

**Embassy of India
Budapest**

**ECONOMIC AND COMMERCIAL REPORT
FOR THE MONTH OF AUGUST 2018**

HUNGARY

(I) Bilateral Trade

2018 January-July trade (USD, EUR million)

	Import JAN-JUL	Export JAN-JUL	Total	Growth% of Import (y-o-y)	Growth% of Export (y-o-y)
Hungary's trade with India (mln)	268.7 USD 223.0 EUR	155.9 USD 129.7 EUR	424.5 USD 352.8 EUR	+3.8% -7.1%	+22.8% +10.3%
Hungary's Total Global Trade (mln)	68,959 USD 57,235 EUR	74,484 USD 61,817 EUR	143,443 USD 119,053 EUR	+18.1% +6.8%	+16.9% +5.7%

Source: Central Statistical Office (www.ksh.hu)

(II) Top 10 Items of Export to India (In millions of US\$)

S.No.	Commodity	2018 JAN-JUL	Growth (%) (y-o-y)	(%) Share in Total Exports to India
	TOTAL	155.9	22.8%	100.0%
1	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	45.4	46.8%	29.1%
2	84 NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	32.5	10.5%	20.8%
3	29 ORGANIC CHEMICALS	29.2	-2.7%	18.7%
4	73 ARTICLES OF IRON OR STEEL	7.0	52.7%	4.5%
5	87 VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING-STOCK, AND PARTS AND ACCESSORIES THEREOF	5.4	40.2%	3.5%
6	90 OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; PARTS AND ACCESSORIES THEREOF	5.3	-20.4%	3.4%
7	40 RUBBER AND ARTICLES THEREOF	3.2	175.7%	2.0%
8	48 PAPER AND PAPERBOARD; ARTICLES OF PAPER PULP, OF PAPER OR OF PAPERBOARD	3.0	-2.8%	1.9%
9	28 INORGANIC CHEMICALS; ORGANIC OR INORGANIC COMPOUNDS OF PRECIOUS METALS, OF RARE-EARTH METALS, OF RADIOACTIVE ELEMENTS OR OF ISOTOPES	2.5	281.6%	1.6%
10	74 COPPER AND ARTICLES THEREOF	2.5	-38.4%	1.6%

Source: Central Statistical Office (www.ksh.hu)

(III) Top 10 Items of Export to the World (In millions of US\$)

S.No.	Commodity	2018 JAN-JUL	Growth (%) (y-o-y)	(%) Share in Total Exports to the World
	TOTAL	74,483.5	16.9%	100.0%
1	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	15,101.9	18.8%	20.3%

2	84 NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	13,345.0	13.4%	17.9%
3	87 VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING-STOCK, AND PARTS AND ACCESSORIES THEREOF	12,546.4	14.0%	16.8%
4	30 PHARMACEUTICAL PRODUCTS	3,602.3	23.5%	4.8%
5	39 PLASTICS AND ARTICLES THEREOF	2,930.1	18.5%	3.9%
6	90 OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; PARTS AND ACCESSORIES THEREOF	2,576.2	9.5%	3.5%
7	27 MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBSTANCES; MINERAL WAXES	1,948.8	28.1%	2.6%
8	40 RUBBER AND ARTICLES THEREOF	1,690.3	19.8%	2.3%
9	29 ORGANIC CHEMICALS	1,323.7	22.7%	1.8%
10	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	1,166.3	18.7%	1.6%

Source: Central Statistical Office (www.ksh.hu)

(IV) Top 10 items of imports from India (In millions of US\$)

S.No.	Commodity	2018 JAN-JUL	Growth (%) (y-o-y)	(%) Share in Total Exports to the World
	TOTAL	268.7	3.8%	100.0%
1	84 NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	79.6	16.8%	29.6%
2	29 ORGANIC CHEMICALS	59.6	6.2%	22.2%
3	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	43.4	24.3%	16.1%
4	30 PHARMACEUTICAL PRODUCTS	28.6	-33.6%	10.6%
5	73 ARTICLES OF IRON OR STEEL	7.3	62.5%	2.7%
6	64 FOOTWEAR, GAITERS AND THE LIKE; PARTS OF SUCH ARTICLES	5.8	20.1%	2.2%
7	40 RUBBER AND ARTICLES THEREOF	5.2	15.2%	1.9%
8	72 IRON AND STEEL	4.8	11.7%	1.8%
9	87 VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING-STOCK, AND PARTS AND ACCESSORIES THEREOF	3.6	8.9%	1.4%
10	84 NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	79.6	16.8%	29.6%

