

Embassy of India Budapest

Economic and Commercial Report for the month of June 2016

Executive Summary

1. Fraud in Hungary second highest in EU
2. EC sues Hungary over land law
3. Wages show upward trend
4. Industrial production up 5.3% in April 2016
5. GDP growth expected to decline in 2016
6. MOL signs 615 mn credit agreement
7. Cabinet finalises bus strategy
8. Liquidation of Zsolnay pending

Economy

Fraud in Hungary second highest in EU: Hungary had the second largest number of fraud cases among the European member states in 2015, according to a new report issued by the Office against European Fraud (OLAF). OLAF closed 199 inquests related to the improper use of EU subsidies and 106 of them were closed with recommendations. Hungary is second with 17 closed inquests and 14 recommendations, falling behind first-placed Romania with 22 cases.

EC sues Hungary over land law: The European Commission has sued Hungary at the European Court of Justice due to the government's failure to comply with the EU law on the free movement of capital. Hungary passed a law in December 2013 terminating existing 20-year land lease contracts within five months with no compensation payable. These contracts were terminated on May 1, 2014. The short notice period and the lack of compensation violated the directive on the free flow of capital, the Commission argues. The Commission sent a letter of formal notice in October 2014 and a reasoned opinion in June 2015 asking Hungary to bring its Land law in line with EU regulations. As Hungary made no changes to its laws, the Commission has turned to the Court.

PM Orbán visited Egypt: PM Viktor Orbán visited Egypt from 1- 3 June, accompanied by Minister of Foreign Affairs and Trade Péter Szijjártó, Minister for National Economy Mihály Varga, Minister of National Development Miklós Seszták, Minister of Defence István Simicskó and Minister of Agriculture Sándor Fazekas, and a business delegation. He was received by Prime Minister Shefir Ismail. The two Prime Ministers agreed to double trade turnover between the two countries and expand business cooperation. They declared agriculture, water management and vehicle industry cooperation to be priorities. On the sidelines of the visit, the meeting of Hungary Egypt Business Forum was also held. A total of nine bilateral business agreements were signed during Orbán's visit, creating Ft 126 billion worth of business opportunities for Hungarian companies on the Egyptian market. PM Orban also mentioned an offer to send nuclear energy specialists for building the first Egyptian nuclear power plant and an offer to finance the manufacture of 700 railway cars for the Egyptian railways.

Hungary - Russia: Foreign Affairs and Trade Minister Péter Szijjártó visited St. Petersburg to attend International Economic Forum on 17 June, and held talks with Russian Industry and Trade Minister Genis Manturov, Gazprom managing director Aleksander Novak and Rosatom managing director Sergei Kiriyenko. An agreement on Hungary's long-term natural gas supply and a Hungarian-Russian project manufacturing 700 railway cars for the Egyptian market was signed. The meeting of Hungary-Russia Intergovernmental Economic Committee was held on June 22 in Budapest. Speaking on the occasion, FM Szijjarto said that Russia is a special economic, trading and energy partner for Hungary. Hungary signed a cooperation agreement with the International Investment Bank. Hungary and Russia also signed a statement of intent to create a health centre in Novosibirsk.

Hungary - Azerbaijan: FM Sziijarto visited Baku, Azerbaijan, on June 28, to attend sixth meeting of the Hungary-Azerbaijan Intergovernmental Commission on Economic Cooperation. Speaking on the occasion, FM Sziijártó said that Hungary's strength in agriculture should be leveraged in building greater agricultural ties with Azerbaijan. He added that Hungary was also considering the allocation of a loan to build a 160 kilometer road connecting Azerbaijan with Iran. He further mentioned that Hungarian Eximbank has set aside €200 million for small- and medium-sized entrepreneurial ventures in Azerbaijan, and is preparing to grant €5 million to the Azerbaijan-based PASHA bank.

