

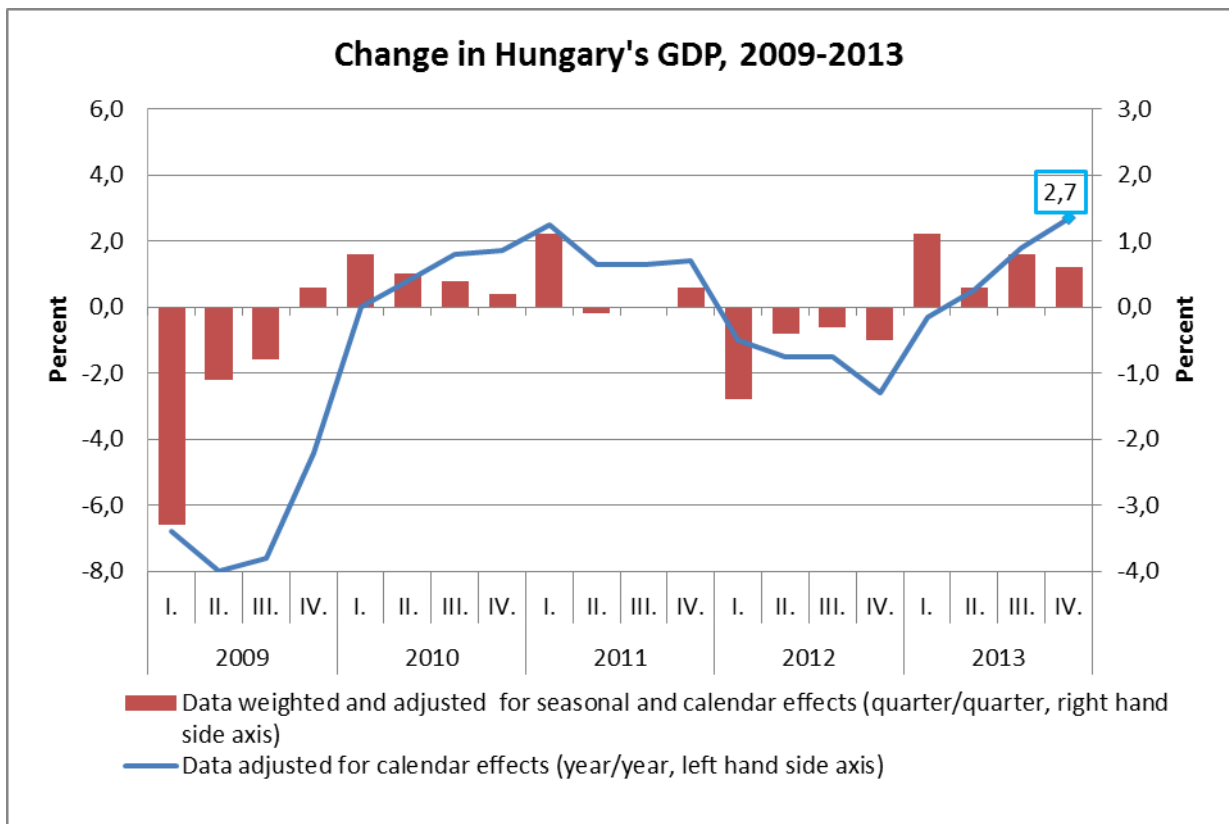


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***Hungary among European top performers with GDP growth of 2.7 percent
in Q4 2013***

According to the latest data by the Hungarian Central Statistical Office (KSH), Hungary's economic growth has gathered speed. The 1.8 percent GDP growth registered in Q3 2013 already exceeded analysts' expectations, while **GDP gained 2.7 percent in the last quarter of 2013, year-on-year**. Such robust growth has been unprecedented in the past eight years in Hungary, and this figure was also above market expectations and the Government's 2.5 percent GDP growth estimate.

In comparison to Q3 2013, GDP increased by 0.6 percent, in light of data adjusted for seasonal and calendar effects. Quarter-on-quarter growth was 1.1 percent, 0.3 percent and 0.8 percent, respectively, in Q1, Q2 and Q3. As a consequence of positive performances, **data adjusted for seasonal and calendar effects also indicate that the Hungarian economy expanded by 1.2 percent in the year 2013**. This figure is also higher than the Government's prior prognosis, which for 2013 predicted growth of 0.7 percent last spring then 0.9 percent following an upward revision in autumn, during the drafting of the budget.