Source: Central Statistical Office (www.ksh.hu)

(V) Top 10 Items of Import from the World (In millions of US\$)

S.No.	Commodity	2018 JAN-JUL	Growth (%) (y-o-y)	(%) Share in Total Imports from the World
	TOTAL	68,959	18.1%	100.0%
1	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	13,657	15.5%	19.8%

2	84 NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	10,960	11.0%	15.9%
3	87 VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING-STOCK, AND PARTS AND ACCESSORIES THEREOF	7,478	17.6%	10.8%
4	27 MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBSTANCES; MINERAL WAXES	5,162	18.1%	7.5%
5	39 PLASTICS AND ARTICLES THEREOF	3,299	20.1%	4.8%
6	30 PHARMACEUTICAL PRODUCTS	2,916	27.7%	4.2%
7	72 IRON AND STEEL	1,785	29.9%	2.6%
8	73 ARTICLES OF IRON OR STEEL	1,704	22.8%	2.5%
9	90 OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; PARTS AND ACCESSORIES THEREOF	1,499	18.5%	2.2%
10	76 ALUMINIUM AND ARTICLES THEREOF	1,458	25.6%	2.1%

Source: Central Statistical Office (www.ksh.hu)

(VI) Top 5 Competitors of India's Top 5 Exports to Hungary JAN-JULY 2018

S. No.	Commodity	Competitors		Amount (In millions of US\$)
1	84 NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THE...	1	Germany	3,941.3
		2	China	833.1
		3	Italy	664.2
		4	Poland	455.6
		5	Netherlands	455.4
2	29 ORGANIC CHEMICALS	1	China	123.0
		2	Italy	115.1
		3	Germany	114.4
		4	Czech Republic	99.7
		5	Netherlands	74.2
3	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	1	Germany	3,830.2
		2	China	1,580.6
		3	Netherlands	1,132.5
		4	Poland	575.0
		5	Austria	509.3
4	30 PHARMACEUTICAL PRODUCTS	1	France	439.0
		2	Korea, Rep.	437.6
		3	Germany	406.7
		4	Belgium	345.2
		5	Netherlands	243.6
5	73 ARTICLES OF IRON OR STEEL	1	Germany	519.5
		2	Italy	167.6
		3	Czech Republic	108.9
		4	Poland	104.1
		5	Austria	102.2

Source: Central Statistical Office (www.ksh.hu)

- Regional economic growth challenged by labour shortages:** Strong growth in Central European economies is at risk due to the serious labour shortage facing these countries, the Financial Times (FT) reported. In the article "Central Europe: running out steam", the business daily reported that competition for labour in some sectors is so high that it is beginning to disrupt business. Labour costs in Hungary were 10% higher in the first quarter of 2018 than one year earlier, and wage growth was similar in the region, at 9% in the Czech Republic, 8.5% in Slovakia and 8% in Poland. In the April-June period of 2018, 87% of industrial companies in Hungary said

labour shortages would limit their output. The corresponding figures were 50% in Poland and 43% in the Czech Republic. The Visegrád Four countries are trying to boost their labour supply. Hungary has attempted to do this largely by providing incentives to increase participation levels in the workforce, whereas Poland is relying on immigrants from Ukraine. The labour shortage is the result of demographic decline and economic success.

2. **Foreign retailers hit by new decree:** Retailers with 400m² of retail space or more will require a license from authorities for works that do not require building permits, such as renovations, according to a recently approved government decree. The decree is a further tightening of legislation that banned the construction of new retail outlets with more than 300m² of retail space in 2011. The decree, which market players expected to be approved next year, is thought to be aimed at foreign retail chains such as Lidl, Aldi and Spar, which have recently bought stores and transformed them or refurbished them to suit their needs.

(VII) Bilateral Investment (Source: Hungary around the Clock media, Hungarian Government www.kormany.hu)

S. No.	Name of Company	Secor	Amount (US\$ million)

Nil during the period of the report

(VII) Global Investment (Source: Hungary around the Clock media, Hungarian Government www.kormany.hu)

