



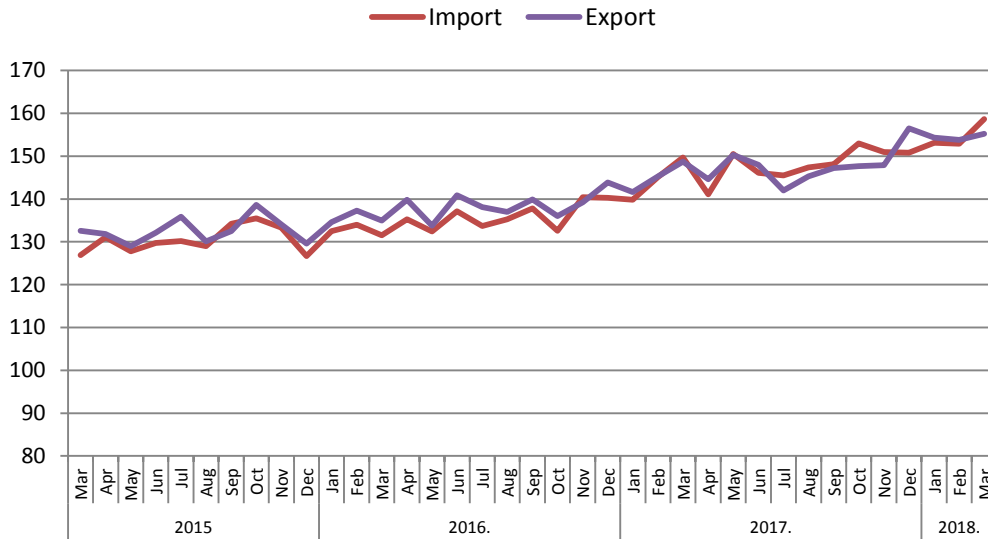
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*Hungary's firmly positive balance of trade persists*

According to recently published data by the Hungarian Central Statistical Office (KSH), Hungary's export and import trends remained sound in the first quarter of 2018. The external trade of goods and services sectors posted a surplus of EUR 2.1bn and EUR 2.0bn, respectively.

The value of exports and imports in the case of the *trade of goods* totalled EUR 9.1bn and EUR 8.6bn, respectively, in the month of March 2018 compared to the same period of the previous year. Prices in forint terms increased (by 0.4 percent in exports and by 0.3 percent in imports), and the terms of trade improved by 0.1 percentage point. The surplus of the external trade in goods was EUR 567 million in the month of March 2018, slightly lower than the figure in March 2017. Calendar-adjusted data show that the volume of exports and imports grew by 4.4 percent and 6.0 percent, respectively.

**Fig.1: Volume indices of external trade in goods**  
(Monthly average of 2010 = 100%, seasonally & working-day adjusted data)



Source: Hungarian Central Statistical Office (KSH)

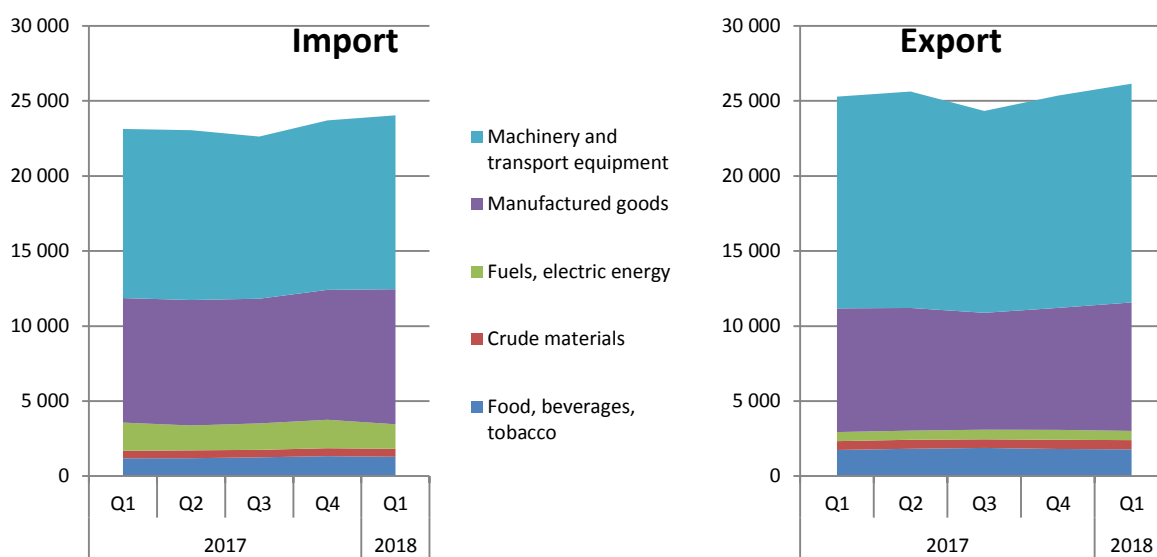
In the first three months of 2018, the value of the external trade in goods (at current prices and in euro terms) edged higher month after month. In March, the largest month-on-month increase of 9 percent in the value of exports was registered, out of significant commodity groups, in the category machinery and transport equipment; however, value growth in the exports of manufactured goods was also remarkable (6 percent). With regard to imports (excluding energy),



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the increase in the sales value in the category machinery and transport equipment was the highest (12 percent), followed by the category food, beverages and tobacco products (9 percent). Combined quarterly data also show that the value of both imports and export has been on the rise since the middle of 2017, driven mainly by the sales and purchase of manufactured goods as well as machinery and transport equipment.