Brexit to negatively impact Hungary: The departure of Great Britain from the EU would lead to a 0.3-0.4 percentage point drop in Hungary's GDP, Economy Minister Mihály Varga said. The UK is among Hungary's ten most important trading partners, and the level of British investment in Hungary is significant, Economy Minister Varga added. He further noted that a Brexit would mean fewer EU funds for Hungary, as the UK is a net payer to the EU's budget.

Parliament approves 2017 budget: Parliament approved the 2017 budget, which envisages 3.1% growth, a deficit of 2.5% of GDP, and an inflation rate of 0.9%. Revenues are projected at Ft 17.431 trillion, and spending at Ft 18.597 trillion. In 2017's budget, the government has earmarked Ft 271 billion more for education, Ft 171 billion more for health care and Ft 70 billion more for culture, compared with 2016. The state debt is projected to fall to 71.9% of GDP by the end of 2017. The Parliament also approved the 2017 tax bill, lowering VAT on some goods and services but raising excise tax in other areas. The daily tourism tax charged for accommodation will rise from Ft 300 to Ft 400. A 4% "tourism development tax" will be levied with effect from January 1, 2017, on tourist sector businesses, including restaurants. All proceeds from this tax will be devoted to the tourism sector, Economy Minister Mihály Varga said. VAT on catering and internet services will be cut from 27% to 18%. VAT on poultry, eggs and fresh milk will be cut to 5% from the present 27%. Vehicle fuel excise taxes will be connected to international oil prices, and the additional revenue generated will be spent on road maintenance.

Hungary records low five-month budget deficit: In May 2016 the budget had a Ft 131.7 billion surplus. In the first five months of 2016 the budget deficit was Ft 13.2 billion, at just about 1.7% of the year-end target of Ft 761.6 billion the Economy Ministry announced. This was due to less EU subsidy-related payments and increased tax revenues compared to the same period of 2015.

Q1 GDP growth at 0.9%: The Central Statistics Office confirmed that first-quarter 2016 GDP growth rate was 0.9% (year-on-year), down from 3.2% in the previous quarter, and well below forecasts. Economy Minister Mihály Varga attributed the slowdown in growth to declines in EU funding and automotive output. It is now predicted that the overall GDP growth rate of Hungary in 2016 would be in the vicinity of 1.5% - 2%.

Unemployment at 5.5% in March-May: The average unemployment rate in Hungary was 5.5% over the three month period of March-May, down from 7.1% a year earlier, the Central Statistics Office announced.

Inflation turns negative: Consumer prices were down 0.2% year-on-year in May 2016, surprising analysts, who had projected inflation to remain flat or rise slightly, after the 2% rise in April. The decrease in May 2016 was mainly attributed to low global oil prices and deflationary effects from Europe.

Hungary records impressive trade surplus: Hungary's trade surplus was € 959 million in April 2016, €527 million more than in the same month of last year, and well above projections, the Central Statistics Office announced. Preliminary figures indicate that exports saw 5.1% growth to €8 billion, while imports reached €7.1 billion, down 1.9% on an annual basis.

Wages show upward trend: The gross average monthly wage was Ft 264,471 in April 2016, up 6.4% year-on-year, the Central Statistics Office announced. Real wages have gone up 7.5% in the first four months, an increase not seen since 2003.

Industrial production up 5.3%: Industrial output was up 5.3% year-on-year in April 2016, the Central Statistics Office announced. Output during the first four months was 1.5% higher than in the same period of 2015. Industrial exports were up 6.2% in April. Vehicle exports, which make up 40% of total exports, saw 9.2% growth. IT industry exports, making up 14% of the total, expanded by 12.8%. The April figure proves that industrial output has recovered, according to analyst Dávid Németh of K&H bank. He forecast 4% industrial growth for 2016.

Construction industry down 30%: Construction industry output was 29.8% lower in April 2016 than one year earlier, the Central Statistics Office announced. Construction of buildings was down by 2.7%, while the construction of other objects plummeted 52.1%. The slump is due to the decline in EU-financed projects and the high level of output reached in 2015. Seasonally and workday-adjusted figures show construction output up 2% from March. In the first four months, the construction output was 28.3% below the level for the same period of 2015.

