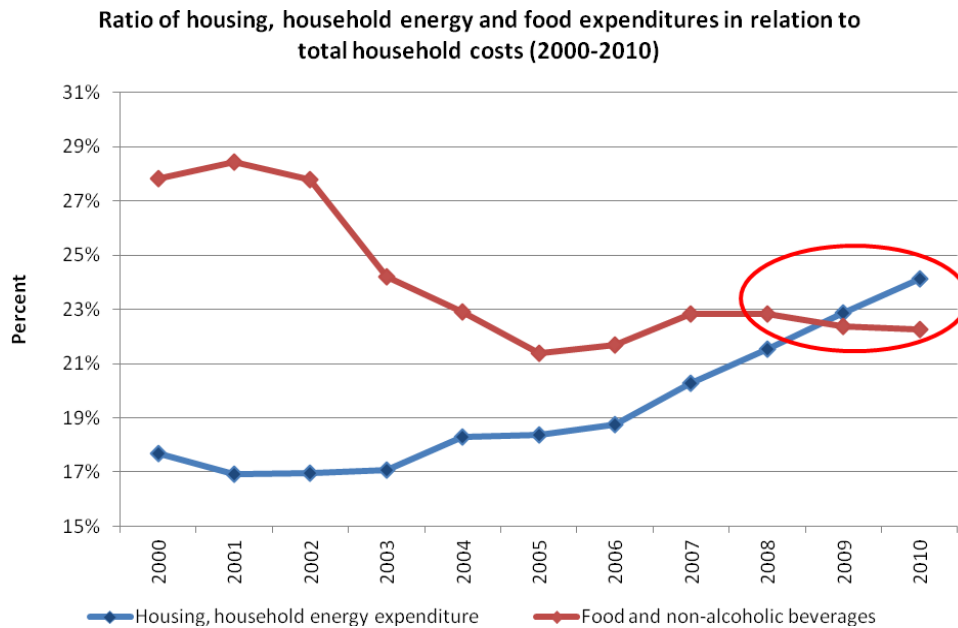


Hungarian overhead expenses in regional comparison

In the period of 2003-2010 increasing overhead expenses resulted in huge extra costs for households. Analyzing statistics, it can be concluded that costs associated with the two largest expenditure categories for families – that of food and housing -- have shifted gradually toward higher overhead costs. The ratio of these categories in relation to total expenses is demonstrated by the below chart:



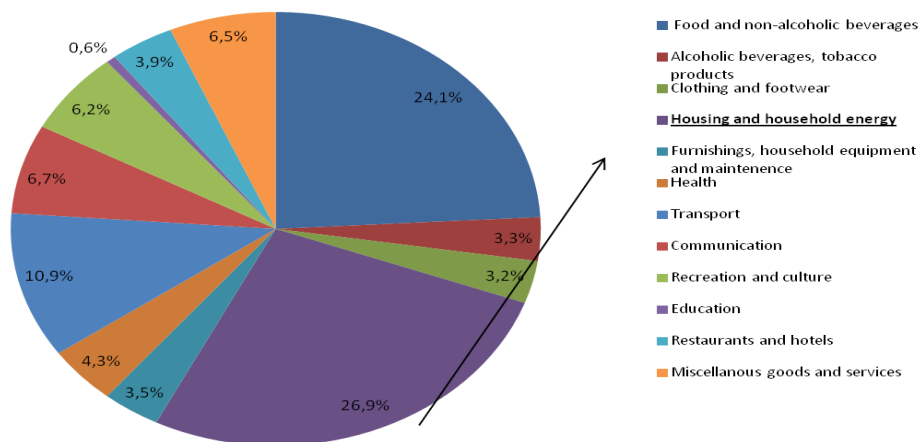
Source: KSH

It can be concluded that housing costs have surpassed food expenditures since 2009. According to a 2011 study of the Hungarian Central Statistical Office (KSH), while the per-capita share of the former category of total spending corresponded to 18.5 percent in 2000, in 2010 this figure increased to as much as 24.9 percent. Therefore, in 2010 almost every fourth forint of household spending went to paying utility bills.

