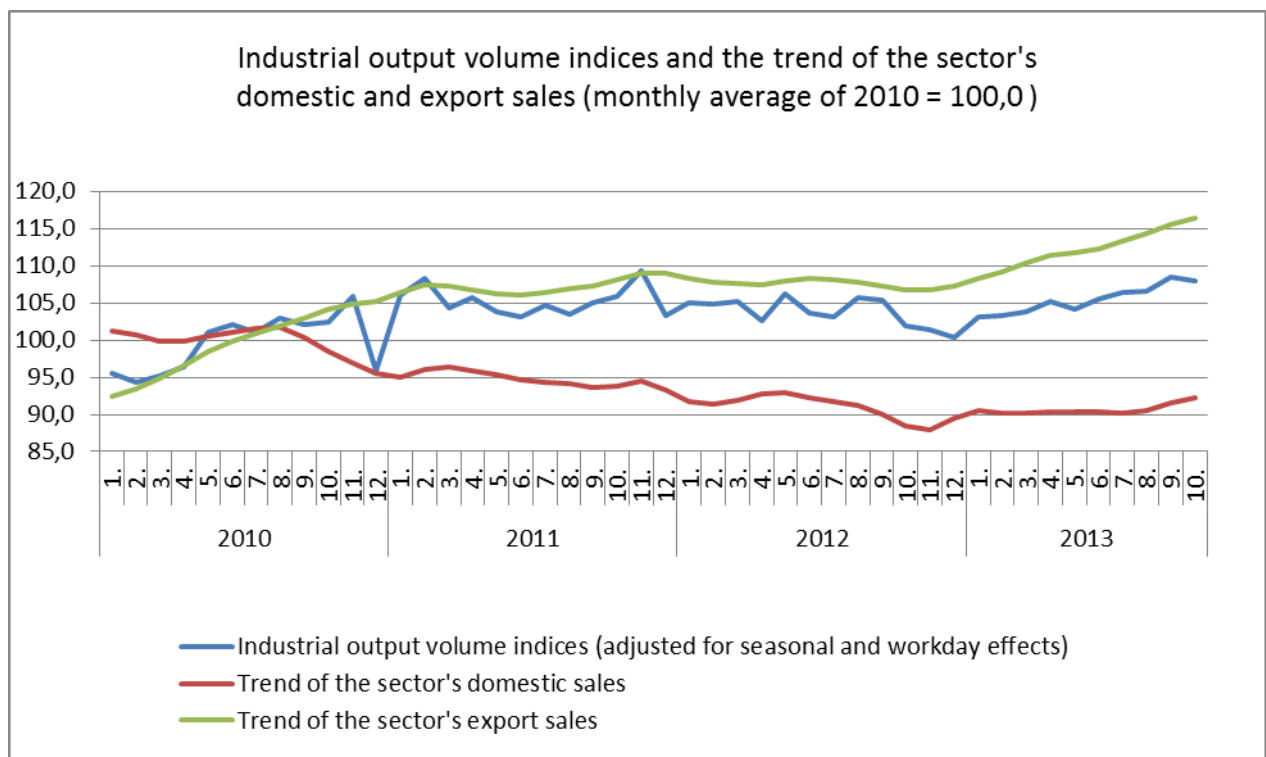




Positive macroeconomic data in Hungary

Industrial output up by 6 percent in October, year-on-year

According to the press release of the Hungarian Central Statistical Office (KSH), in **October 2013 industrial output was 6 percent higher in comparison to the corresponding period of 2012**. Both workday-adjusted and unadjusted data show an increase of 6 percent. In light of EU data it can be concluded that in October **Hungary was the third best within the EU on the year-on-year industrial performance ranking**. The outstanding result was mainly attributable to the vehicle manufacturing sector, but related supplier divisions and higher food industry sales were also among the key drivers of growth.