MNB foundations to invest in property: The Pallas Athena foundations set up by the Central Bank (MNB) will invest in real estate instead of state bonds, in response to criticisms from the European Central Bank. The ECB bans the purchase of state bonds by central banks. Of the Ft 260 billion endowment gifted to the foundations by the MNB, Ft 200 billion has been invested in state bonds. The foundations have increased their total assets by Ft 830 million in the less than two years of their existence.

FDI created 12,000 jobs in 2015: The 94 foreign direct investment projects in 2015 led to the creation of 11,741 jobs, according to a survey by consultants E&Y. The same figures for 2013 and 2014 were 3,879 and 4,868, respectively. Most foreign direct investments were expansions of capacity at existing plants. Of the 94 projects, 69 were in manufacturing, creating 10,675 jobs, while financial and business services accounted for 15 investments, adding 941 employees. One fifth of the investments were made by US-based companies, while almost 60% came from Western European countries. Foreign direct investment in Central and Eastern Europe rose four times faster than in the western part of the continent, according to the survey.

Commercial

Cabinet finalises bus strategy: The cabinet approved a strategy to revive Hungary's bus manufacturing industry, Economy Minister Mihály Varga announced as he opened a 5,600m² production hall of bus maker Kravtex-Kühne in Mosonmagyaróvár. He said the government will provide loans, financial support and market opportunities for Hungarian bus makers, with the aim of seeing serial production of buses at six large Hungarian manufacturers. The government will provide Ft 30-35 billion in financing for the sector over three years for the strategy that aims to help Hungarian bus makers supply external markets as well as Hungarian cities.

Moody's raises outlook on banks: Moody's Investor service has upgraded the outlook for the Hungarian banking system from stable to positive. The changing government policy towards banks in Hungary will probably improve the financial indicators and the growth capacity of the banks, Moody's noted. The government program of converting foreign currency loans to households to local currency in 2015 has considerably improved the loan portfolio quality of the banks. A potential devaluation of the forint will now have less of an effect on the loans.

MOL signs € 615 mn credit agreement: Oil and gas company, MOL, signed a € 615 million revolving credit agreement with a consortium of ten banks, the company announced on the BSE website. The loan is being used to refinance €439 million of the €1 billion revolving credit which expired earlier in June 2016. Due to favorable market conditions and positive market response to the announced refinancing, MOL decided to increase the facility to the amount of 615 million euros. The agreement was coordinated by BNP Paribas and Erste Group.

IBM to expand service centre: IBM is to expand its IT service centre in Szekésfehérvár with an investment of Ft 3.2 billion, creating 410 new jobs, Foreign Minister Peter Szijjártó announced. The state will provide a Ft 1.1 billion subsidy to the company. The investment will further boost Hungary's Information and Communication Technology (ICT) sector, which grew 8% in 2015 to Ft 1 trillion, FM Szijjarto added. The total investments of the 600 US companies which employ some 100,000 people in Hungary totals \$9 billion.

Audi begins construction: Audi Hungaria Motor has begun the construction of its new 80,000m² car body plant in Győr. Audi Motors said that the capacity expansion was necessary for hosting the production of the new Q3 model starting in 2018. The production will be relocated from Martorell, Spain to Győr. Audi already possesses a 75,000m² car manufacturing plant in Győr.

Valeo expands in Veszprém: Valeo-Electric Magyarország is investing over Ft 10 billion to expand its car parts making capacity in Veszprém. This will be subsidised by the government to the tune of nearly Ft 1 billion, State Secretary of the Foreign Affairs and Trade Ministry, Dr. László Szabó, said.

Knorr-Bremse to expand: Knorr-Bremse Rail Systems Budapest announced an investment of Ft 5.3 billion to expand the capacity of its factory in Budapest. The expansion will create nearly 300 jobs, for a total of over 1,500. In addition some 100 jobs will be created indirectly, at its suppliers.