S. No.	Name of Company	Secor	Amount (US\$ million)

1. **Ministry signs partnership agreement with Siemens:** The Ministry of Innovation and Technology has signed a four-year partnership with German engineering giant Siemens to launch a pilot programme preparing a reform of the vocational training system. The scheme will entail the development of career orientation, student contracts and the training of teachers and instructors in areas related to state-of-the-art industrial processes. The scheme will cover 40 schools, 6,400 students and adults, 400 teachers and examiners, said Innovation and Technology Minister László Palkovics. The experiences will be used later for the regulation of vocational training, he added. After signing the agreement, Siemens will apply for HUF 2 billion (appx € 6.1 mln) in funding from the National Employment Fund. Siemens Hungary CEO Dale A. Martin said industrial development requires a new type of knowledge and the company is proud to be a leader in dual education in Hungary's engineering sector.
2. **BMW plans €1bn factory in Debrecen:** The BMW Group will build a factory on a 400- hectare site near Debrecen, the German carmaker announced. The over €1 billion project will create nearly 1,000 jobs. The factory will have the capacity to produce 150,000 vehicles annually, with combustion or electric engines. The company did not say which models will be produced at the new plant. BMW will acquire the land and begin construction in the second half of 2019. Recruiting also starts in 2019. Slovakia and Romania also competed for the project. Foreign Affairs and Trade Minister Péter Szijjártó underlined that the government had conducted negotiations with BMW for 14 months, and that the carmaker examined several cities in Europe as possible locations for its new factory. Debrecen was selected because of its excellent infrastructure, logistics connections, its existing network of suppliers and the presence of skilled labour. The new unit will help BMW's global growth, said Harald Krüger, a member of the board of the BMW Group. After establishing significant production capacities in China, Mexico and the US, BMW is

strengthening its position in Europe in order to balance its production across the continents, he added.

3. **Analyst warns of car sector exposure:** According to analysts the planned BMW plant will increase Hungary's dependence on the car industry. At present, the automotive industry provides about 33% of all Hungarian exports, but with the BMW factory this could grow to 40% or more. The labour shortage may prove to be a problem for BMW, he said, adding that labour reserves may be higher in eastern Hungary, but it will be harder to find qualified engineers. More positively, the investment in eastern Hungary would bring some geographical balance to Hungary's industrial sector. Noting that Audi's investment in Győr and the Mercedes factory in Kecskemét had a major impact on employment, education and the attractiveness of the area, the BMW investment could be a breakthrough point for the region. It is estimated that the new factory may add 0.5% to GDP. The automotive sector is responsible for one-third of Hungary's manufacturing output and more than 10% of its GDP. Annual revenues of the BMW factory may be around HUF 900 billion (appx € 2.7 bln).

(iX) Significant trends in trade and investment in JAN-JULY 2018

(Source: Central Statistical Office www.ksh.hu, News, local media.)

Details of significant trends	Analysis
(HS 84) NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS	The product group grew by 16.8% in JAN-JULY of 2018 over the same period of 2017. It represents 29.6% of total Indian exports to Hungary.
(HS 29) ORGANIC CHEMICALS	The product group exhibited a growth of 6.2% in JAN-JULY of 2018 over the same period of 2017 and represents 22.2% of total Indian exports to Hungary.
(HS 85) ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND...	Trade grew by 24.3% in this product group in JAN-JULY of 2018 over the same period of 2017. It represents 16.1% of total Indian exports to Hungary.
(HS 30) PHARMACEUTICAL PRODUCTS	The product group experienced a drop of -33.6% in JAN-JULY of 2018 over the same period of 2017. It represents 10.6% of total exports to Hungary.
(HS 73) ARTICLES OF IRON OR STEEL	Although the product group experienced a significant growth in the JAN-JULY period of 2018, its value of 7.3 mln USD represents only 2.7% of Indian exports to Hungary.

2. Important India related statements of commercial significance by political leaders, think tanks, chambers, associations etc: NIL during the period of report

3. Market access:

- **Alerts on SPS/TBT notifications, import procedures, export restrictions put in place; change in trade policy:**

S. No.	Notification no. and date	Product	Distribution Date	Comment Deadline
Alerts related to import procedures, export restrictions and changes in trade policy are based on EU regulations and not decided bilaterally by Hungary.				

NIL during the period of report

- **Alerts on Trade Defence Measures taken by respective country: (Special Safeguard, antidumping, CVD or Anti-subsidy)**

S. No.	Notification no. and date	Details of products / sectors affected	Effective from

NIL during the period of report

- **Feedback from major Indian industries/ other commercial concerns set-up in that country and Indian trade visitors to that country**

NIL during the period of report

- **Feedback on major trade fairs / BSM including Indian participation (whether or not supported by MAI funds)**

S. No.	Particulars of Trade Fair, dates etc.	Number of participants from India	List of large participants	Feedback received

NIL during the period of report.

