

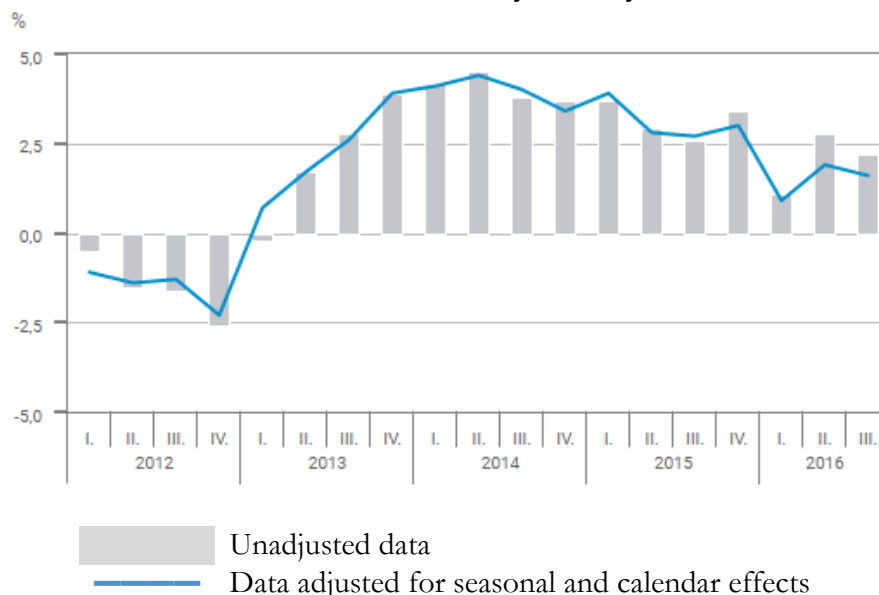


Second estimate shows higher GDP growth rate in Q3 2016

In the third quarter of 2016, Hungary's GDP grew by 2.2 percent year-on-year. This is 0.2 percentage points higher than the preliminary figure was. According to reconciled data adjusted for seasonal and calendar effects, the rate of growth was 1.6 percent year-on-year and 0.3 percent quarter-on-quarter. The quarterly indicator was also higher by 0.1 percentage point, in comparison to the first estimate. This growth rate is equal to the euro-zone average.

Value added within the industrial sector rose by 0.8 percent, while that of the manufacturing sector was up by 0.7 percent. Expansion in the industrial sector has been dampened by subdued global demand and sluggish growth. Within the manufacturing sector, producers of computers, electronic and optical goods were the main growth drivers. Although output in the construction sector fell by 11.9 percent, the expected upturn in residential property construction and the positive effect of EU fund inflows are seen to reignite growth.

GDP volume indices, year-on-year



Source: Hungarian Central Statistical Office (KSH)

The upward revision resulted mainly from the performance of the **agricultural sector**, which has proven to be much better than prior estimates, having gained 21.4 percent.

Output volume at the **market services sector** was up altogether by 2.6 percent. Within that, the sub sectors of catering and tourism as well as scientific and engineering activities expanded more



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than average. Output concerning trade, accommodation and food service activities rose by 5.1 percent. The volume of output at professional, scientific, engineering and administrative services providers increased 5.8 percent. Output in the transport and storage sector gained 3 percent. Information and communication sector output was 1.8 percent higher, while that of arts, entertainment and other services rose by 1.2 percent. The categories real estate services and education, healthcare and social activities saw growth of 0.9 percent each. Financial and insurance services providers registered an output decrease of 0.7 percent.

As a whole, the industrial, agricultural and services sectors added 0.2 percentage points, 1.0 percentage point and 1.3 percentage points, respectively, to the overall 2.2 percent GDP growth rate, while the construction sector reduced the final reading by 0.4 percentage points.

Within the national economy, **domestic demand** rose by 2.7 percent. The volume of **final consumption** was up by 3 percent, while **household real consumption** increased by 3.8 percent, year-on-year. Within that, the volume of expenditure in the largest category, household consumption spending, soared by 4.5 percent. Among the expenditure categories with the largest weight, transport, recreation and culture, furnishings and households equipment saw above-average increases. The volume of spending by Hungarians abroad exceeded that of foreigners in Hungary. The volume of **final consumption of the government** fell by 1.6%. Social transfers in kind from the government decreased slightly, by 0.1 percent.

Gross capital formation increased by 1.5 percent. Within that, **fixed capital formation**, i.e. investment, was down by 8.8 percent, due to the conclusion of several EU-funded projects.

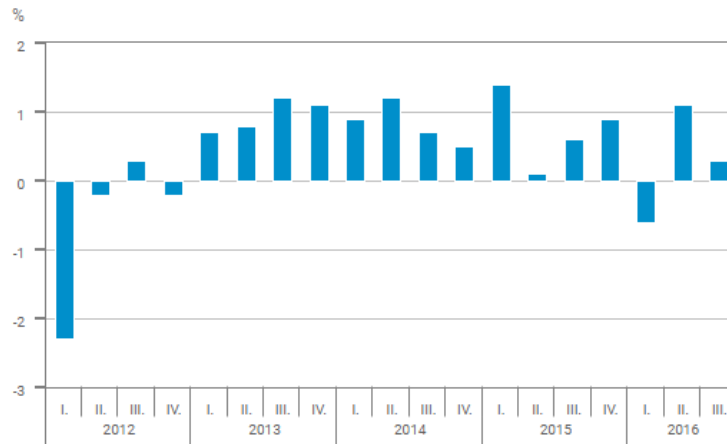
The **foreign trade sector** posted a surplus of HUF 876bn at current prices. **The volume of exports and imports** rose by 4.6 percent and 5.3 percent, respectively. Within the category trade of goods, the volume of exports and imports increased by 4.9 percent and 5.6 percent, respectively. The export volume of services (including tourism) grew by 3.4 percent, while that of imports gained 3.7 percent.

As a whole, final consumption and gross capital formation contributed 2 percentage points and 0.4 percentage points, respectively, to the overall 2.2 percent growth rate, while the foreign trade sector reduced it by 0.2 percentage points.



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GDP volume indices, quarter-on-quarter, index adjusted for seasonal and calendar effects



Source: Hungarian Central Statistical Office (KSH)

In the observed period, GDP rose by 0.3 percent quarter-on-quarter. On a quarterly basis, gross value added in the agricultural, construction and market services sectors was up by 0.7 percent, 9.1 percent and 0.6 percent, respectively, while that of the industrial sector decreased by 1.8 percent quarter-on-quarter. Household consumption was 0.9 percent higher. Social transfers in kind from the government and the volume of final consumption of the government fell by 0.1 percent and 0.8 percent, respectively. Gross fixed capital formation was up by 3.7 percent. The volume of both exports and imports decreased: the former by 1.9 percent and the latter by 0.9 percent.

Analysts are expecting an upswing in the volume of investment and consumption beginning from next year, due to which Hungary's GDP growth may exceed 3 percent. For 2016, GDP is estimated to grow by some 2 percent in terms of adjusted data.