Liquidation of Zsolnay pending: Construction company West Hungária Bau has initiated bankruptcy proceedings against Zsolnay, as the renowned porcelain company has not paid Ft 416 million owed to state development bank MFB. The city of Pécs, as a minority owner with 19% in the famed porcelain maker, has been in a dispute with majority owner Bachar Najari, who bought a 74.5% stake from the city in 2013.

Bilateral

Fourth Session of India – Hungary Joint Commission on Economic Cooperation: The 4th session of the JCEC took place in Hungary on 2-3 June, 2016. The Indian side was led by Shri Ramesh Abhishek, Secretary, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, and the Hungarian side was led by Dr. Laszlo Szabo, Minister of State for Foreign Affairs and Trade. It was noted that there exist vast opportunities for further investments by Indian companies in Hungary, as well as Hungarian companies in India and that there are complementarities between the two economies, which need to be leveraged. It was decided to explore possibilities of further cooperation in sectors like water management, space sciences, energy transmission systems, science & technology, transport, education & culture, traditional medicines, biotechnology and pharmaceutical industry, IT/ICT, Shared Service Centres, automotive, logistics, renewable energy industry, tourism and food industry. The Hungarian side announced creation of the post of Science and Technology Attache at its Embassy in New Delhi. It was also decided to further strengthen cooperation in the educational field by signing agreements and MOUs for mutual recognition of degrees and skill qualifications, as also facilitate tie-ups between Hungarian and Indian vocational training centres. A Joint Business Forum was also held on the sidelines of the JCEC, at which a 17-member delegation from India participated and held B-2-B meetings with Hungarian firms. Shri Ramesh Abhishek in his address to the Forum highlighted various sectors under Make in India and other flagship initiatives of the Government, which present vast opportunities for Hungarian companies. Dr. Laszlo Szabo in his address welcomed the fact that Indian investments in Hungary are of the order of \$ 2 billion and Indian companies employ around 10,000 persons in Hungary. India was the largest investor in Hungary in 2014 and third largest investor in 2015. An MOU on Cooperation between FICCI and Hungarian National Trading House was also signed during the meeting.

Ganges – Danube Cultural Festival of India and International Day of Yoga: Embassy of India, Budapest, organized the first ever *Ganges – Danube Cultural Festival of India* and the celebration of second *International Day of Yoga* in ten cities of Hungary from 17 – 19 June, and in 3 cities of Bosnia-Herzegovina on 25-26 June, 2016. The events were organized in Budapest, Balatonfüred, Debrecen, Esztergom, Eger, Nagykanizsa, Sopron, Szentendre and Szeged, Győr in Hungary and in cities of Banja Luka, Mostar and Sarajevo in BIH. Dr. Mahesh Sharma, Minister of State for Culture, Tourism & Civil Aviation inaugurated the Festival, the opening ceremony of which was held at the most prestigious venue in Budapest, Pesti Vigado, on June 17, 2016. Mr. Istvan Ijgyarto, Minister of State for Cultural and Science Diplomacy, Government of Hungary, was the Chief Guest on the occasion. Fifty artists from India, including Kathak by Padmashri awardee Shovana Narayan, Mayurbhanj Chhau Dance by Sadhya Chhau Dance Group, Kalaripayattu performance by Attakkalari Centre for Movement Arts, Khadi Fashion Show by Asmita Marwa, Kathak performance by Nrityashri Alaknanda, Gujarati Folk Dance, Puppet Show, performed and presented the rich and diverse cultures and traditions of India. Dr. Mahesh Sharma also inaugurated the International Day of Yoga and the Festival in Budapest and Szentendre, along with Mr. Szabolcs Takacs, Minister of State in the Prime Minister's Office, and Mr. Miklos Verseghi-Nagy, Mayor of Szentendre, respectively on June 18. At Szentendre, a symbolic confluence of the two rivers – Ganges and Danube – was carried out by mixing the waters of the two rivers, amidst chanting of vedic hymns. Dr. Sharma also attended the Festival Celebrations in Esztergom. The Mayor of Esztergom, Ms. Etelka Romanek, expressed interest of having sister-city relationship with an Indian city. Over 50 artists from India, representing the length and breadth of India, and 60 local artists, proficient in Indian art forms, enchanted the audience during the three-day Festival. A number of Yoga Schools, including Art of Living, Vedic Foundation, Yoga in Daily Life, Bhaktananda, participated in the *International Day of Yoga* and *Ganges – Danube Cultural Festival* celebrations. It is estimated that the Festival and Yoga Day celebrations were attended by over 5000 people in Hungary.