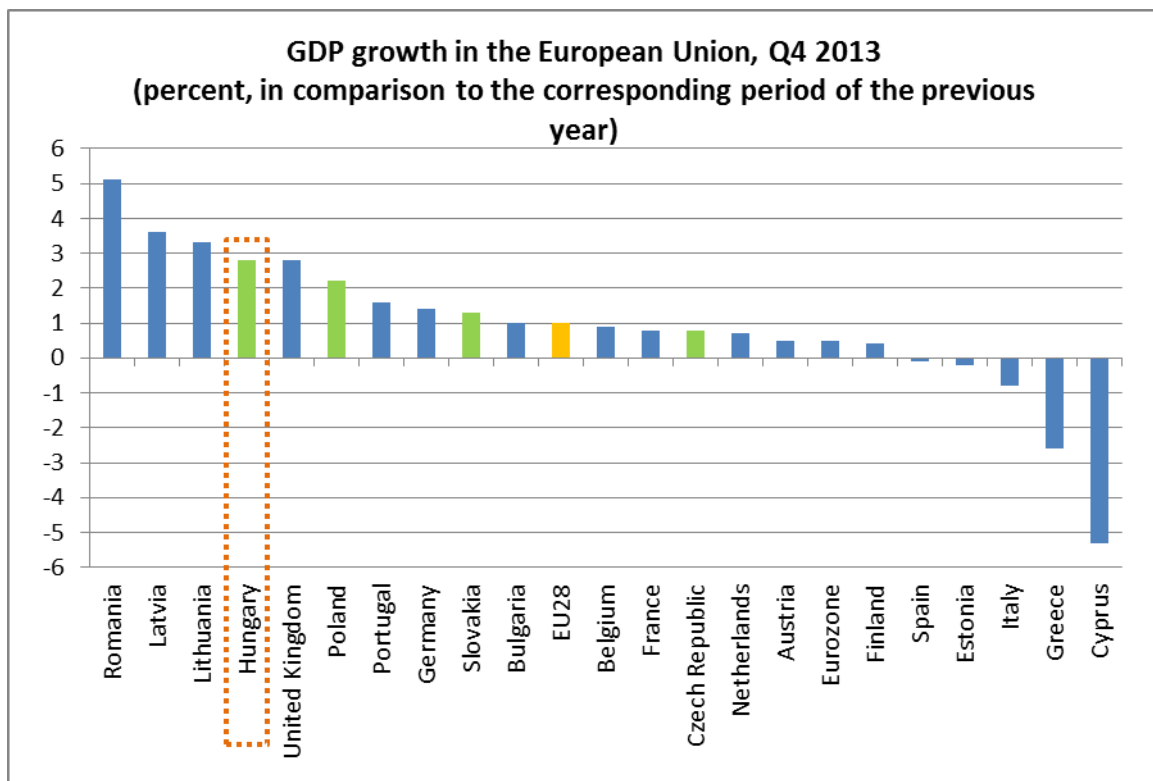
Source: Hungarian Central Statistical Office (KSH)

All three productive sectors – agricultural, industrial and construction sectors – have contributed to growth. Favourable weather conditions, which were much better than in 2012, have also been behind the dynamic output growth of the agricultural sector. **In Q4 2013, industrial output was up by 5.4 percent,** which performance was driven by a pickup in external demand, recent capacity expansion within the car manufacturing sector and rebounding domestic demand. **The more than 10 percent (13.4 percent) growth of construction sector output in the fourth quarter was also fuelled by a surge in investments:** in addition to Government development projects and EU transfers, private sector investment also boosted growth. **By the end of the last year, some service provider sectors also joined in as GDP growth factors,** such as retail trade, catering and transport.

The Eurostat published last week the latest GDP data with regard to the EU28 member states. In light of these data, GDP was up quarter-on-quarter by 0.3 percent in the eurozone and 0.4 percent in the EU28, in the last quarter of 2013. **In the same period, year-on-year economic**



growth of 0.5 percent and 1.0 percent were registered for the eurozone and the EU28, respectively, for the year 2013. Compared to the fourth quarter of 2012 – according to currently available data – GDP growth was negative in five member states, while it was positive in sixteen of them. In Q4 2013, based on seasonally adjusted data, Hungary had the fourth best year-on-year GDP growth figure among the EU member states.¹ Among the Visegrád Four, Hungary has evidently achieved the best result: while Hungarian economic growth was 2.8 percent, the same indicator was 2.2 percent in Poland, 1.3 percent in Slovakia and only 0.8 percent in the Czech Republic.



Source: Eurostat

Outside the bloc, the largest increases were recorded in Romania as well as in Latvia and Lithuania among the Baltic states. The most severe contractions were registered in Greece (-2.6 percent) and Cyprus (-5.3 percent).

In the last quarter of the previous year, the economy of Germany, one of Hungary's key economic partners, expanded by 1.4 percent year-on-year and 0.4 percent month-on-

¹ Eurostat data currently cover 21 EU member states



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month in Q4 2013. Annualised data for the economy of the eurozone have been also indicating continuous improvement. Better-than-expected GDP data for the eurozone and especially for Germany are also a promising sign for the Hungarian economy. In addition to the anticipated rebound of external demand, better business and consumer sentiment as well as new orders data are also justifying optimistic expectations regarding Hungarian economic growth prospects in the coming quarters. **The Government has not modified its growth estimate, but several market analysts are already predicting that economic growth may exceed even 2 percent.**