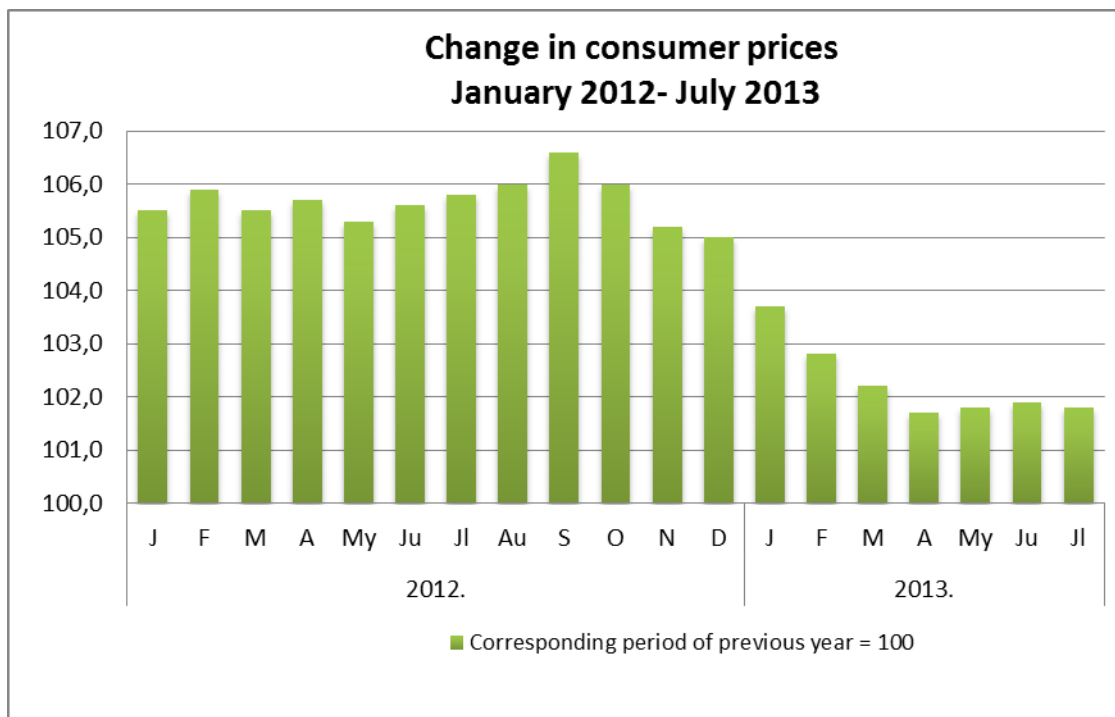




Positive developments within the Hungarian economy

Inflation rate still at a low level

According to the latest data compiled by the Hungarian Central Statistical Office (KSH), **in July 2013 consumer prices were 1.8 percent higher compared to the level of July 2012.** Muted consumer price inflation growth was primarily attributable to the cut in household energy prices. However, **price pressure within the economy has also been abating** without this component, **as annual core inflation has declined to 2.8 percent** – below the inflation target of 3 percent. **In comparison to June 2013, consumer prices were down by 0.3 percent.**



Source: Hungarian Central Statistical Office (KSH)

The price of food declined on average by 1.4 percent, while the largest price increase was recorded concerning other products such as home maintenance and household articles, cosmetic products, pharmaceuticals, motor fuels and cultural goods. The prices of fuels as well as alcoholic beverages and tobacco products increased by 1.3 percent and 0.3 percent, respectively, compared to the level of one month ago. **The second phase of household utility tariff cuts also made its impact felt:** as a result of lower chimney sweeping and cesspit emptying charges, prices within the waste disposal category decreased by 5.9 percent, while prices for electricity, gas and