Upcoming Trade Fairs in Hungary:

(I) <u>AUTOMOTIVE HUNGARY: 17-19 October 2018</u>
(II) <u>BEAUTY & STYLE: 26-28 October 2018</u>
(III) <u>AGROMASHEXPO: 23-26 January 2019</u>
(IV) <u>BUDAPEST BOAT SHOW 21 - 24th February 2019</u>
(V) <u>FEHOVA 7 - 10th February 2019</u>
(VI) <u>TRAVEL 21 - 24th February 2019</u>

Further information: www.hungexpo.hu

- e. **Feedback from local commercial visitors to trade fairs in India, including under BSM. Number of Business Visas issues:**

S. No.	Particulars of Trade Fair, dates etc.	Number of participants	List of large participants	Number of Business Visas issued	Feedback received

NIL during the period of report.

VISAS

Number of Regular Visas issued	(Aug)	69
Including number of Business Visas	(Aug)	23
Number of e-Visas issued (all categories)	(July)	253

- **Investment:**

- **Opportunities for investments/assets on offer/major company divestment:**

S. No.	Particulars of the asset/company	Contact details
	NIL	

The Hungarian Investment Promotion Agency HIPA offers a list of investment opportunities in Hungary on its website:

http://www.investhipa.hu/index.php?option=com_iproperty&view=allproperties&Itemid=854

1. **Enhanced geothermal system in Hungary:** Project development, implementation and operation in Hungary. The Company established a separate division, dedicated to geothermal energy technology, managing the technical, legal and financial aspects of geothermal projects. The division is responsible for communication with authorities, experts, local municipalities and investors. Their mission is to ensure the utilization of a new, environmentally friendly energy resource in in countries with high geothermal potential, like Hungary.
Value: 100.0 M€:
2. **Seeking investor for a health park:** Construction and operation of two hotels, a 50-apartment medical village and a complex therapeutic and spa centre. The project company was set up by private investors and is supported by the local municipality. This provides a safe business environment for the potential investor. The Company provides unique services such as medical water treatments, carbonic acid gas bath therapy, hydrotherapy, electrotherapy and other local special therapies along with auxiliary medical activities. Net Revenue (M€): 12.0 M€ EBITDA (M€): 7.0 M€
Value: 63.0 M€
3. **Seeking investor for building a compact city** The project is a compact city in Hungary. The project embraces a built-up area of 200,000 m2, which includes office buildings, apartments, shopping opportunities, service industry units, as well as facilities for sports and recreation. There is a conference hotel with an additional conference center. Each segment of this property has been designed with environmentally conscious solutions and green energy.
Value: 49.5 M€

- **Information on Tender Notices of interest to Indian project exporters (USD 15 million & above)-**

The Hungarian Public Procurement Authority is the official body for public procurement tenders: <http://www.kozbeszerzes.hu/english/>
European Union Tenders Electronic Daily, the main official database of English language public procurement tenders from Hungary: <http://ted.europa.eu/TED/search/search.do>

- **Information regarding upcoming major investments in India from respective country:**

S. No.	Particulars of the asset/company	Sector of Investment	Quantum of Investment

Nil at the time of the report

- **Details of trade research, information, dissemination activity of the commercial wing:**

S. No	Nature of activity (trade research, information dissemination, seminars, etc)	Details (date, venue & number of participants, copy of research sent to DOC)

Publicity of upcoming Indian Trade Fairs:

The Embassy gave publicity to the following events:

- 2nd Rubber Expo 17-19 Jan 2019, Mumbai
- 2nd Re-Invest Renewable Energy Investors Meet and Expo 3-5 Oct 2018
- 46th IHGF Delhi Fair 16-18 Oct 2018
- Bengaluru Space Expo 2018 6-8 Sept, Karnataka
- 5th Smart Cities Expo 22-24 May 2019, New Delhi

- **Details of activities conducted out of Trade Promotion budget:**

BE for 2018-19 Rs.	RE for 2017-18 Rs.	Amount utilized (till AUG 2018) Rs.	Details of Activity
427,000	500,000	276,683	Purchase of Make in India yoga T-shirts in connection to the 4th IDY and 3rd Ganga Danube Cultural Festival Expenditure towards delivery of 100 pcs of Shawls with Make in India Logo for distribution at various events