Although the blue line of the above chart includes other items such as rent or costs of liquid and solid heating material, but the majority of housing expenses (almost 70 percent) is made up of utility costs. Consequently, analyzing the change of overhead expenses is of outstanding significance.

According to the latest preliminary data of the KSH, the increase of the relative ratio of housing costs has continued, which is demonstrated by the below pie-chart:

**Structure of expenditures of Hungarian households
(2011, preliminary data)**

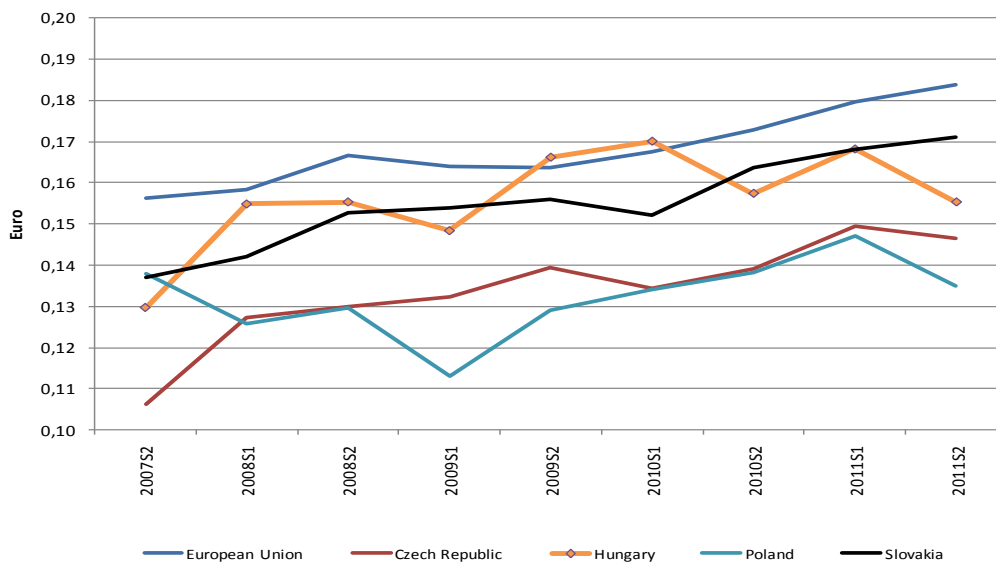


Source: KSH

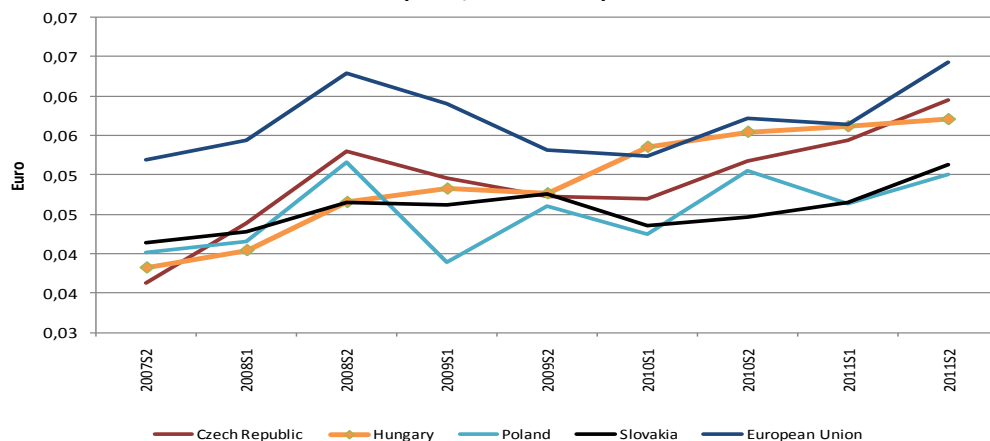
Whereas total per-capita consumption expenditure declined by 1.2 percent from 2010 to 2011, according to the April 2012 release of KSH, expenditure regarding housing and household energy consumption – by now the single largest item – was up by 1.2 percent. The largest contributing component to the purple-marked wedge is utility expenditure, **therefore spending on gas, electricity and water utilities have significantly contributed to the increase of total costs.**

