

**Embassy of India
Budapest**

Economic and Commercial Report for the month of October 2016

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Economic

ECB considers infringement launch: The European Central Bank is considering to thoroughly examine the activities of the foundations set up by the MNB (Hungarian Central Bank) and is considering launching of an infringement procedure against Hungary. Article 123 of the Treaty bans central banks of the member countries from directly purchasing state bonds. In addition, it bans indirect state bond purchases that are acquired with the intent of skirting the ban on direct purchases.

EC settles disputed subsidy case: The European Commission settled the so-called asphalt case, and agreed to pay €700 million in frozen subsidies to Hungary. The EU will reimburse further invoices sent by Hungary, but will deduct €160 million in fines. The Commission separated the disputed case into the 2007-13 EU budget period and the 2014-20 period. Disputes pertaining to the first of these periods have been closed. Hungary will send invoices for further road construction projects to access the €160 million, which is available for replacement projects.

TI to monitor motorway construction: Transparency International (TI) Hungary will oversee the preparation and construction work for one section of the M6 motorway, director of the NGO Péter József Martin said after signing an agreement with state infrastructure development company NIF. This will be the first state-financed investment that will be monitored by a non-governmental organisation, he added. TI will have access to all documents related to the project.

NGOs challenge Paks permit: Environmentalist NGOs Greenpeace and Energiaklub have challenged the environmental permit issued for the expansion of the state nuclear power plant at Paks, to be undertaken with Russian collaboration. In an appeal filed with the environmental authority OKTH, they argue that several parts of the permits and the underlying environmental feasibility study clearly violate the law. The feasibility study fails to cover some basic areas, such as a scenario in response to a serious accident, does not address where the spent nuclear fuel rods will be permanently stored, nor how the flora and fauna of the Danube would be affected by the warm water pumped into it from the plant, the NGOs said. Moreover, they said, there are no penalties if the builders do not meet the requirements set by authorities.

EU subsidies add 5% to GDP: Hungary's 2015 GDP was 5% higher than it would have been without EU funds granted in 2007-15, according to a European Commission report. This was the highest figure among all EU countries, followed by Latvia, Lithuania and Poland. The average for the newly joined EU12 countries was 4%.

One-off factors boost budget surplus: The budget deficit for the first nine months was only Ft 2.4 billion, a drastic reduction from the Ft 954.6 billion shortfall in the same period of 2015, the Economy Ministry announced. In September 2016, the budget recorded a surplus of Ft 271.6 billion, compared to a deficit of Ft 39.7 million one year earlier. The government also lowered its EU-standard 2016 budget deficit target from 2% of GDP to 1.7%. The limited deficit was mostly due to one-off factors: The EU transferred Ft

153 billion in September and GE paid Ft 70 billion, in the frame of the special so-called “growth tax loan construction”. The global company is paying taxes in Hungary on the Ft 4 trillion profit it made on its purchase of the energy division of French company Alstom. GE is paying the total Ft 500 million tax bill over two years on a quarterly basis.

Hungary’s debt reduction among EU’s largest: Eurostat announced the second quarter state debt figures of member countries of the EU. The average state debt of member countries was 84.3% of GDP, while the average was 91.2% within the euro zone. Hungary had a state debt rate of 75.6%. Compared to the first quarter, the debt rate of Hungary decreased 1.6% in the second quarter, the third largest in the EU after Finland and Ireland. Compared to one year earlier, Hungary saw a 3.2% cut, also the third largest after Ireland and the Netherlands.

Eurostat questions debt figures: According to Eurostat, the state debt of Hungary is larger than what the government reports. In contrast to the government, Eurostat considers the state export loan bank Exim-bank part of the budgetary sphere. The debt of the bank would increase the state debt by 2 percentage points. Reservations were made on three other countries: France, Belgium and Cyprus. According to Eurostat, the 2015 Hungarian state debt was Ft 25.402 billion, 74.7% of GDP. The budget deficit stood at Ft 533.9 billion or 1.6% of GDP.

Economy Ministry sees lower budget deficit: The budget deficit target of the government is 1.7% of the GDP in 2016 but as the deficit stood at Ft 2.4 billion in the first nine months, unparalleled in the past one and a half decades, the actual budget deficit may be 1.4-1.5% of the GDP in 2016, State Secretary of the Economy Ministry said at a press conference, referring to a forecast made by the MNB (Central Bank). The government is aiming to increase the competitiveness of Hungary and push up wages, he added. In the coming two to three years, taxes on employers will be cut significantly in order to push up wages, he argued.