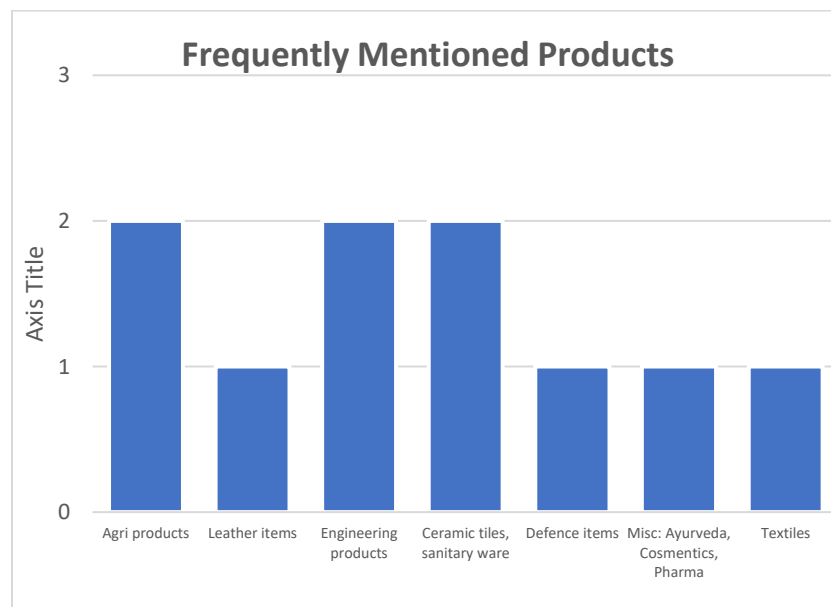
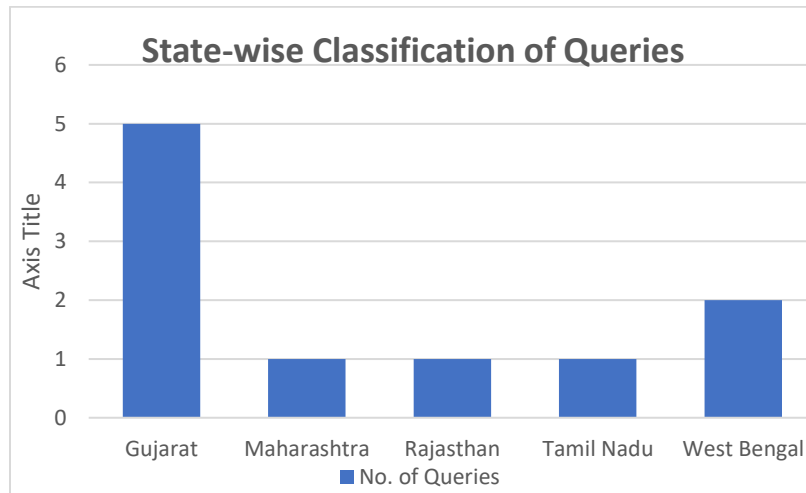
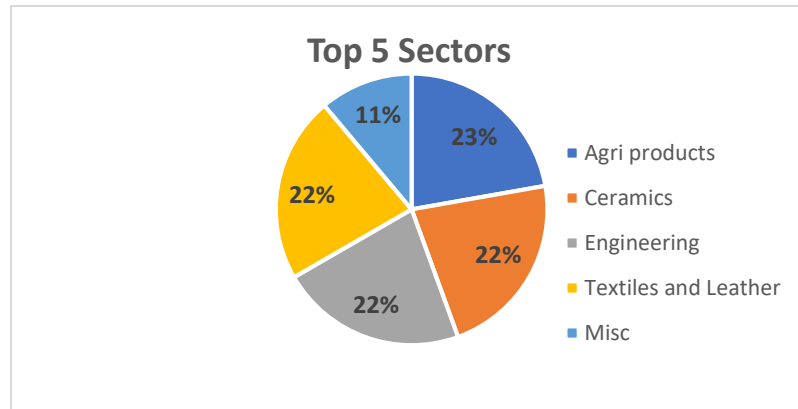
- **Action taken on the previous JWG, Joint Commissions, sub-commissions etc. (issues that Mission had to follow up with host government):** The 5th JCEC and 10th S&T Meeting was held on 7th March and 21st March 2018 respectively. Follow up on a number of issues is being made such as agriculture, water management, science and technology funding, trade frauds, etc.
- **Trade Queries for Imports/Exports (from Hungary for the month of August 2018)**

The Embassy received trade inquiries from 10 Indian companies listed below:

No.	Company	Contact person	Sector	Action Taken
1	Abco Export	Vishal Satani	Agro: grains, pulses, rices, spice, sugar	Answered
2	V.P. Exports & Imports		Leather	Answered
3	Sukun7 Intercontinental	Balveer Gurjar	Agro: grains	Answered
4	Schweissen Metal Industries Pvt Ltd	Tejas Soni	Engineering: brass fittings, components	Answered
5	Harvi Exports	Akash Sadatiya	Ceramic tiles, sanitary ware	Answered
6	Futurelife Pharmaceuticals Pvt. Ltd.	Hardik Dodia	Misc: Ayurvedic, Baby, Cosmetics, Herbals, Nutraceuticals, Pharma	Answered
7	RRD Decors Pvtt Ltd	Rajesh Rathi	Textile: garments	Answered
8	Ambani Vitrified Pvt. Ltd	MR. Bhavesh Ambani	Ceremaic sanitary ware, tiles	Answered
9	RRD Decors Pvt Ltd	Rajesh Rathi	Engineering: Expansion Bellows	Answered
10	Bharat Forge	Jay Naik	Defense	Answered

FAQs on trade queries have been created and uploaded on the Mission's website
<http://www.eoibudapest.gov.in/page-link/?page=trade-s-and-t>

ANALYSIS OF TRADE QUERIES RECEIVED



8. Any Other Issue of Importance:

- 1. IMF urges reduction in state debt:** The IMF recommended that Hungary do more to reduce state debt as well as phase out sector taxes and undertake structural reforms to improve productivity, in a staff report issued after its regular visit to Budapest. The report acknowledged Hungary's strong economic growth and favourable fiscal outcomes, but said state debt relative to GDP has come down only slightly. The IMF forecast GDP growth of 4% this year, decelerating to 3.3% in 2019. State debt will drop to 71.3% of GDP this year and 69.1% in 2019. The IMF expects budget deficits of 2.4% of GDP in 2018 and 2% in 2019. The IMF suggested a set of growth-friendly fiscal measures that would achieve smaller deficits starting in the second half of 2018 and continuing over the medium term. The report also suggested phasing out remaining sector taxes, broadening the tax base, further improving tax administration and eliminating generalised subsidies, while protecting the poor with targeted measures.
- 2. S&P affirms Hungary's rating:** Standard and Poor's (S&P) affirmed Hungary's "BBB-/A-3" sovereign debt rating, with the outlook remaining positive. "Hungary's strong external profile, its resilient export-driven economy, low private-sector debt levels, and the flexible exchange-rate regime support the sovereign ratings," S&P said. On the downside, it said relatively weak checks and balances among branches of government, moderate wealth levels and high public debt are key constraints on the rating. Hungary's economy has started to show signs of overheating, citing labour shortages and accelerated wage growth, which have led to rapid growth in unit labour costs. It warned that, in the absence of measures to boost productivity, prolonged overheating could weaken Hungary's external competitiveness and balance of payments. The agency's long-term base scenario is that Hungary's economic growth will slow down to 2-2.5% as a result of structural growth challenges, which include poor demographics, a large public sector, a "challenging" business environment, low productivity and a chronic skills shortage.
- 3. State debt higher in second quarter:** Hungary's state debt rose to 74.5% of GDP at the end of the second quarter, up from 73.9% in the first quarter and 73.6% at the end of 2017, according to MNB. The state debt had grown to HUF 28.74 trillion (appx. € 89 bln) at the end of June, up from HUF 27.36 trillion (appx. € 84.7bln) at the end of 2017. Excluding Eximbank, Hungary's state debt would have stood at 72.5% of GDP at the end of June, up from 71.7% at the end of 2017, the MNB added.
- 4. Trade surplus highest in two years:** The trade surplus reached an unexpectedly high €1.070 billion in June 2018, up from €951 million a year earlier, the Central Statistics Office (KSH) announced. Exports totalled €9.6 billion and imports amounted to €8.5 billion, increases of 8.9% and 8.4%, respectively. The surplus for the first half came to €4.290 billion, down from €4.722 billion a year earlier. Exports expanded by 4.9% and imports went up by 6.3%.
- 5. Inflation at highest level in five years:** Inflation stood at 3.4% year-on-year in July 2018, up from 3.1% in June, rising to its highest level since January of 2013, according to the KSH. Core inflation was 2.4% and pensioners' inflation reached 2.9%. For the first seven months, consumer prices were up 2.5% on the same period of 2017, on average. The acceleration in inflation in July was mainly caused by one factor, the higher price of fuel, which rose 17.8% in one year. The weakening forint is behind the increase in prices of consumer durables from June to July.
- 6. Budget suffers deficit in July:** The budget deficit was HUF 70.4 billion (appx. € 218 mln) in July, reversing the HUF 94.4 billion (appx. € 292.3 mln) surplus of one year earlier, the Finance Ministry announced. The deficit for the first seven months mushroomed to HUF 1.491 trillion (appx. € 4.6 bln). The central budget realized a HUF 1.557 trillion (appx. € 4.8 bln) deficit, while social security funds made a HUF 46.9 billion (appx. € 145.2 mln) surplus and independent state funds recorded a HUF 19.1 billion (appx. € 59.1 mln) surplus. The Finance Ministry said that it maintains its 2017