Trends in bilateral trade: Source: Central Statistical Office (www.ksh.hu)

Global trade of Hungary (USD, EUR billion)

	2014	2015	2016 Q1	% change 2016Q1/2015Q1
Global imports	104.3 USD 78.2 EUR	91.4 USD 82.4 EUR	22.2 USD 20.2 EUR	-0.1% +2.4%
Global exports	112.8 USD 84.5 EUR	100.4 USD 90.5 EUR	24.9 USD 22.6 EUR	-0.8% +1.6%
Total	217.1 USD 167.2 EUR	191.8 USD 172.9 EUR	47.2 USD 42.8 EUR	-0.5% +1.9%

Bilateral Trade (USD, EUR million)

	2014	2015	2016 Q1	% change 2016Q1/2015Q1
Import from India	385.1 USD 286.7 EUR	364.9 USD 329.2 EUR	83.7 USD 76.1 EUR	-6.1% -1.8%
Export to India	210.5 USD 157.3 EUR	213.8 USD 193.7 EUR	42.1 USD 38.2 EUR	-18.8% -15.8%
Total	595.6 USD 444.0 EUR	578.7 USD 522.8 EUR	125.8 USD 114.3 EUR	-10.8% -7.0%

Top 10 items of Export to the World 2015 (USD mln)

Product	2014. year	2015. year	% growth	% total
Total Product (according to the Combined Nomenclature)	112,536.9	100,387.6	-10.8%	100%
85 ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS, AND PARTS AND ACCESSORIES OF SUCH ARTICLES	22,201.1	20,074.7	-9.6%	20%
84 NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	21,090.3	18,902.4	-10.4%	19%
87 VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING-STOCK, AND PARTS AND ACCESSORIES THEREOF	17,814.6	18,003.0	1.1%	18%
30 PHARMACEUTICAL PRODUCTS	4,990.3	4,822.7	-3.4%	5%
39 PLASTICS AND ARTICLES THEREOF	4,303.3	3,834.5	-10.9%	4%
90 OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; PARTS AND ACCESSORIES THEREOF	4,591.4	3,311.8	-27.9%	3%
40 RUBBER AND ARTICLES THEREOF	2,607.9	2,373.8	-9.0%	2%
27 MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBSTANCES; MINERAL WAXES	3,778.6	2,334.2	-38.2%	2%
94 FURNITURE; BEDDING, MATTRESSES, MATTRESS SUPPORTS, CUSHIONS AND SIMILAR STUFFED FURNISHINGS; LAMPS AND LIGHTING FITTINGS, NOT ELSEWHERE SPECIFIED OR INCLUDED; ILLUMINATED SIGNS, ILLUMINATED NAME-PLATES AND THE LIKE; PREFABRICATED BUILDINGS	1,969.5	1,760.6	-10.6%	2%

Top 10 items of import from the World (USD mln)

Product	2014. year	2015. year	% growth	% total
Total Product (according to the Combined Nomenclature)	104,188.1	91,384.8	-12.3%	100%
85 ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS, AND PARTS AND ACCESSORIES OF SUCH ARTICLES	20,096.9	18,693.9	-7.0%	20%
84 NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	17,232.4	15,592.7	-9.5%	17%
87 VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING-STOCK, AND PARTS AND ACCESSORIES THEREOF	9,839.7	9,516.3	-3.3%	10%
27 MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBSTANCES; MINERAL WAXES	12,480.1	7,432.8	-40.4%	8%
39 PLASTICS AND ARTICLES THEREOF	4,582.1	4,167.8	-9.0%	5%
30 PHARMACEUTICAL PRODUCTS	3,874.0	3,958.2	2.2%	4%
73 ARTICLES OF IRON OR STEEL	2,380.8	2,104.7	-11.6%	2%
90 OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; PARTS AND ACCESSORIES THEREOF	2,054.4	1,923.7	-6.4%	2%
40 RUBBER AND ARTICLES THEREOF	2,018.8	1,836.2	-9.0%	2%
72 IRON AND STEEL	2,474.1	1,835.7	-25.8%	2%