C/A surplus lower in August 2016: Hungary’s current account surplus fell considerably in August to €431.5 million from €752 million in July, the MNB announced. On the other hand, transfers from the EU reached €546 million, up from €338 million in the previous month. The combined surplus of the current and capital accounts was €1.007 billion in August, down from July’s €1.119 billion. Within the current account, the trade surplus fell from €379 million in July to €205 million in August. Hungarians working abroad transferred €266 million to Hungary in August, up from €216 million one month earlier.

Industrial output bounces back: After two months of decline, industrial output was up 11.1%, year-on-year, in August 2016, and 3.5% higher when adjusted for seasonal effects, the Central Statistics Office announced. Output rose 1.6% compared to July and was up 2.3% in the first eight months. Production of motor vehicles, which accounts for 28% of all manufacturing, rose by 16.8%. The pharmaceutical sector registered a 18.8% increase in production, due to the low base figures. Output of IT, electronic and optical products increased 13.1%. Domestic industrial sales were up 5.8% year-on-year in August, while exports went up 9.5%.

Inflation slightly up in September: Inflation was 0.6% year-on-year in September 2016, and consumer prices rose by 0.2% from the previous month, the Central Statistics office announced. The return to inflation from the 0.1% deflation in August is in line with forecasts, as the lower global energy prices are fading from the comparison base, an analysis from Erste Bank indicated.

Wage growth accelerates in August: The average monthly gross wage of full-time employees was Ft 258,260 in August 2016, a 6.9% increase in real terms, the Central Statistics Office reported. Excluding public workers, the average gross salary was Ft 273,155 per month, while the average net wage rose 8.5% to 171,744 excluding family tax benefits and Ft 178,900 including them.

PM Orbán calls for strategic partnership with China: The time has come to elevate cooperation between Central-Europe and China to a higher level, to a strategic partnership, Prime Minister Viktor Orbán said. Addressing the conference on 6th October in Budapest on Dialogue Between China and the Central East-European Political Parties, he said a treaty to that effect could be signed in 2017. He emphasised that Hungary will not accept any restrictions on cooperation between China and the Central European region, as what is good for China and Central-Europe also serves the interests of the entire EU. PM Orbán said Hungary is ready to host a summit for the heads of state and government for China and Central European cooperation in the second half of 2017. He said bilateral trade reached a record last year, at 2.7 times the 2014 level, and was up 80% in the first seven months of 2016. PM Orbán had talks with Liu Yunshan, a member of the standing committee of the political bureau of the Chinese Communist Party Central Committee.

MNB reserves drop in September: The MNB's foreign-currency reserves stood at €23.660 billion in September 2016, down from €24.131 in August, the Central Bank announced. There was a large drop of €4.2 billion in March 2016, of which €2.9 billion was due to swaps related to the household foreign-currency mortgage loan conversion plan, and €1.2 billion was due to the maturity of foreign-denominated bonds. Since then the decline in the reserves has been gradual.

No base rate cuts in line with forecasts: The Monetary Council of the MNB has not cut the base rate, leaving it at 0.9%. The overnight deposit rate was kept at -0.05% but the overnight lending rate was cut by 10 basis points to 1.05%.

IMF lowers Hungary growth forecast: The IMF is projecting that Hungary's economy will expand by 2% in 2016, after forecasting 2.3% growth in the month of April 2016. The government sees GDP 2.5% growth in 2016. The IMF maintained its 2.5% 2017 growth forecast in its world economic outlook report released on 4th October. The Hungarian economy's growth potential is lower than its present growth rate, as the latter is accelerated by EU subsidies, the IMF argues.

GKI leaves GDP forecast flat: The economic research group has maintained its growth forecast of 2% for 2016 and 2.7% for 2017. The first half-growth of 1.4% is still lagging behind regional competitors, they added. Growth will be fuelled by rising consumption, set to grow by 5% in 2016. Annual average inflation will pick up to 1.5% in 2017 from 0.5% in 2016. So far in 2016, consumer prices rose 0.1%. GKI projects real wages to rise 7% in 2017, compared with 4.5% in 2016. The budget deficit has virtually disappeared by the end of September, however state spending is expected to speed up at the end of the year.