deficit target of 2.4% of GDP. The cash flow-based deficit may exceed 3% of GDP in 2018, but the EU-standard figure will be in line with the target, State Secretary Péter Benő Banai said. The state paid out a total of HUF 1.3 trillion (appx. € 4 bln) to tender winners in the first seven months, part of it as advance payments. Some 80-85% of the above amount will be reimbursed by the EU, Banai said, adding that the EU has transferred only HUF 162 billion (appx. € 501.7 mln) to date.

7. **Construction output 28% higher:** Construction industry output was up 28.2% year-on-year in June, the Central Statistics Office (KSH) announced. The construction of buildings had increased by 15.2% and the construction of other objects shot up by 48.8%. Seasonally and workday-adjusted figures show output up 7.2% from May. The total volume of contracts was 61.2% more than a year earlier, with the volume of new contracts up 0.6%. For the first half of 2018, construction industry output rose by 19.1%. In the second quarter, construction industry prices were 9.2% higher, year-on-year.
8. **Double-digit rise in gross wages:** Real wages were up 7.9% in June and 9.4% in the first half of 2018, year-on-year, as gross wages continued to rise by double digits, the KSH announced. The average gross monthly wage stood at HUF 329,600 (appx. € 1020) in June, up 11.2% year-on-year. Net wages grew at the same pace, 11.2%, to reach HUF 219,200 (appx. € 679) or HUF 227,700 (appx. € 705) with benefits included. Excluding the 131,000 Hungarians in public works schemes – 38,000 fewer than one year earlier – gross wages rose by 10.1% to HUF 341,700 (appx. € 1058) and the average net wage stood at HUF 227,200 (appx. € 704).
9. **Unemployment down in May-July:** The average unemployment rate during the period of May-July 2018 was 3.6%, down from 4.2% a year earlier, the KSH announced. The average number of employed was 4,483,600, up by 1.1% from 4,433,600 a year earlier.
10. **Masterplast almost doubles profits:** Construction materials maker Masterplast announced a €1,653,000 post-tax profit for the second quarter, almost twice as much as one year earlier. Revenues went up by 24% in Hungary, 30% in Poland, and 22% in the Ukraine, but fell by 13% in Macedonia, 12% in Croatia and 1% in Romania.
11. **Audi start manufacturing new model Q3:** The first new Audi Q3 model has come off the assembly line at the assembly plant in Győr, the German car maker announced. The new SUV is the fifth model assembled in Audi's Győr factory. As the assembly line is flexible, the Q3 is produced on the same line as the Cabriolet, TT Coupé and Roadster models. Audi has the capacity to produce 160,000 vehicles annually. Audi employs 4,500 in vehicle production and 12,500 overall in Hungary.
12. **Richter Q2 profits beat expectations:** Richter reported a HUF 24.3 billion (appx. € 75.2mln) profit after taxes in the second quarter of 2018, well above forecasts. After-tax profit almost tripled from HUF 8.4 billion (appx. € 26 mln) in the same period of 2017. The huge increase is due to the revaluation of foreign-currency claims and duties. Richter's revenues were down 3.2%, falling from HUF 114.1 billion (appx. € 353.3 mln) to HUF 110.5 billion (appx. € 342.2 mln). Operating profit increased by 8.3% from HUF 16.6 billion (appx. € 51.4 mln) to HUF 18 billion (appx. € 55.7 mln). Richter substantially increased its exports to the US and China over the preceding 12 months.

Average Monthly Exchange rates for AUGUST 2018

1US\$= 279.59HUF

1EUR= 322.91HUF

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

**Embassy of India
Budapest**

ECONOMIC AND COMMERCIAL REPORT
FOR THE MONTH OF AUGUST 2018

Bosnia & Herzegovina (BiH)

Trends in bilateral trade JAN-JULY 2018:

Source: Eurostat (<http://epp.eurostat.ec.europa.eu>)

	BiH's Imports	BiH's Exports	Total	Growth% of Import (y-o-y)	Growth% of Export (y-o-y)
BiH's trade with India (mln)	43.3 USD 36.0 EUR	5.3 USD 4.4 EUR	48.6 USD 40.3 EUR	-22.3% -5.5%	+4.1% +26.7%
BiH's Total Global Trade (mln)	6,836 USD 5,673 EUR	4,259 USD 3,534 EUR	11,095 USD 9,206 EUR	-10.3% +9.1%	-8.1% +11.8%