Top 10 items of Export to India 2015 (USD mln)

Product	2014. year	2015. year	% growth	% total
Total Product (according to the Combined Nomenclature)	210.5	213.8	1.6%	100%
84 NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	86.8	77.6	-10.6%	36%
85 ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS, AND PARTS AND ACCESSORIES OF SUCH ARTICLES	34.9	52.2	49.7%	24%
29 ORGANIC CHEMICALS	22.5	26.6	18.1%	12%
87 VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING-STOCK, AND PARTS AND ACCESSORIES THEREOF	6.1	9.4	53.2%	4%
39 PLASTICS AND ARTICLES THEREOF	9.4	7.5	-20.3%	4%
90 OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; PARTS AND ACCESSORIES THEREOF	13.0	7.1	-45.3%	3%
48 PAPER AND PAPERBOARD; ARTICLES OF PAPER PULP, OF PAPER OR OF PAPERBOARD	5.4	4.5	-16.1%	2%
73 ARTICLES OF IRON OR STEEL	5.7	4.0	-30.8%	2%
74 COPPER AND ARTICLES THEREOF	3.8	3.8	-0.5%	2%
94 FURNITURE; BEDDING, MATTRESSES, MATTRESS SUPPORTS, CUSHIONS AND SIMILAR STUFFED FURNISHINGS; LAMPS AND LIGHTING FITTINGS, NOT ELSEWHERE SPECIFIED OR INCLUDED; ILLUMINATED SIGNS, ILLUMINATED NAME-PLATES AND THE LIKE; PREFABRICATED BUILDINGS	5.0	2.9	-42.7%	1%

Top 10 items of Import from India 2015 (USD mln)

Product	2014. year	2015. year	% growth	% total
Total Product (according to the Combined Nomenclature)	385.1	364.9	-5.2%	100%
84 NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	82.3	94.4	14.7%	26%
29 ORGANIC CHEMICALS	97.5	84.5	-13.3%	23%
30 PHARMACEUTICAL PRODUCTS	72.8	72.6	-0.2%	20%
85 ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS, AND PARTS AND ACCESSORIES OF SUCH ARTICLES	58.3	51.2	-12.2%	14%
87 VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING-STOCK, AND PARTS AND ACCESSORIES THEREOF	9.8	9.2	-5.7%	3%
64 FOOTWEAR, GAITERS AND THE LIKE; PARTS OF SUCH ARTICLES	9.4	6.4	-32.0%	2%
40 RUBBER AND ARTICLES THEREOF	5.6	5.7	2.6%	2%
73 ARTICLES OF IRON OR STEEL	6.1	4.7	-23.5%	1%
39 PLASTICS AND ARTICLES THEREOF	5.5	4.0	-26.7%	1%
41 RAW HIDES AND SKINS (OTHER THAN FURSKINS) AND LEATHER	3.6	2.4	-32.8%	1%

Average Monthly Exchange rates for June 2016

1US\$= 279.36 HUF ; 1EUR= 313.91 HUF [Source : Central Bank of Hungary]

Upcoming Trade Fairs in Hungary:

(I) <u>BNV 29 Sept - 2nd October 2016</u> – International consumer trade fair with focus on Home and Garden, Children, Gastro, Lifestyle
(II) <u>Automotive Hungary 19-21 OCT 2016</u> – International exhibition for Auto industry suppliers
(III) <u>Autumn Wedding Exhibition, 5-6 November 2016</u> –Featuring all related products
(IV) <u>AGROMash Expo 25 - 28th January 2017</u> –International trade fair for Agricultural machinery

Further information: www.hungexpo.hu

Trade enquiries: In the month of June 2016 Embassy of India, Budapest received 25 enquiries from India and 2 trade enquiries from Hungary.

