



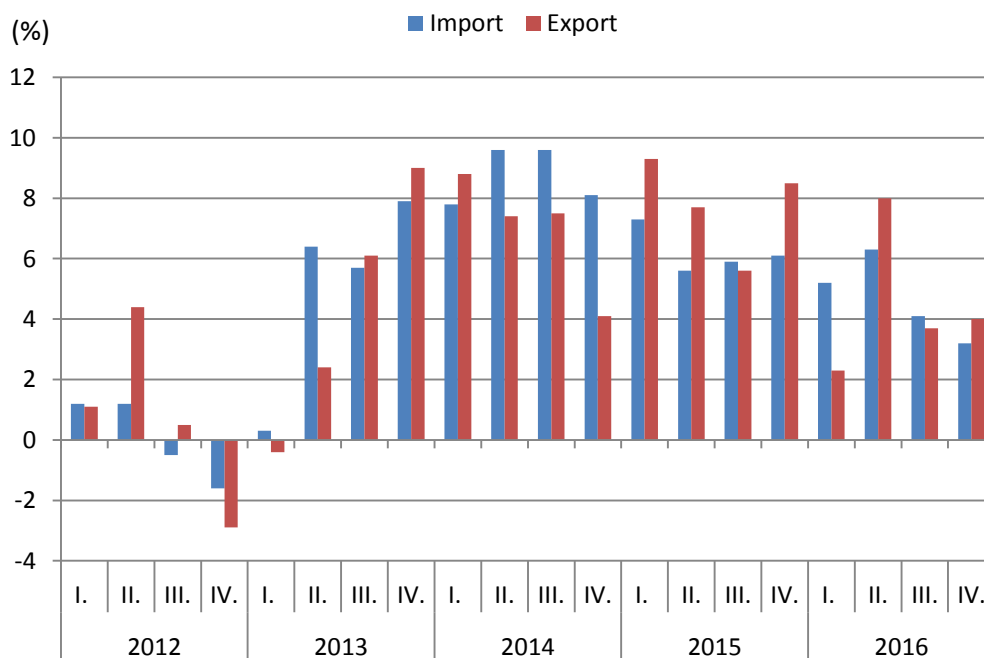
### *Hungary's external trade posted a record-high surplus in 2016*

The upward trend in the external trade, in place since Q2 2013, has continued in 2016: the volume of both exports and imports rose. The surplus was up by EUR 1.3bn compared to the previous year, totalling EUR 9.9bn, a historic high in Hungary.

In 2016, the value of exports and imports was EUR 93.0bn and EUR 83.1bn, respectively. The rate of import growth has slightly, by 0.3 percentage points, exceeded that of exports: the volume of exports increased by 4.4 percent, while that of imports rose by 4.7 percent. The growth of both imports and exports was below that of the previous year, but the pace of growth was still double the 2 percent of GDP growth figure within the national economy.

Concerning the value of trade, due to lower prices, the growth rate was lower than trade volume growth, increasing in Euro terms by 2.9 percent in case of exports and by 1.5 percent in case of imports. The terms of trade improved by 1.5 percent.

*Fig.1. Change in the volume of external trade in goods,  
same quarter of previous year=100%*



*Source: Hungarian Central Statistical Office*

As far as the EU28's trade vis-à-vis third countries was concerned in 2016, exports and imports declined by 2 percent and 1 percent, respectively, compared to the previous year. The