**Fig.2: External trade in goods by main groups of commodities**  
(current prices, million EUR)



Source: Hungarian Central Statistical Office (KSH)

The analysis of the external trade in goods by countries reveals that Hungary's exports to and imports from the European Union account for 79 percent and 77 percent of total, respectively. Thus, the share of trade with the EU has slightly increased compared to the previous year.

Value growth in the *trade of services* was even higher than that of the trade of goods. In Q1 2018, the value of the exports and imports of services totalled EUR 5.6bn and EUR 3.6bn, respectively. Accordingly, the sector reached a surplus of EUR 2.0bn. In the observed quarter, the value of revenues, at current prices, was up by 5.2 percent while that of expenditures was down by 2.2 percent year-on-year, resulting in a sharply rising surplus.

Out of the major categories of the trade in services, tourism performed better in terms of both exports and imports and in comparison to Q1 2017. The sector saw a surplus of EUR 0.6bn, a figure higher than it was one year before. The number of arrivals by foreign guests increased by 2.7 percent and they also spent 2.9 percent more than in the first three months of 2017. The



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number of trips made abroad by Hungarians grew by 12 percent whereas average daily spending decreased by 1.0 percent.

Transport services, another major sector within the international trade in services, posted the largest year-on-year growth: revenues and expenditures grew by 17.0 percent and 7.6 percent, respectively. This resulted in a surplus of EUR 0.7bn, up by 20 percent compared to the level of Q1 2017.

On the other hand, the value of international trade in business services has slightly deteriorated in the period January-March 2018, as revenues and expenditures fell by 1.9 percent and 5.8 percent, respectively, in comparison to the corresponding period of 2017. However, this has also led to a minor improvement in the trade balance, which had a surplus of some EUR 0.2bn in the three-month period in question. Within the business services sector, IT services, charges for the use of intellectual property and management consulting services are the top three categories. Of these, the only sector which has managed to increase revenues in comparison to the previous quarter was IT services, while the volume of imports fell in all three categories. Both revenues and expenditures were lower in the category R&D services (however, expenditures grew year-on-year).

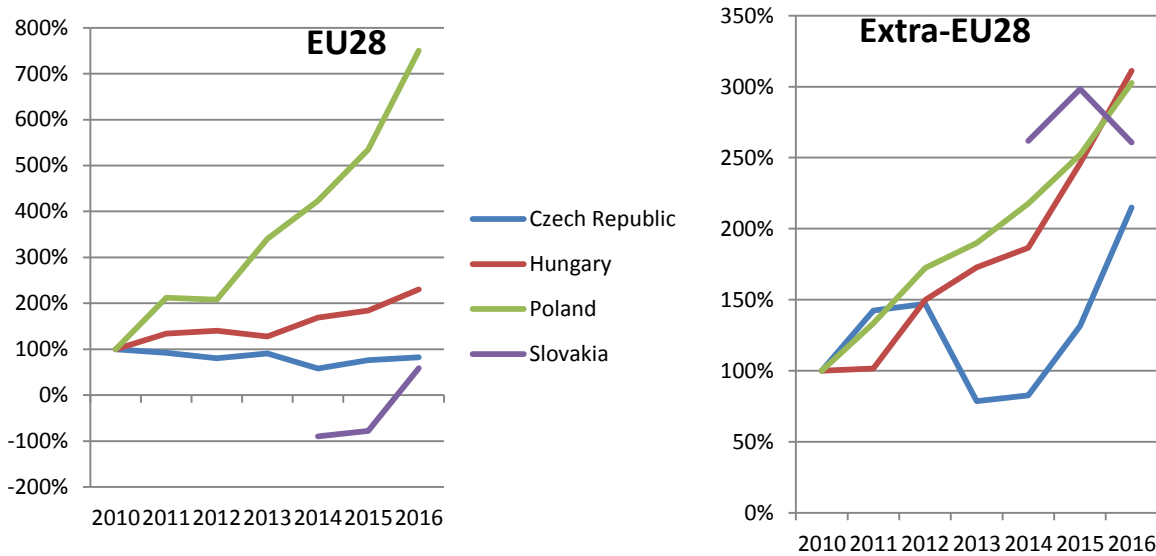
Concerning the trade in services, Hungary's number one partner is indisputably Germany: the country accounts for some 20 percent of the total volume of both exports and imports. Other key partners in terms of international trade in business services are Austria, the United States and the United Kingdom, ranked as 2<sup>nd</sup>-4<sup>th</sup> in both directions, in varying order, having shares of 7-9 percent.