Source: Hungarian Central Statistical Office (KSH)

Industrial exports were up by 4.2 percent in the initial ten month of the year while in October they increased by 10.8 percent compared to the same period of 2012. **On the basis of the monthly averages of 2010, this increase amounts to more than 15 percent.** Exports of the vehicle manufacturing sector – one of the most significant divisions within the manufacturing sector -

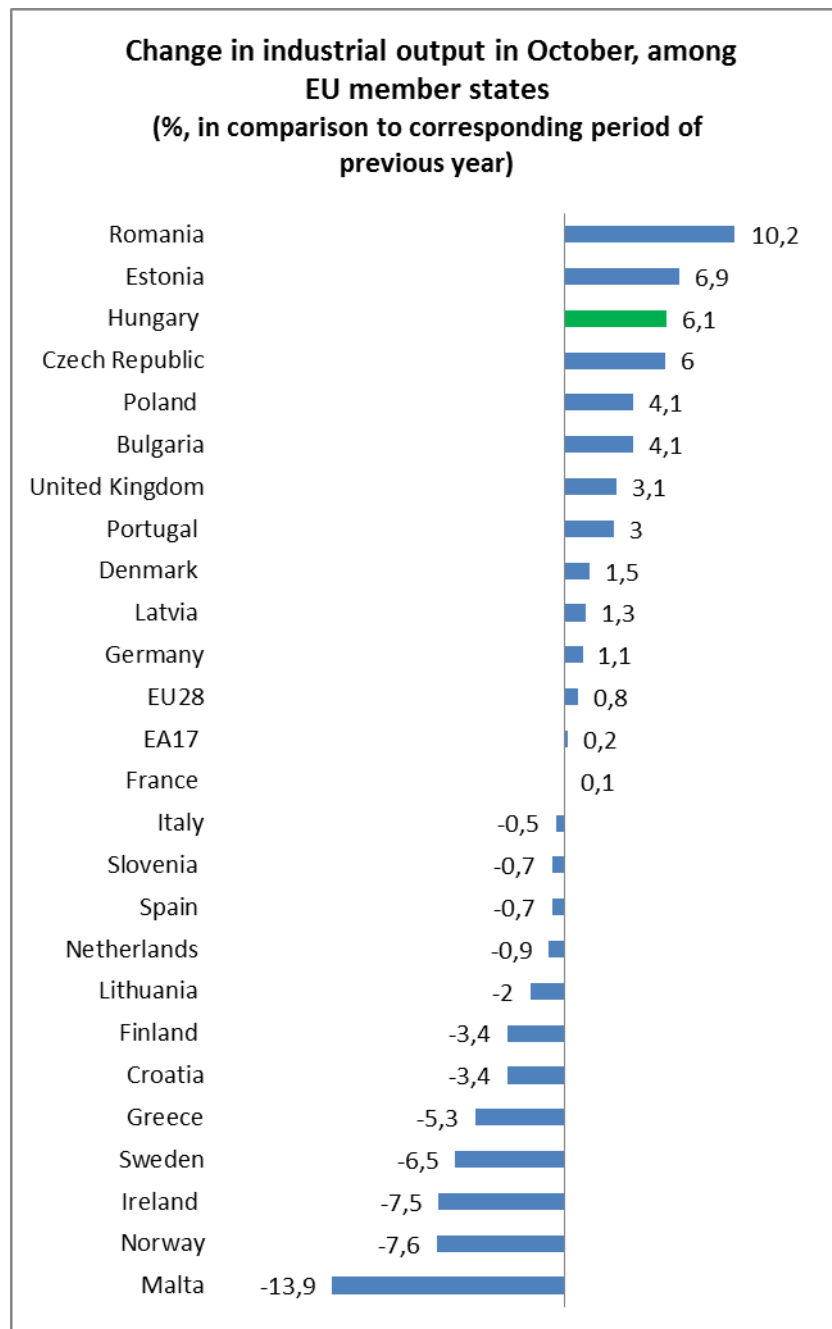


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- was up outstandingly by 29.8 percent. In the previous month, out of the sectors of the national economy output of the manufacturing sector was 6.7 percent higher. In October 2013, nine out of the thirteen sub sectors of the manufacturing sector registered growth.

