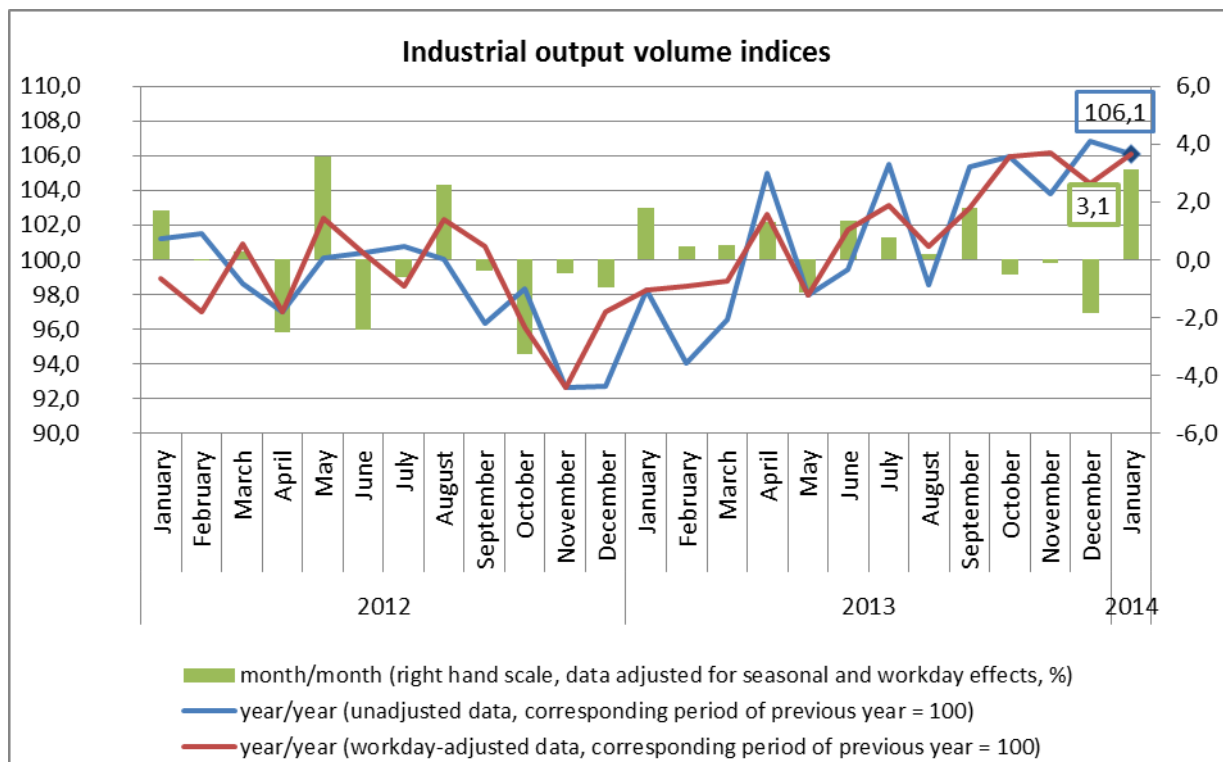




Hungary's industrial output growth expected to continue this year

In light of the report published by the Hungarian Central Statistical Office (KSH) earlier this week, industrial output rebound which began in 2013 will continue this year as **in January 2014 industrial sector output** – according to both unadjusted and workday-adjusted data – **increased by 6.1 percent in comparison to the corresponding period of 2013. This piece of growth data is the best January figure recorded in three years, since January 2011.**

The vehicle manufacturing sector has continued to be the main driver of growth, but related supplier divisions have also significantly contributed to the result. **Compared to December 2013, the industrial sector expanded by 3.1 percent month-on-month**, on the basis of data adjusted for seasonal and workday effects.



Source: Hungarian Central Statistical Office (KSH)

In January 2014, output at the mining and quarrying sector, a division of minor weight among the industrial sectors of the national economy, decreased by 4.9 percent, while that of the energy



MINISTRY
FOR NATIONAL ECONOMY

industry fell by 11.8 percent. On the other hand, **the manufacturing sector was capable of continuing an outstanding performance also in the first month of the year:** the division recorded growth of 7.8 percent, due to the fact that **output increased in ten out of the altogether thirteen sub sectors.** Output of the vehicle manufacturing sector, constituting one-tenth of total manufacturing sector production, soared again spectacularly, by 30.6 percent. Output at the third largest sub sector, the manufacturing of food, beverages and tobacco products, was up by 5.0 percent. Output regarding the manufacturing of basic metals and fabricated metal products, a division of average weight, and that of chemicals and chemical products increased at an above-average rate of 9.3 percent and 13.1 percent, respectively.

As far as the regional breakdown is concerned, **in January 2014 industrial output increased in all but one region.** The largest growth, 26.5 percent, was registered in Western Transdanubia.