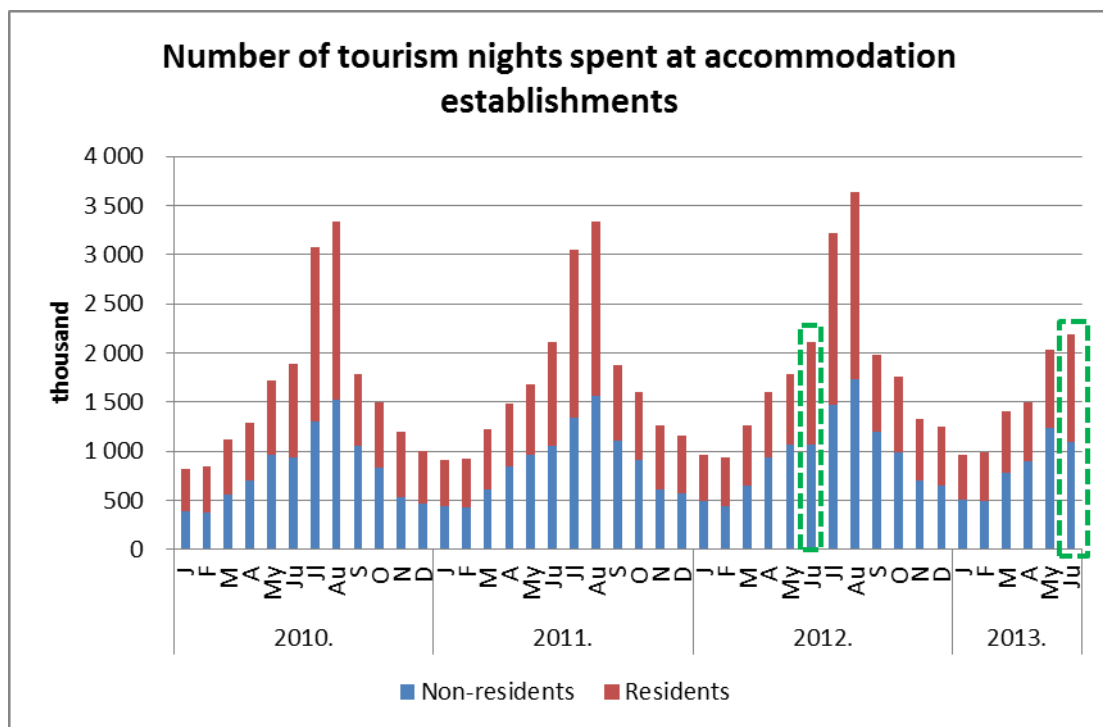


MINISTRY
FOR NATIONAL ECONOMY

fuels as well as butane and propane gas were lower by 0.2 percent and 6.8 percent, respectively, compared to June. **Prices regarding propane and butane gas as well as water charges and sewage disposal including cesspit emptying decreased by 10 percent in comparison to December 2012 and January 2013, respectively.** Lower water and sewage charges as well as waste disposal tariffs effective as of July will be entered into the August-September price index.

Upward tourism trend continues

In light of the latest KSH data, **in January-June 2013 the number of guests at accommodation establishments increased by 5.9 percent (to 3.7 million), while the number of tourism nights was up by 4.9 percent (to 9.1 million nights)** in comparison to the same period of the previous year. Inbound tourism continues to increase significantly: the number of foreign guests (1.9 million people) and the respective number of tourism nights (5 million) were 8.7 percent and 7.8 percent higher, respectively, in comparison to the first half of 2012.



Source: Hungarian Central Statistical Office (KSH)



MINISTRY
FOR NATIONAL ECONOMY

In addition to higher foreign demand, tourism by domestic residents also registered growth: in the first half of 2013, the number of domestic tourists was up by 3.2 percent (to 1.8 million people), while that of tourism nights increased by 1.6 percent (to 4.1 million) compared to the same period of last year. Gross receipts from accommodation establishment fees totalled HUF 70bn in the observed period (up by 9.1 percent). **The Széchenyi Recreation Card (SZÉP Card) has been instrumental for the remarkable domestic tourism statistics:** card holders spent HUF 6.4bn in June and almost HUF 10bn in July at tourism and catering enterprises.