The fact that in the previous month the volume of total orders within all the observed manufacturing industry sectors increased by 5.9 percent in comparison to October 2012 is signalling further steady industrial output growth. New export and domestic orders increased by 4.6 percent and 14.2 percent, respectively. The total stock of orders was 23.4 percent higher in comparison to the level of October last year.

Hungary's industrial performance is also outstanding within the European Union. On the basis of EU methodology, out of the 28 member states Romania posted the largest annual increase, while only Estonia's industrial output growth of 6.9 percent precedes that of Hungary (6.1 percent). **Thus Hungary's performance was the third best,** thanks to growth regarding vehicle manufacturing and related supplier divisions as well as higher food industry sales.



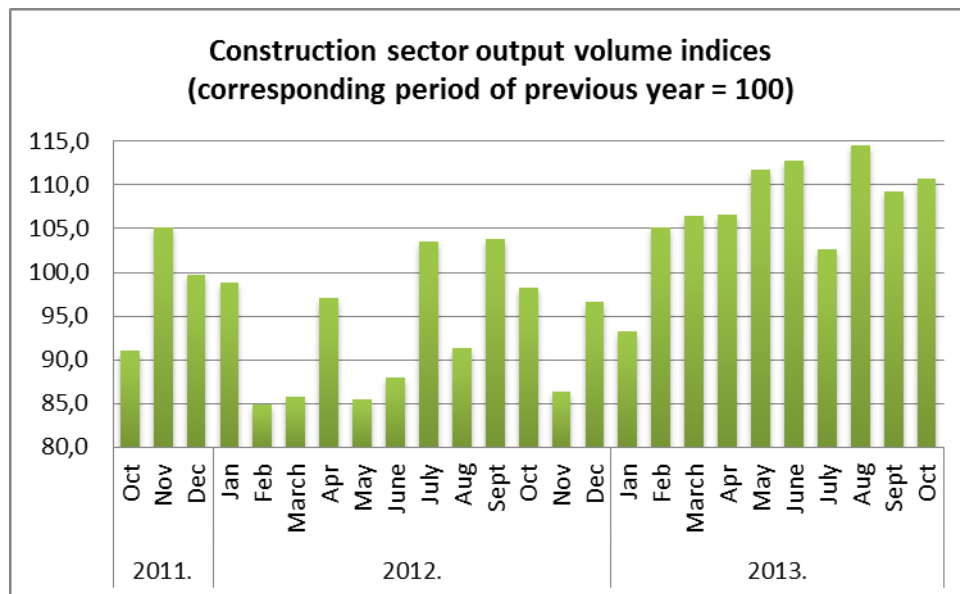
Source: Eurostat, Hungarian Central Statistical Office (KSH)



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Construction sector output has been continuously improving for the ninth consecutive month

In October 2013, construction sector output was up by 10.7 percent compared to data recorded one year ago. According to the report of the KSH, both main groups of constructions contributed to growth registered in October. The construction of buildings and civil engineering works was up by 12.1 percent and 9.5 percent, respectively, in comparison to the corresponding period of the previous year. Growth resulted from railway and road construction works and to a lesser extent from public utility development projects. Within construction sectors divisions, output regarding the **construction of buildings sub sector**, which includes the organisation of building projects and the construction of structures of buildings, was **up year-on-year by 28.8 percent** in the tenth month of 2013. **The volume of new contracts concluded in October 2013 increased by 10.4 percent** compared to the figure of one year ago. As a whole, construction sector output is up by 8.3 percent compared to the level of 2012 and data are indicating further expansion.