The below graphs can provide sufficient reference points for an international price comparison¹:

**Unit prices of electricity for an average size Hungarian household
(kWh, 2007-2011)**



**Unit prices of gas for an average size Hungarian household
(kWh, 2007-2011)**



Source: Eurostat

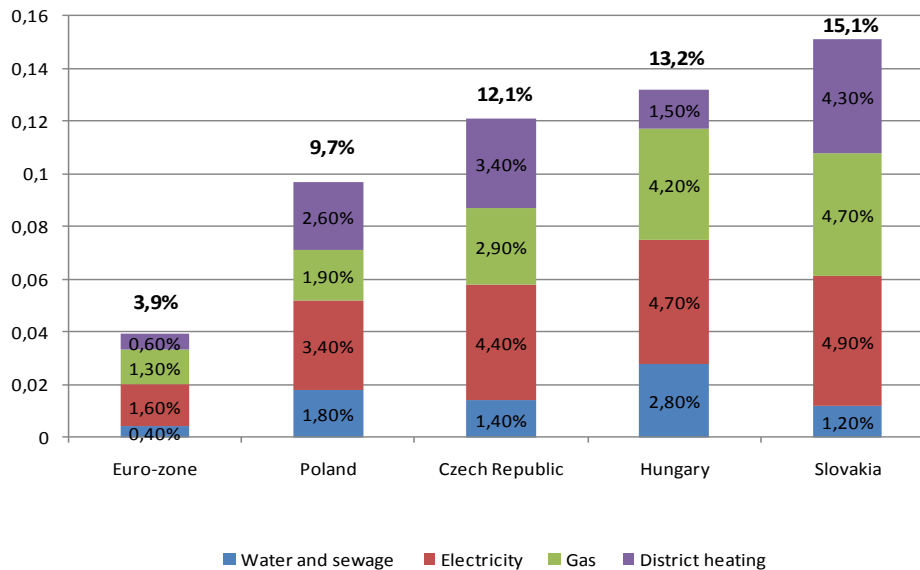
¹ A typical Hungarian household was defined on the basis of annual domestic energy consumption of households. As Eurostat categories which most closely match the Hungarian sample were selected, energy prices payable in various regions became comparable



The Hungarian representative household sample largely fits into the category of annual electricity consumption of 2500-5000kWh and into the 20-200GJ gas consumption bracket, according to the Eurostat classification. Consequently, prices for these household consumption levels are displayed by both charts above. **It is evident that prices -- especially with regard to gas -- have been closing the gap with the level prevalent in Western Europe. Although on the basis of data from the end of last year it is not yet apparent but according to the latest figures of May 2012, available at www.energy.eu, in regional comparison Hungary is the most expensive among the Visegrád countries considering electricity and gas prices.**

How large the burden of increasing utility prices has been on households was already made obvious by the former graph displaying expenditure structure on the basis of latest Hungarian data. The same comparative analysis including Eurostat data could be, for the time being, only published retrospectively until 2005 (when overhead costs amounted to approximately 18 percent of total expenditures), but **figures of seven years ago already do reflect the huge gap between the expenditure structures of Central, Eastern- or Western European regions:**

Comparison of utility prices concerning the Visegrád countries and the EU (2005)



Source: Eurostat

The above data show the ratio of electricity, gas, water utilities as well as district heating costs in relation to total expenditures. **Total utility costs constitute such a burden for households in Hungary which is high even in regional comparison. In addition, regarding EU averages, a typical Hungarian household spends almost 10 percentage points more on such expenses in relation to its incomes. It can be concluded that the share of gas costs is the highest in Slovakia and Hungary, and electricity expenditures are almost identical in every Visegrád country, with the exception of Poland. On the other hand it can also be stated that water-related costs are strikingly high in Hungary in comparison to other observed regions.**

As a consequence, the monitoring of this issue needs to be continued, as global market prices and domestic price policies could have a significant impact on Hungarian inflation data, and on the basis of the aforementioned statistics they fundamentally influence the living conditions of households.