Jobless rate falls below 5%: The unemployment rate fell to 4.9% during July-September 2016 down from 6.2% in the same period a year ago, the Central Statistics Office announced. This is the lowest figure since the change of regime. The number of unemployed persons dropped to 226,000 down from 292,000 in 2015.

Companies suffer from labour shortfall: In 2015, 47% of companies referred to shortage of the labour supply as a problem and now this figure is 57%, job matching agency Manpower found in its survey. The largest area of need is skilled and unskilled labour, with a particular need for electricians, carpenters, masons and truck drivers. In Hungary only 31% of companies consider training as an important task, while this ratio is 53% globally, Manpower added. The companies experiencing problems resulting from the shortage cited a lack of applicants, deficiencies in required skills and excessive wage demands as being problematic.

Tourism income 7% higher in 2016: Gross revenues of commercial accommodation in Hungary were up 5.6% year-on-year in August 2016 at Ft 49 billion, the Central Statistics Office announced. Revenues were up 6.9% over the first eight months, to Ft 265.1 billion. Among tourist sending countries, there was growth in the number of arrivals from Germany, Austria and the UK, as well as Poland, the Czech Republic, Romania and Slovakia. The increase from China was 37% and there were 20% more guests from Korea and India, said Hotel and Restaurant Association leader Ákos Niklai

Commercial

Publisher suspends Népszabadság: Publisher Mediaworks suspended the printed and online versions of Népszabadság, the leading broadsheet newspaper in a short notice move that shocked other newspapers in Hungary and abroad. Mediaworks is owned by investment firm Vienna Capital Partners, (VCP) controlled by Austrian businessman Heinrich Pecina. The publisher said the move had financial reasons as Népszabadság has lost Ft 5 billion since 2007 and circulation has plummeted to 40,000 from more than 200,000 in the 1990s. In spite of these losses Népszabadság has remained the leading broadsheet newspaper until recently. The European Journalists Federation called the termination of the daily a serious blow to media pluralism. OSCE media representative Dunja Mijatovic described the closure of the largest Hungarian opposition newspaper as a huge blow to freedom of the press and media diversity. US and the European Commission also expressed concern.

Car industry CEOs complain about serious labour shortage: Company chiefs of large carmakers agreed at a conference that the lack of available workforce is by far the biggest challenge facing the Hungarian car industry. In a panel discussion at the opening of the Automotive Hungary exhibition, Peter Kössler of Audi Hungária Motor said the state of human resources in the country more generally is also a concern. The cost of employment in Hungary is far greater than in neighbouring countries, which results in a 20% difference in net wages, commented Suzuki's László Urbán, adding that the Japanese-owned car maker is having problems hiring engineers at its Esztergom plant. Christian Wolf of Mercedes-Benz manufacturing Hungary argued that companies and the government need to work together to find answers to labour shortage problem. He suggested a reduction of tax burdens and subsidies for employees who relocate or

commute as possible solutions. The shortage of labour is not just a problem for Hungary but a regional one, said Csaba Kilián of the Association of Hungarian Vehicle Manufacturers, adding that members have raised wages by 15-25%.

Airport on track to break records: Budapest Airport expects passenger traffic to rise 8.9% to an all-time high of 11.2 million in 2016, said Chief Operating Officer Kam Jandu. The number of passengers was up 10.1% year-on-year in August 2016, exceeding figures for regional cities that all have national carriers, he said, citing 10% growth in Warsaw, 6.5% in Prague and 0.8% in Vienna. London, Paris and Brussels remained the top destinations for passengers leaving Budapest.

Zsolnay minority owner wins ruling: The Zalaegerszeg Court has rejected the request from Bachar Najari, the majority owner of porcelain maker Zsolnay, to expel minority shareholder the city of Pécs. The court found that the bad relations between the owners is not a sufficient reason for expelling one of them. Najari bought a 74.5% stake in Zsolnay for Ft 180 million in 2013, with a duty to invest a further Ft 500 million by the end of 2014. The city of Pécs later objected that the capital injection was made after the deadline as a contribution in kind – a plot of land in Veszprém county – rather than in cash. In early August, the same court removed Zsolnay from receivership as it had paid off its debt owed to WHB Vagyonkezelő, an asset manager which bought the outstanding debt from state development bank MFB. WHB had initiated the liquidation of Zsolnay.