The Government repaid the outstanding IMF loan ahead of schedule

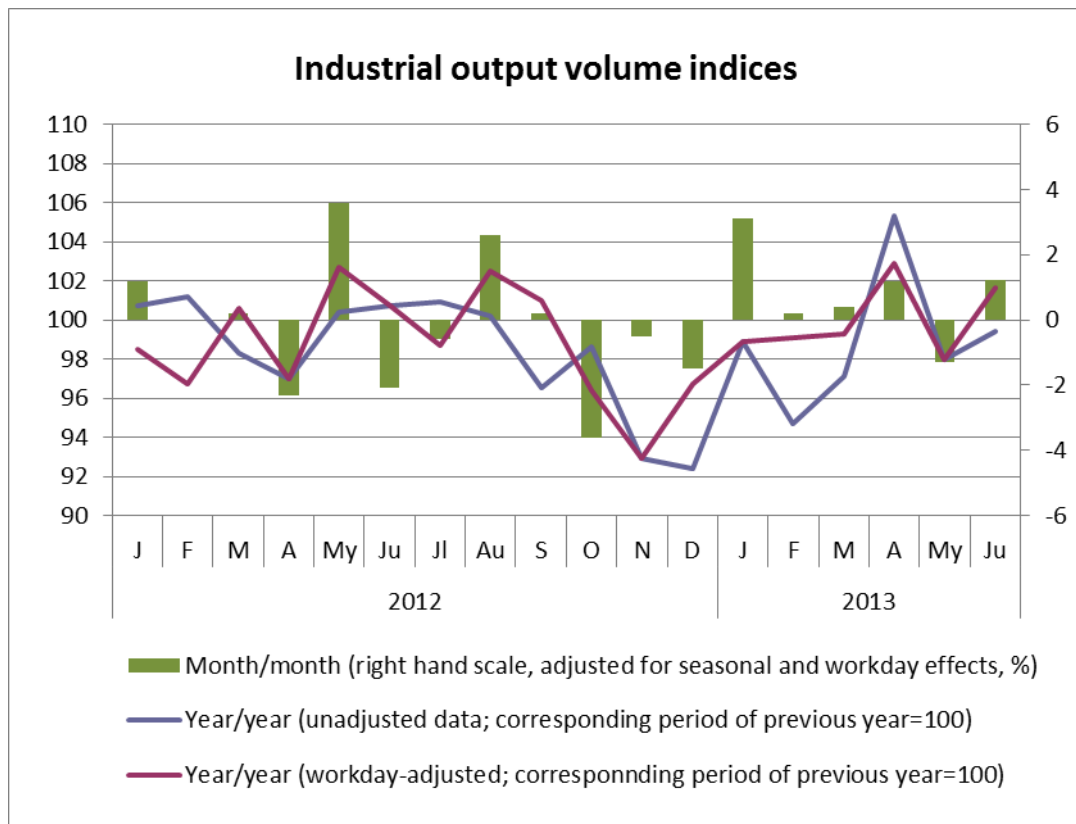
On 12 August 2013, **Hungary repaid ahead of time the remainder of the IMF loan of SDR 1.9bn (EUR 2.15bn) owed to the International Monetary Fund.** Out of that amount, EUR 1.8bn would have been due in 2013, some EUR 300 million in Q1 2014 and a small remainder in Q3 2014. The debt was redeemed by the Government of Hungary as required by the IMF in three foreign currencies: in US Dollars, Euros and British Pounds. The Government Debt Management Agency transferred USD 1.7bn, EUR 570 million and GBP 255 million for the early repayment. **The amount of unutilised loan and proceeds from the USD-denominated government bond issuance at the beginning of February as well as those from the Premium Euro Hungarian Government Bond auction had been available to cover the transaction;** accordingly, no additional bond issuance was necessary.

Industrial output increased by 1.7 percent compared to the corresponding period of the previous year

In June 2013, industrial output declined by 0.6 percent compared to the corresponding period of 2012. However, **on the basis of workday-adjusted data, production was 1.7 percent higher in comparison to June 2012.** In light of data adjusted for seasonal and workday effects, the **volume of industrial output increased by 1.2 percent in comparison to May,** whereas production in the first half of 2013 decreased by 1.6 percent compared to the level of one year ago.



MINISTRY
FOR NATIONAL ECONOMY



Source: Hungarian Central Statistical Office (KSH)

Among sectors of the national economy, **production at the manufacturing industry, the sector of the largest weight, was down by 0.3 percent** compared to June 2012. Within the manufacturing industry, output increased in three sub sectors, while decreases ranging between 1.4 percent and 14.8 percent were recorded in ten of them. Out of the most significant sub sectors, **output at the vehicle manufacturing division increased faster than in May, by 13.7 percent**. Production at the second largest sub sector, the manufacturing of computers, electronic and optical products registered a decline of 4.8 percent; this figure is much better than last month's decrease of 13.3 percent. Following a steep decline in May, output of food, beverages and tobacco products was down again significantly, by 9.4 percent. **Among the manufacturing sub sectors of medium weight, output of chemicals and chemical products increased outstandingly, by 23.4 percent**, for which result the largest contributor was – besides the low base -- the 53.3 percent increase of the production of plastics in primary forms.



MINISTRY
FOR NATIONAL ECONOMY

As far as regions are concerned, in January-June 2013 production increased in two Hungarian regions: **output increased remarkably, by 25.1 percent, in the Southern Great Plain and by 3.4 percent in Northern Hungary** compared to the same period of the previous year. In the other regions, however, the decreases of production volumes ranged between 2.0 percent and 6.5 percent.