Indian Trade inquiries for the month of June 2016

S. No.	Enquiry originator	Product	HS codes	Nature Export/Import value (\$ mln)	Action taken
1	Kajaria Ceramics Limited	Ceramic tiles		Export to Hungary	All inquiries have been answered
2	GSM Global Impex	Handicrafts		Export to Hungary	
3	Herbal and Natural Products India Limited	Chemicals/Mineral: Calcium Carbide		Import to India	
4	Arun Kumar	Handicrafts, Leather, Textile apparel, cotton		Export to Hungary	
5	Mölchemie Intl	Chemicals for textiles		Export to Hungary	
6	SAR Group	Autocomponents: batteries		Export to Hungary	
7	Sri Parvati Exports	Agro: vegetables, fruits		Export to Hungary	
8	Premco Global Ltd	Textiles: elastic bands		Export to Hungary	

9	Huechem Textiles Pvt. Ltd.	Textiles: fashion		Export to Hungary	
10	Shan Arms Industries	Arms industry		Import from BiH	
11	Steel Samrat	Steel pipes, fittings, etc		Export to Hungary	
12	FusionTech International;	Machineries for various sectors		Export to Hungary	
13	Rail Analysis India Projections Strategy LLP	Engineering		Seeking a Joint Venture Partner	
14	Al Aalam Exports	Agro: fruits and vegetables		Export to Hungary	
15	Thakker Overseas	Miscellaneous		Export to Hungary	
16	Shree Ambey metal Industries Ltd.	Engineering: fasteners		Export to Hungary	
17	Hys Developers LLP	Chemicals: dyes, pigments		Export to Hungary	
18	Prem International	Agro:Animal feed, Spices, vegetables		Export to Hungary	
19	Jupiter Impex	Ceramic tiles, sanitary ware		Export to Hungary	
20	Kishan Foods	Agro: vegetables, spices		Export to Hungary	
21	Pal Surgical Works	Medical products, Hospital equipment		Export to Hungary	
22	Rami Exports	Paper		Export to Hungary	
23	Dhaval Upadhyaya	Pharmaceuticals		Cooperation	
24	Wissen India Pvt Ltd.	Consultancy Services		Investment/cooperation	
25	Prayag	Ceramic tiles		Export to Hungary	

Bosnia & Herzegovina (BiH)

IMF Seeks Fresh Privatizations: Restarting privatization, improving banking regulation and containing public expenditure are among the key measures included in the letter of intent which Bosnian authorities have negotiated with the International Monetary Fund, IMF, in order to access a new program worth 550 million Euros, Francisco Parodi, the IMF representative for Bosnia said. Mr. Parodi confirmed that BiH authorities are committed to restarting privatizations, especially of those companies in which the state owns a minority share, such as the pharmaceutical company Bosnalijek and the insurance company Sarajevo Osiguranje. He also confirmed that Bosnian authorities "committed not to take measures that would go towards the forced conversion into domestic currency" of loans denominated in a foreign currency. This measure would not be advisable, since it would "change retroactively the conditions of the loans producing uncertainty both for borrowers and banks". Finally, the IMF is also requiring limits on public spending to ensure the stability of the public budget.

"Invest in BiH" Campaign to Improve the Country's Image, Attract Investors: The Foreign Investment Promotion Agency launched an "Invest in BiH" campaign with the goal to improve the image and perceptions of BiH as an interested investment location and to attract foreign investors. According to FIPA of BiH, investment interest in BiH is mostly by Chinese, Japanese, Germans and Italians in the field of energy, wood industry and food production; Austrian investors are interested in leather industry; Saudi Arabian investors are interested in tourism, health tourism, wood industry, agriculture; investors from United Arab Emirates and Qatar have expressed interest in tourism; Russians, Swedish and British investors are interested in agriculture and fruit production; while Turkish, Greek and Slovenian investors have voiced interest in energy, wood and food industry.