MOL presents long-term strategy for low oil price environment: MOL will invest in \$1.5 billion in petrochemical and chemical production in each of the next five years, as part of a new long-term strategy. In a statement, Chairman and CEO Zsolt Hernádi said “We will further diversify and expand our petrochemicals portfolio with the aim of becoming a leading chemical group”. The company is looking at ways to remain profitable even if oil prices remain below \$50 a barrel.

GE opens global service centre: General Electric (GE) officially opened its new global service centre in Budapest, in the presence of Foreign Affairs and Trade Minister Péter Szijjártó and US ambassador Colleen Bell. The Ft 8 billion project creates jobs for 400 workers in addition to the 10,000 already employed by GE in Hungary. GE Hungary Chairman Jörg Bauer noted that this is GE’s only service centre in Europe.

Bilateral

Vice-President of India visits Hungary: Mr. Mohammed Hamid Ansari, Hon’ble Vice-President of India visited Hungary on 15-17 October 2016. Vice President was accompany by his wife Smt. Salma Ansari, and the delegation which included Hon’ble Mansukh L Mandavia, Minister of State for Chemical and Fertilizer, four Members of the Parliament and senior officials of the government. Vice President held *tete-a-tete* and extensive delegation level talks with PM Orbán and discussed possible avenues of expanding the bilateral relations in the field of business, water management, defence, film industry etc. Following the talks, representatives of the two governments signed an MOU on Cooperation in the field of Water Management. An MoU on cooperation between Indian Council of World Affairs and Institute of Foreign Affairs and Trade of Hungary was also signed. In a press statement, Orbán said full employment is slowly being achieved in Hungary, therefore the technological standards of Hungarian industry must be continuously renewed, and investments from India can help in this. India was the biggest greenfield industrial investor in Hungary in 2014 and 2015, and is planning further investments here, he added. Vice-President Ansari described bilateral relations as versatile and friendly, as both countries are democracies with dynamically developing economies.

Vice President also met with Speaker of the National Assembly of Hungary, Mr. László Kövér, and called on Mr. János Áder, President of Hungary. Vice-President Ansari visited Corvinus University He gave a lecture with the title "Indian Democracy: Achievements and Challenges" during which he provided insight into the geopolitical importance of India and its current position in the world. Vice-President and Mrs Ansari also met with members of the Indian community at a reception organized by Ambassador. He also planted a sapling at Balatonfüred and paid respects to Gurudev Rabindranath by offering flower petals to the bust of Gurudev Tagore.

India’s SMR buys Ábrahám: India’s Samvardhana Motherson Group (SMR) has acquired Ábrahám és Társa, a specialist in plastics processing for the automotive industry, for an undisclosed price. SMR has production units in Mosonszolnok and Mosonmagyaróvár, Western Hungary, as well as a logistics base in Hegyeshalom. The existing units employ 1,600 people and realised a revenue of €333 million in 2015. Ábrahám és Társa booked Ft 389 million in aftertax profits on revenue of Ft 3.9 billion in 2016.

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

2016 January-September trade (USD, EUR billion)

| | Hungary's Exports | Hungary's Imports | Total | % growth of trade over last period | | % change of Total trade over last period |
|-------|-------------------|-------------------|-----------|------------------------------------|--------|--|
| | | | | Export | Import | |
| India | 135.2 USD | 281.7 USD | 417.0 USD | -11.5% | -1.4% | -4.9% |
| | 121.1 EUR | 252.4 EUR | 373.6 EUR | -11.8% | -1.7% | -5.3% |
| World | 77.4 USD | 68.9 USD | 146.3 USD | 3.1% | 1.5% | 2.3% |
| | 69.3 EUR | 61.7 EUR | 131.0 EUR | 2.9% | 1.2% | 2.1% |

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% |

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|---|---------|---------|--------|----|
| 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 October 2016

1US\$= 278.12 HUF

1EUR= 306.82 HUF

Source: MNB-Hungarian National Bank www.mnb.hu

Upcoming Trade Fairs in Hungary:

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| (I) <u>AGROMash Expo</u> 25-28th January 2017 –International trade fair for Agricultural machinery |
| (II) <u>FEHOVA</u> 9-12th February 2017 -International Exhibition for Fishing, Hunting and Arms |
| (III) <u>TRAVEL /UTAZAS</u> 2-5th March 2017 – International Travel and Tourism Exhibition |
| (IV) <u>CONSTRUMA</u> 5-9th April 2017 –International Construction industry and Homemaking exhibition |
| (V) <u>CONSTRUMA GARDEN</u> 5-9 th April 2017 –Exhibition on landscaping, garden planning |
| (VI) <u>Home Design</u> 5-9 th April 2017 - Exhibition on Interior Decoration, Design |
| (VII) <u>RENEO</u> 5-9 th April 2017 – International exhibition on Renewable Energy, building engineering |

Further information: www.hungexpo.hu

Trade enquiries: In the month of October 2016 Embassy of India, Budapest received 14 enquiries from India and 1 trade enquiry from Hungary.

Indian Trade inquiries for the month of October 2016

| S. No. | Enquiry originator | Product | HS codes | Nature Export/Import value (\$ mln) | Action taken |
|--------|---|--|----------|-------------------------------------|----------------------------------|
| 1 | PRIME KITCHEN EQUIPMENTS (INDIA) PVT. LTD | Enineering: Kitchenware, Refrigeration | | Export to Hungary | All inquiries have been answered |
| 2 | Shivaay Flourmills | Agro: Flour | | Export to Hungary | |
| 3 | Shree Shikhar Enterprises | Textile: garments | | Export to Hungary | |
| 4 | Gujarat Ambuja Exports Ltd | Misc base materials: Agro, Animal Feed, Food, Pharma | | Export to Hungary | |
| 5 | Navadhane Agro Foods Pvt. Ltd | Misc: Agro and food products | | Export to Hungary | |
| 6 | Ortho Beckcem Inc | Medical, Orthopedic, Pharma | | Export to Hungary | |
| 7 | Ayush Kothari | Textile: garments | | Export to Hungary | |
| 8 | Texel Industries | Textile: yarn | | Export to Hungary | |

| | | | | | |
|----|---|--|--|-------------------|--|
| 9 | Futurelife Pharmaceuticals Pvt. Ltd | Misc: Cosmetics, herbals, nutraceuticals, pharma | | Export to Hungary | |
| 10 | Diet Foods International. | Agro: cereal, grain pulse, rice, spice | | Export to Hungary | |
| 11 | Comeex machine tools co | Engineering: Machine tools, machines | | Export to Hungary | |
| 12 | RK International Exports - Partner of R K International Exports | Handicrafts, Furniture | | Export to Hungary | |
| 13 | Skylink Packaging | Packaging, Pharmaceutical | | Export to Hungary | |
| 14 | Alps Exports | Stones | | Export to Hungary | |

Bosnia & Herzegovina (BiH)

Catalogue of 67 Projects created: The Chamber of Commerce of Sarajevo Canton has created a catalogue of 67 investment projects worth some 1.42 billion KM. Head of the Chamber of Commerce Muamer Mahmutovic said most of the projects relate to the construction sector, followed by information and communications, production of electricity, gas, steam and air conditioning, water supply, sewerage, waste management, environment rehabilitation, transport, manufacturing industry and agriculture. In order to enrich the content, the catalogue will be updated regularly both in Bosnian and English language.

Average Net Salary at 843 KM in August: The average monthly net salary in Bosnia and Herzegovina in August 2016 amounted to 843 KM, which represented the nominal increase of 2.1 percent compared to August 2015, and was nominally higher by 0.1 percent compared to December 2015. According to the data of the BiH Agency for Statistics, the lowest average net salary of 522 KM was in the business of accommodation and food services, 533 KM in administrative and support services, while the average net salary in construction industry in August amounted to 538 KM. The average gross salary in BiH in August amounted to 1.309 KM and did not change in comparison with December 2015, while, it was nominally higher by 2.1 percent compared to August 2015.