Source: Hungarian Central Statistical Office (KSH)

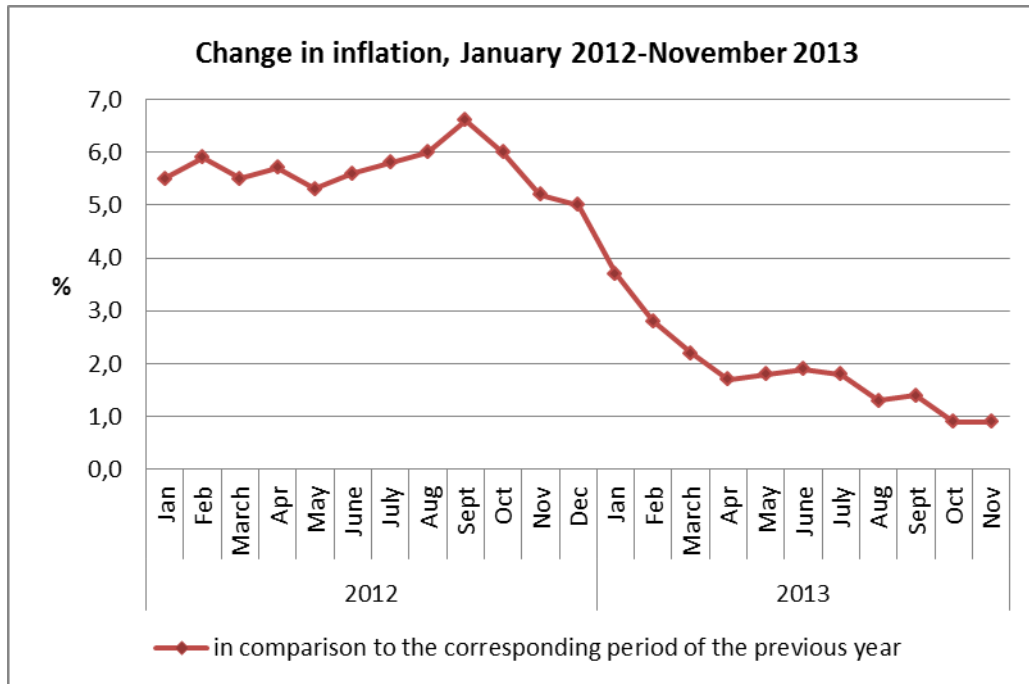
Inflation has been low since the beginning of the year

On the basis of the latest KSH data, **in November 2013 consumer prices were 0.9 percent higher than in the same period of 2012.** The muted consumer price increase resulted from



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decreasing household energy prices, vehicle fuels, durable consumer goods and price of clothing as well as higher prices of alcoholic beverages, tobacco products and services. **The inflation rate has been well below the 3 percent mark for ten months. Consumer prices decreased by 0.1 percent compared to October 2013.**



Source: Hungarian Central Statistical Office (KSH)

It has been 38 years since the inflation rate was at this low level and for the whole year the increase of consumer prices is expected to stay below 2 percent. In light of projections of the Ministry for National Economy, the pace of forint depreciation will continue to remain slow also in the coming years. **The Government-mandated rounds of utility tariff cuts played a key role in bringing down inflation.** Tariff cuts in January 2013, which reduced prices of gas, electricity and district heating, lowered inflation by altogether 0.9 percentage points. The July round which slashed public utility charges such as those on sewage, water and chimney-sweeping services erased another 0.2 percentage points. **Utility price cuts which entered into effect as of November 2013 are expected to trim yet another 0.9 percentage points off inflation:** the effect of the 10 percent reduction of piped gas and electricity prices in November will appear in the price index of December, while that of district heating prices in the indicator for November-January. **Thanks to these measures, some HUF 300bn more per year will be left at**



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households. As this amount constitutes some 1 percent of annual GDP **it will significantly fuel household consumption.**

Benign price increases underpin balanced growth, as they create a more predictable economic environment for market participants. As another visible positive sign of low inflation, inflation expectations have also been lowered and economic stakeholders are also forecasting a steadily benign inflationary environment. Low inflation also helped the National Bank of Hungary cut the base rate in harmony with the inflation outlook. **Cutting the note bank's base rate has resulted in falling yields which in turn are boosting investment and thus laying the foundation for growth in the coming years.**