



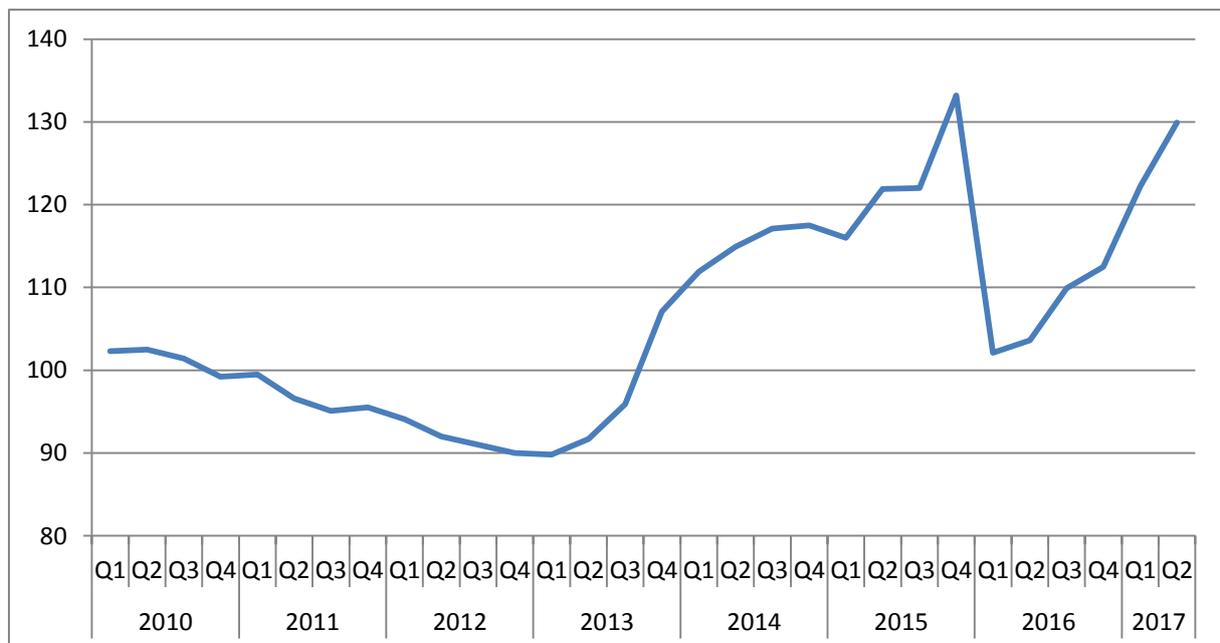
Hungarian economy's dynamic growth continues

In the second quarter of 2017, the volume of investment within the national economy grew by 27 percent year-on-year. Coupled with robust growth registered in the previous quarter, in the first half of 2017 investment volume was up by some 25 percent compared to the same period of the previous year.

The flash report of the Hungarian Central Statistical Office (KSH) on second quarter data shows that projects financed by funds of the programming period 2014-2020 and corporate development projects have been the main drivers of dynamic investment growth. In comparison to the corresponding period of the previous year, the volume of investment soared as a whole by 27 percent. Within that, investment of machinery and equipment was up by 21 percent, while that of the construction sector increased by 33 percent.

Some 60 percent of the total investment volume was generated by enterprises with at least 50 employees, at which investment grew by 29 percent in the observed period. Budgetary units contributed more than 10 percent to the total increase on the back of 56 percent investment growth.

Fig.1: Investment volume indices within the national economy (%)
(Seasonally adjusted data, quarterly average of 2010 = 100%)



Source: Hungarian Central Statistical Office (KSH)



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Investment activity has picked up in almost every sector within the national economy. The largest growth of 77 percent was registered in the field of transportation and storage, fuelled mainly by the building of EU-funded bicycle and motorway projects as well as road reconstruction works. Investment in this sector accounted for 15 percent of total.

The manufacturing sector, with a share of 28 percent within the total volume of investment, saw an increase of 9 percent, which showed that the upward trend observed in recent years has continued. Within this sector, the sub sectors with largest investment growth rates were computer, electronic and optical product manufacturing as well as motor vehicle manufacturing. However, investment volumes also rose sharply at manufacturers of pharmaceuticals; food, beverages and tobacco products; electronic goods and textile products.

In the case of real estate activities, which account for 14 percent of the total volume, investment was up by 10 percent. Besides investment in housing projects, the construction of logistics and industrial facilities for rental purposes as well as office buildings has also generated remarkable investment growth.

The volume of investment in wholesale and retail trade as well as the repair of motor vehicles and motorcycles was up again, this time by 14 percent, thanks mainly to the upgrading and refurbishment of retail chain stores. In this regard, an upward trend has been in place for one year and a half.

Investment in agriculture, forestry and fishing grew by 26 percent, driven primarily by purchases of Hungarian agricultural machinery.

In areas, however, dominated by projects financed from EU grants, the rate of investment growth has exceeded average increases. The sectors public administration, defence and compulsory social security saw investment growth of 94 percent, partly as a result of border security projects. The volume of investment increased by 43 percent in the education sector and it was up by 66 percent year-on-year concerning human health and social work activities.

The volume of investment increased four-fold in mining and quarrying. Robust growth of 71 percent was observed concerning arts, entertainment and recreation activities, driven mainly by large-scale competitive sports projects. On the other hand, these two sectors have a minor weight within the national economy.

Information and communication saw an increase of 86 percent, basically as a result of projects related to the making and broadcasting of media content.



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The increase was as high as 21 percent in accommodation and food service activities, within which hotel construction and reconstruction projects were the main drivers of growth. Construction sector investment gained 20 percent in the observed period. Higher car imports by leasing companies have led to a 15 percent increase in the investment volume of administrative and support service activities.

Investment declined by 7 percent in electricity, gas, steam and air conditioning supply, while it was also 22 percent lower concerning water supply and waste management. These figures stemmed from the fact that large power generation projects had already been completed.

Fig.2. Gross Domestic Product volume indices (%)
(Unadjusted data; corresponding period of previous year = 100%)



Source: Hungarian Central Statistical Office (KSH)

Investment growth has prompted one of Hungary's major economic think tanks, GKI Economic Research Co, to revise its GDP growth forecast of 3.5 percent (published in June) to 3.8 percent for the year 2017. In spring, the consensus growth estimate of analysts surveyed by portfolio.hu was 3.5 percent of GDP. The European Commission prognosticated growth of 3.6 percent for 2017 and 3.2 percent for 2018 in Hungary. The forecast of the Ministry for National Economy is 4.1 percent. Highly favourable investment data and steady GDP growth are signalling, as a whole, that the country's economy has been growing dynamically.