Elektroprivreda BiH, Aluminij Sign 2017 Electricity Supply Deal: The state-controlled power utility Elektroprivreda BiH has signed an electricity supply deal with Mostar-based aluminum smelter Aluminij for 2017. The signed agreement is of particular importance for Bosnia's economy as Elektroprivreda BiH is the country's largest electricity producer, while Aluminij is the largest consumer, the power utility said in a statement. "The establishment of business cooperation between the two companies has a historical significance, and represents the beginning of a long relationship," Elektroprivreda BiH noted, hinting that the deal will be extended beyond 2017. Aluminij was previously supplied by another Bosnian power utility, Elektroprivreda HZHB, towards which the smelter had piled on huge debts. The government of Bosnia's Federation owns 44% of Aluminij, as much is controlled by workers and minority shareholders, while the Croatian government holds a stake of 12%.

BiH Companies' Investments Decline by 14% Last Year: Investments of Bosnian companies in fixed assets, or in buildings, machinery, equipment and other, have been declining in recent years, as local firms have less money and there is also a fear of investing. According to the data of the Statistics Agency, the total value of investments in fixed assets of legal entities in BiH amounted to 5.1 billion KM in 2014, while in 2015 this figure dropped to 4.4 billion KM, representing a decrease of 13.99 percent. These data also show that investments in new fixed assets in 2014 amounted to 4.7 billion KM, while in 2015 this figure reached only four billion KM, representing a decrease of 15.74 percent.

IMF Keeps Bosnia's Economic Growth Forecast at 3.0% in 2016: The International Monetary Fund said it has maintained its forecast for Bosnia and Herzegovina's economic growth at 3.0% in 2016 and 3.2% in 2017. According to the October 2016 edition of IMF's World Economic Outlook report, the economy of

Bosnia is expected to grow 4% in 2018, which is identical to the spring forecast. In 2015, Bosnia's economy expanded by 3.2%. In the October edition of its report, the IMF upheld its April projection that Bosnia will remain in deflation for the fourth consecutive year, with the average annual deflation seen at 0.7% in 2016. In 2017, inflation is seen reaching 0.5%, down from the fund's earlier forecast of 1.1%, the fund said. Bosnia's current account deficit is expected to narrow from 5.6% of GDP in 2015 to 5.1% of GDP in 2016, before growing to 6% of GDP in 2017.

Foreign Tourist Arrivals Rise 13.8% in Jan-July: The number of foreign tourists, who visited Bosnia and Herzegovina in the first seven months of 2016, grew 13.8% on the year to 425,749, data from the country's statistics office showed. The total number of tourists staying in the country in 2016 in the first seven months increased by 10.9% year on year to 634,612, while Total tourist overnights in January- July totalled 1,306,148, up 10.4% year on- year. In July alone, tourist arrivals jumped 23.8% on the year and by 22.7% on the month to 128,474, while overnights surged 24.4% year-on-year and 39.5% on the month to 289,133. Foreign tourists accounted for 76.8% of all overnights recorded in BiH in July.

Sarajevo Court Launches Bankruptcy Proceedings against BH Airlines: A Sarajevo court has initiated bankruptcy proceedings against Bosnia's air carrier BH Airlines. BH Airlines' total debt amounts to 42.8 million KM (21.9 million euro), as the larger part, or 25.4 million KM, is owed to asset resolution company HETA under a finance lease agreement for two aircraft. The flag carrier owes Sarajevo International Airport 6.4 million KM, while foreign suppliers have claims to a total of 4.3 million KM. The Federation's government said earlier that from 2005 until 2014, BH Airlines had generated a total of 99.2 million KM in losses. Its accumulated uncovered losses had reached 39.8 million KM at the end of 2014, 20.01 million KM above the company's registered capital of 18.8 million KM.

TRADE FAIRS in Bosnia and Herzegovina

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|--------------|---|----------------------------|------------|--|
| EXTERIO | international fair for landscaping, architecture and horticulture | Centar Skenderija Sarajevo | March 2017 | www.skenderija.ba |
| INTERIO | International fair of forestry, wood, furniture and interior design | Centar Skenderija Sarajevo | March 2017 | www.skenderija.ba |
| MOSTAR SAJAM | General International Trade Fair | Mostar | April 2017 | www.mostar-fair.com |
| ENERGA TUZLA | international trade fair for energy, industry and mining | Tuzlanski Sajam d.o.o | June 2017 | www.tuzlanskisajam.ba |

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

Average Monthly Exchange rates for October 2016

1US\$= 1.773097 KM

1EUR= 1.955830 KM

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

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