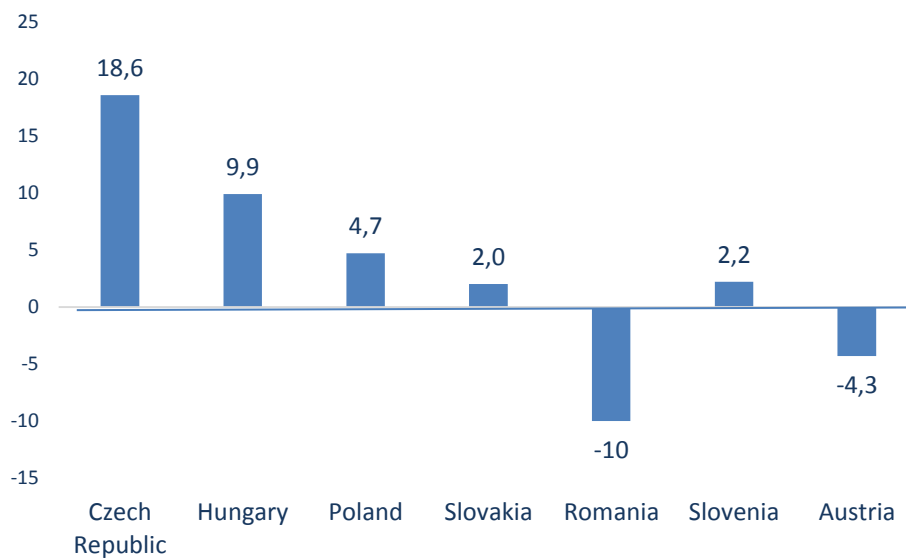


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surplus was down by EUR 10.6bn, to EUR 39.3bn. The trade conducted among EU countries, however, gained 1 percent in value in the observed period.

The trade performance of Central and Eastern European countries was slightly better than the EU average (Fig.2). The exports of the three other Visegrad Four members increased by 3 percent each, while that of Romania soared by 5 percent and that of Austria was unchanged. Hungary's external trade surplus was the second highest in the region, after that of the Czech Republic.

*Fig.2. External trade balance in V4, Austria, Romania and Slovenia (year 2016, bn euro)*



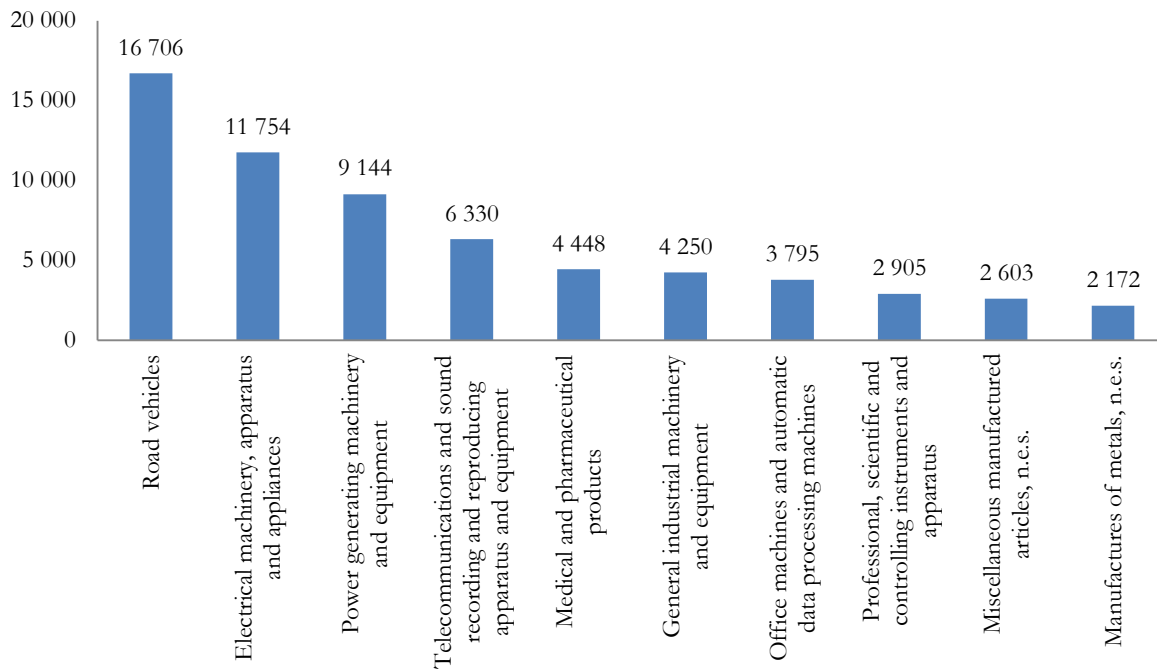
*Source: Eurostat*

In 2016, the product categories of machinery and transport equipment as well as fuels and energy were the **main determinants of Hungary's external trade balance** (Fig.3). The value of exports of machinery and transport equipment, which category accounts for 58 percent of total exports, increased by 3.9 percent, and that of imports was up by 2.9 percent. Thus, its share within the total surplus has continued to rise. The primary driver of exports was the automotive industry and related product groups – road vehicles, power-generating machinery and equipment, professional-scientific and controlling instruments and apparatus.