Hungary to Invest 61 Million Euros in BiH: At a meeting held in the BiH Foreign Investment Promotion Agency (FIPA), Hungarian Ambassador to BiH Jozsef Negyesi discussed with Director of FIPA, Gordan Milinic plans to invest 61 million Euros in Bosnia and Herzegovina in 2016, in environmental, agriculture, tourism and energy projects. Director Gordan Milinic gave a brief overview of the recently started promotional campaign "Invest in BiH" and the possibility of orienting the campaign also towards Hungarian investors.

BiH Benefits from EU and Russia Sanctions: According to data of the Foreign Trade Chamber of BiH, prior to the sanctions the country's exports to Russia were just 57 million KM in 2013, with KM 1.2 million in

fruit exports. BiH increased export to Russia to 79 million KM in 2014, after the imposition of sanctions by the EU on Russia. Though the sanctions were introduced in mid-2014, fruits occupied second spot among top ten products exported to Russia, increasing to KM 5.9 million.

Deflation Eases to 1.5% in May on Yearly Basis: Consumer prices in Bosnia and Herzegovina decreased by 1.5% on the year in May after falling by 1.6% in April, the country's statistics office said. The decline reflected a fall in the prices of food and nonalcoholic beverages by 1.3%, clothing and footwear by 8.6%, furniture by 1.3%, transport by 8.3% and communications by 1.1%. The highest yearly increase of consumer prices in May - by 7.9% - was recorded in the category of alcohol and tobacco products, resulting from a hike of excise duties.

Republika Srpska May Industrial Output Growth Accelerates, Deflation Eases: The industrial output of Republika Srpska jumped 6.7% year-on-year in May after increasing by 4.3% a month earlier, working-day adjusted statistics agency data showed. In seasonally adjusted monthly comparison terms, industrial production in Republika Srpska rose 3.7% in May after falling 7.6% in April, the Statistics Agency said. In 2015, industrial production in RS rose 2.7% after edging up 0.7% a year earlier. Consumer prices in Republika Srpska fell 1.6% on the year in May, following a 1.7% decrease a month earlier. In 2015, Republika Srpska reported an average annual deflation of 1.4%, following a deflation of 1.2% in 2014.

Republika Srpska, Chinese Companies Sign Memorandum on TPP Gacko 2 Project: Minister of Industry, Energy and Mining of Republika Srpska Petar Djokic in Belgrade signed a memorandum of understanding and cooperation with representatives of China Machinery Engineering Corporation (CMEC) and China Poly Group over a project to build thermal power plant Gacko 2. Construction of thermal power plant Gacko 2 is expected to start in mid-2017. "It is about a very important infrastructure project within the Chinese government's One Belt - One Road policy", President of China Machinery Engineering Corporation Zhang Chun said.

ArcelorMittal Zenica to Start Installing Filters: ArcelorMittal Zenica has started preparatory works for the installation of equipment and filters in its agglomeration facility. The value of the project is over six million KM and the goal is to reduce dust emissions. A contract for implementing this important project was signed in 2015 with Danish FLSmidth, a world leader in filtration technology. The installation of new equipment will start on August 1 and is expected to be operational by the end of November.

TRADE FAIRS in Bosnia and Herzegovina

ZEPS	23rd General B&H Fair	Kamberovića polje, in Zenica	04-08.10.2016	http://zeps.com
ZEPS	13 th International Metal Fair	Kamberovića polje, in Zenica	04-08.10.2016	http://zeps.com
RENEXPO	International Trade Fair and Conferences on Renewables and Energy Efficiency	Hotel Hollywood DeLuxe, Sarajevo	03-04. 11 2016	www.renexpo-bih.com

<http://www.tradefairdates.com/Fairs-Bosnia-and-Herzegovina-Z18-S1.html>

Average Monthly Exchange rates for June 2016

1US\$= 1.743092 KM

1EUR= 1.955830 KM

Source: Central Bank BiH <http://cbbh.ba>

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