International trade data are hard to compare among countries as sizes and economic structures etc. differ widely. Nonetheless, Eurostat data enable an analysis of the dynamics of international trade over the past couple of years. An examination focusing on the V4 countries reveals that within the EU28 Poland saw the largest positive increase in the balance of the international trade in services since 2010 (starting from a much lower base than the Czech Republic or Hungary) but Hungary has also managed to double the surplus by 2016. In the Czech Republic and Slovakia the trend was the opposite: the surplus decreased in the observed period (data from Slovakia must be handled with caution: in the Eurostat database, they are only available since the year 2013 and therefore are not fully comparable with statistics from other countries.)



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**Fig.3: International trade in services by main partners**  
(% change, 2010\* = 100%)



Note: \* Reference year is 2013 in the case of Slovakia.

Source: Eurostat database

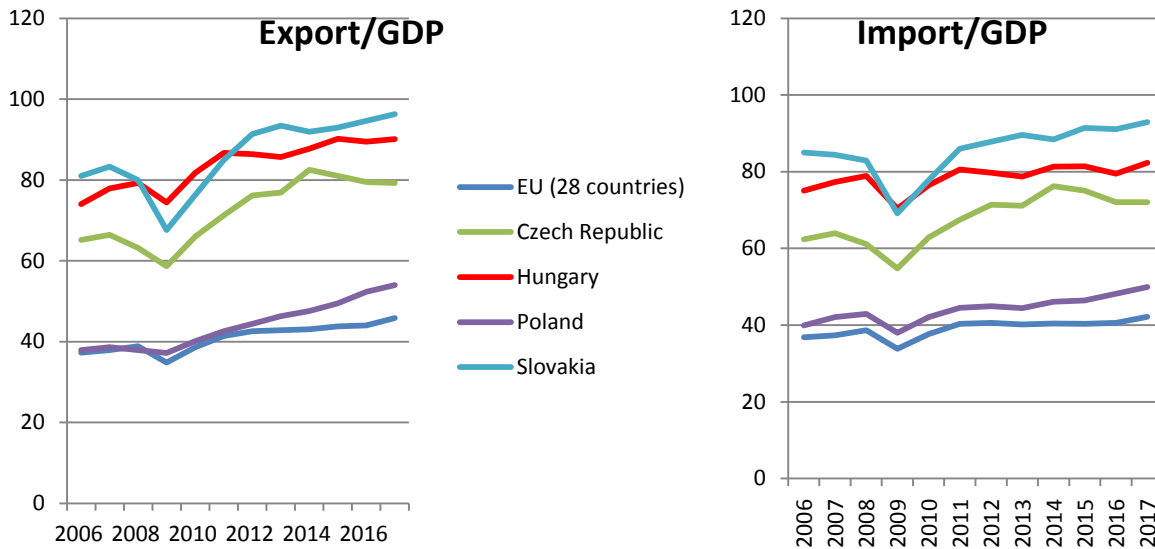
With regard to the trade balance with non-EU partners, Poland and Hungary were similarly successful in the period 2010-2016, as they both managed to roughly triple the surplus during these years. The respective performance of the Czech Republic and Slovakia lagged behind that of the two other V4 countries in this aspect, too.

The comparison of the ratio of exports and imports in percentage of a country's GDP provides a more relevant picture of the role which international trade plays regarding individual economies. Examining the role of exports and imports within the trade in goods and services together clearly shows that this region hosts very open economies of the EU, and within that Hungary's economy is one of the most open. The countries where external trade has an even larger weight than in Hungary are only Slovakia in the region and Ireland, Malta and Luxembourg outside of it. As a whole, the V4 are much more open than the EU28 combined.



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**Fig.4: International trade in goods and services in % of GDP**



*Source: Eurostat database*

In 2017, the value of exports constituted 90 percent of GDP and that of imports was the equivalent of more than 80 percent of Hungary's GDP. The only country where these ratios were even higher was Slovakia, where both indicators were above 90 percent. In the Czech Republic, the share of external trade within the GDP was some 70-80 percent, almost unchanged over the past 5-6 years. Of the four countries, the economy of Poland is the largest and therefore, naturally, the least open, especially when compared to Slovakia, Hungary, Belgium or Ireland. However: the ratio of exports in percentage of GDP, and to a lesser extent that of imports, has also been rising in Poland.

The analysis of external trade data reveals that Hungary's economy has been on a stable growth path, which will be underpinned – among other factors – by the active contribution of this sector. There are also signs of a pick-up in the volume of imports generated by overall economic growth but the sector is still posting surpluses.

Since 2010, Hungary's has more than doubled the surplus of the external trade in services with the EU27. The rate of surplus growth was even more remarkable concerning trade with regions outside the EU. One of the factors leading to these favourable developments is believed to be the wide range of Government incentives which have facilitated and assisted the activity of Hungarian enterprises on foreign markets.