*Fig.3. Top ten product groups with the largest share of exports (million Euro)*



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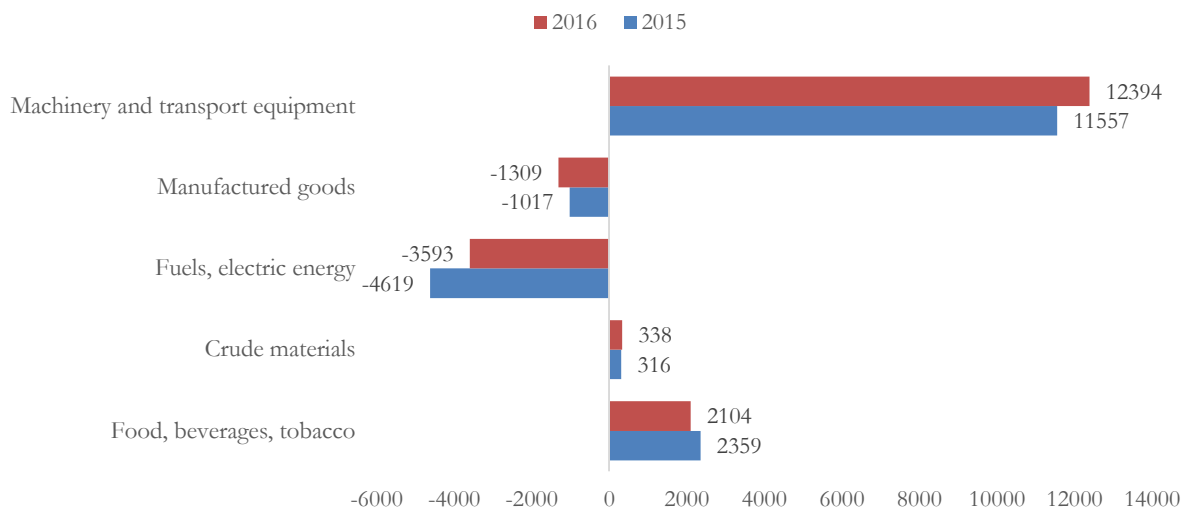
*Source: Hungarian Central Statistical Office (KSH)*

Fig.4. shows to what extent various product groups contributed to the external trade balance. Thanks to low global crude oil and natural gas prices, the volume of respective imports was similar to that of the previous year, but their value was down by more than 20 percent, and this has also improved the balance. The imports of manufactured goods, which account for 37 percent of total and are mainly used for production purposes, saw growth of 4.1 percent, higher than the increase of exports. While the imports of food, beverages and tobacco products increased by 6 percent, exports stagnated.

***Fig.4. External trade balance by main groups of commodities (million Euro)***



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*Source: Hungarian Central Statistical Office (KSH)*

The **share of imports and exports** in 2016 conducted with EU member states was similar to that of recent years: they accounted for 78.1 percent and 79.4 percent of total, respectively. The increase of export with the EU exceeded the pace of overall trade growth. Nine out of Hungary's top ten export destinations were EU member states. On top of the ranking is Germany, with an outstanding export share of 28 percent. Second- and third ranked Romania and Slovakia accounted for a much smaller share of about 5 percent each. Among non-EU countries, the United States of America was the most significant, with a share of 3 percent. The country, to which exports rose the fastest, 25 percent, was China, mainly thanks to the automotive industry. In light of international economic indicators analysts predict further expansion in the industrial sector and exports. Rising domestic investment and household consumption fuelled by real wages as well as higher oil prices are also believed to lead to import growth that exceeds last year's figure and a slightly lower external trade surplus in 2017.