With regard to sales, a decrease of 4.5 percent was registered for June in domestic demand (contraction totalled 4.1 percent in the first half of 2013), while exports were down by 0.5 percent. **In the first half of 2013, on the other hand, exports improved by 1.4 percent in comparison to the corresponding period of the previous year. Motor vehicle exports, which comprise almost one-third of total manufacturing exports, were up by 9.6 percent,** but the export volume of computers, electronic and optical products declined by 5.8 percent.

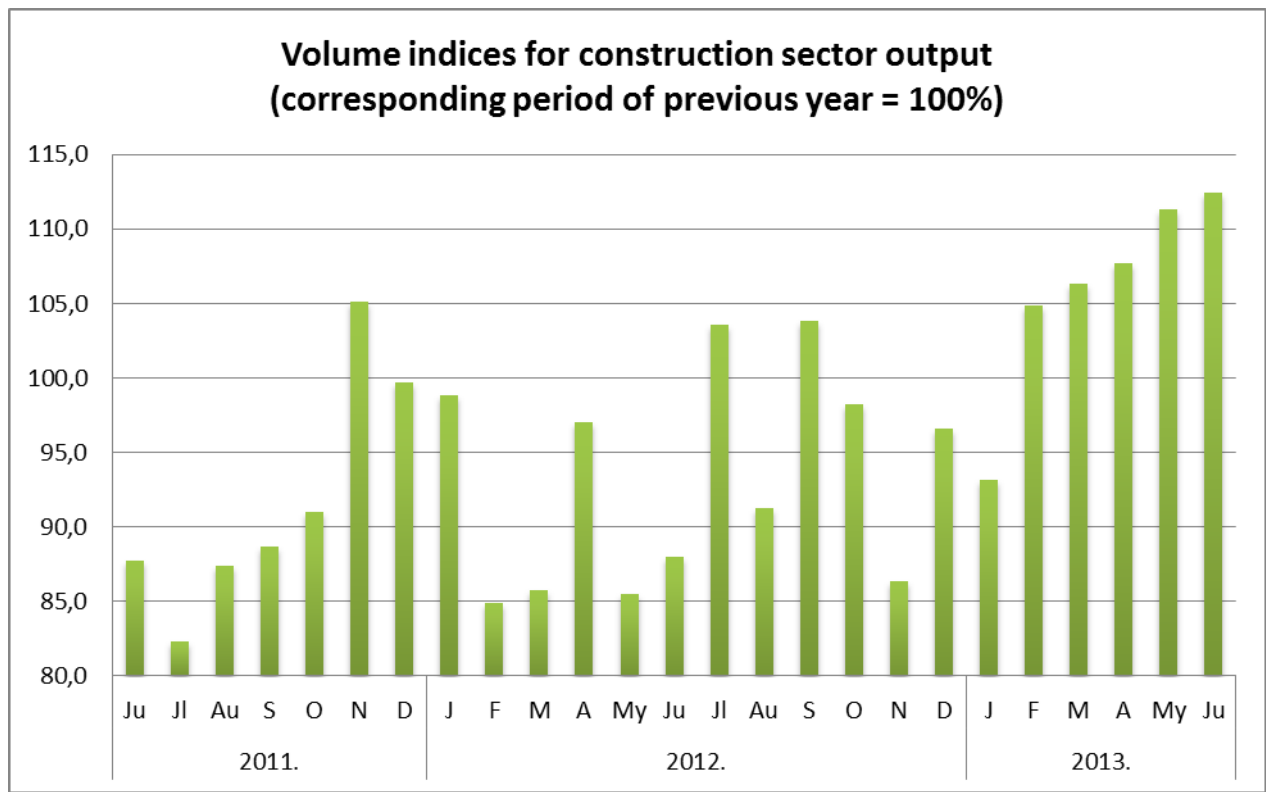
The total number of orders observed by the KSH fell by 5.5 percent in June, compared to the same period of the previous year. This development was mainly due to the 7 percent drop in export orders, whereas **domestic orders increased by 5.0 percent. The overall number of orders was 10.5 percent higher than the figure of June last year.**

Construction sector output on the rise for the 5th month year-on-year

In June 2013, **construction output increased year-on-year by 12.4 percent.** The KSH statistical release reports that **higher output at construction of structures of buildings as well as road and railway reconstruction enterprises spurred growth in June.** The fact that data were positive in spite of a stagnating residential construction sector is an encouraging sign. Within construction industry divisions, **output at construction of structures of buildings** – which includes building construction project management and the construction of structures of buildings – **increased by 35.7 percent** in the month of June compared to the level of one year ago. The **volume of new contracts** concluded in June 2013 was **19.5 percent higher** than one year ago.



MINISTRY
FOR NATIONAL ECONOMY



Source: Hungarian Central Statistical Office (KSH)