In comparison to January 2013, domestic sales of industrial products fell by 5.5 percent; however, domestic sales of the manufacturing sector were up by 2.1 percent year-on-year. **In the first month of 2014, industrial exports soared by 9.3 percent and exports regarding the vehicle manufacturing sector, which compose one-third of total manufacturing sector exports, surged by 27.5 percent.**

In the first month of the year, the total stock of orders of manufacturing industry divisions observed by KSH decreased by 3.3 percent compared to January 2013. New export orders were down by 5.4 percent, but new domestic orders increased by 14.0 percent. **With regard to the total stock of orders, they gained 12.1 percent year-on-year.**

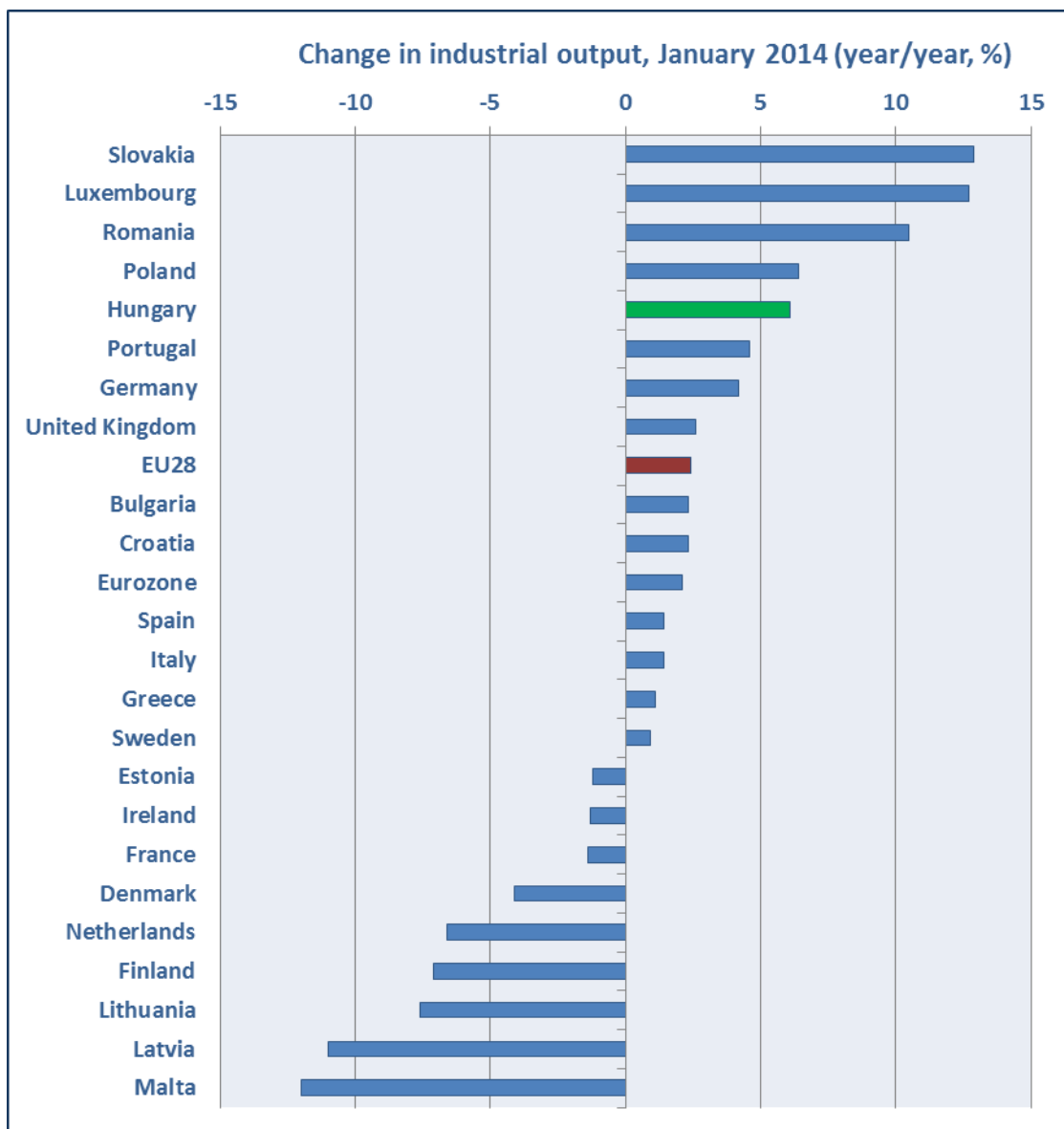
Industrial output growth in Hungary is remarkably impressive even from a European Union perspective, concerning both monthly and annual changes. Analysing EU data for January 2014 it can be concluded that Hungary's industrial output growth continued to exceed the average of the EU 28 member states, as in comparison to the first month of 2013 the output volume within the euro area and the EU 28 was up by 2.1 percent and 2.8 percent, respectively. **On an annualized basis, industrial output volume indices showed larger growth than that of Hungary in only four member states:** the industrial sector expanded by 12.9 percent in Slovakia, by 12.7 percent in Luxembourg, by 10.5 percent in Romania and by 6.4



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percent in Poland. Among the EU 28 member states, Latvia and Malta registered the most severe declines (11.0 percent and 12.0 percent, respectively).

In January, industrial output gained 0.2 percent in the eurozone and it was down slightly, by 0.1 percent, in the EU 28. **Month-on-month, Hungary's output growth was the third largest**, as only Croatia and Estonia recorded even better results (5.4 percent and 4.3 percent, respectively). Output volume growth was negative in Latvia, the Netherland and Greece.



Source: Eurostat, SÚSR (Statistical Office of the Slovak Republic), ELSTAT (Hellenic Statistical Authority)



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Furthermore, recently published Hungarian macroeconomic data are signalling promising industrial performance also for the future. Following the almost 15 percent increase of investment and the 2.7 percent GDP growth in Q4 2013, which was above prior expectations, further industrial sector expansion can be anticipated for 2014.