regional perspective: in the months of June and July Hungary's rate of output growth was the highest within the Visegrad Group. According to the latest data from July 2018 available on the Eurostat website, in the month of June 2018 the volume of construction sector output was 20 percentage points higher than the EU average.



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*The volume indices of production in construction in V4 countries
(seasonally and calendar adjusted data, 2015= 100%)*



Source: Eurostat

A survey by GKI Economic Research conducted in July shows that the confidence of economic players in the real estate market is more positive than ever and they are expecting further demand growth in coming months. The outlook regarding households' intention to renovate or modernize their properties was also significantly stronger.

The main drivers of the construction sector boom were strong GDP growth of above 4 percent, mortgages with highly favourable lending conditions and a low VAT rate on new homes. The sector is expected to be further boosted by a modification of the Family Housing Subsidy Scheme as of 2018, which aims to support the building of new homes for even more families with children.