Top 10 items of export to India from BiH

Product	2018 JAN-JUL	% growth	% total
TOTAL	5.3	-4.0%	100.0%
28 - INORGANIC CHEMICALS; ORGANIC OR INORGANIC COMPOUNDS OF PRECIOUS METALS, OF RARE-EARTH METALS, OF RADIOACTIVE ELEMENTS OR OF ISOTOPES	4.5	-14.3%	85.7%
48 - PAPER AND PAPERBOARD; ARTICLES OF PAPER PULP, OF PAPER OR OF PAPERBOARD	0.2	96.1%	4.1%
79 - ZINC AND ARTICLES THEREOF	0.2	-42.5%	3.4%
73 - ARTICLES OF IRON OR STEEL	0.1	-11.0%	1.6%
84 - NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	0.1	142.0%	1.2%
22 - BEVERAGES, SPIRITS AND VINEGAR	0.0	-9.8%	0.9%
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	0.0	-88.9%	0.8%
72 - IRON AND STEEL	0.0	192.9%	0.5%
38 - MISCELLANEOUS CHEMICAL PRODUCTS	0.0	216.0%	0.4%
44 - WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL	0.0	161.7%	0.3%

Top 10 items of export to the World from BiH

Product	2018 JAN-JUL	% growth	% total
TOTAL	4,258.5	8.8%	100.0%
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	426.3	17.0%	10.0%
27 - MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBSTANCES; MINERAL WAXES	418.6	-14.9%	9.8%
44 - WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL	277.3	18.6%	6.5%

84 - NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	273.4	11.5%	6.4%
64 - FOOTWEAR, GAITERS AND THE LIKE; PARTS OF SUCH ARTICLES	271.8	11.2%	6.4%
76 - ALUMINIUM AND ARTICLES THEREOF	262.9	4.3%	6.2%
73 - ARTICLES OF IRON OR STEEL	246.2	-3.5%	5.8%
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	237.1	5.6%	5.6%
28 - INORGANIC CHEMICALS; ORGANIC OR INORGANIC COMPOUNDS OF PRECIOUS METALS, OF RARE-EARTH METALS, OF RADIOACTIVE ELEMENTS OR OF ISOTOPES	231.1	12.5%	5.4%
72 - IRON AND STEEL	213	0.6%	5.0%

Top 10 items of Import from India to BiH

Product	2018 JAN-JUL	% growth	% total
TOTAL	43.3	28.8%	100.0%
84 - NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	8.8	30.6%	20.4%
09 - COFFEE, TEA, MATÉ AND SPICES	5.8	50.9%	13.4%
41 - RAW HIDES AND SKINS (OTHER THAN FURSKINS) AND LEATHER	2.2	18.3%	5.2%
25 - SALT; SULPHUR; EARTHS AND STONE; PLASTERING MATERIALS, LIME AND CEMENT	2.1	19.6%	4.7%
56 - WADDING, FELT AND NONWOVENS; SPECIAL YARNS; TWINE, CORDAGE, ROPES AND CABLES AND ARTICLES THEREOF	2.0	-5.7%	4.6%
64 - FOOTWEAR, GAITERS AND THE LIKE; PARTS OF SUCH ARTICLES	1.8	36.8%	4.2%
52 - COTTON	1.7	48.1%	4.0%
62 - ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, NOT KNITTED OR CROCHETED	1.5	32.5%	3.6%
30 - PHARMACEUTICAL PRODUCTS	1.4	11.2%	3.1%
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	1.3	-32.9%	3.1%

Top 10 items of Import from the World to BiH [USD Million]

Product	2018 JAN-JUL	% growth	% total
TOTAL	6,836.2	11.5%	100.0%
27 - MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBSTANCES; MINERAL WAXES	1,004.0	8.2%	14.7%
84 - NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	544.5	11.1%	8.0%
87 - VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING-STOCK, AND PARTS AND ACCESSORIES THEREOF	496.8	11.2%	7.3%
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	371.8	13.3%	5.4%
39 - PLASTICS AND ARTICLES THEREOF	365.7	10.1%	5.3%
72 - IRON AND STEEL	264.6	-11.1%	3.9%
30 - PHARMACEUTICAL PRODUCTS	198.5	18.4%	2.9%
73 - ARTICLES OF IRON OR STEEL	186.9	13.0%	2.7%
41 - RAW HIDES AND SKINS (OTHER THAN FURSKINS) AND LEATHER	132.3	25.9%	1.9%

48 - PAPER AND PAPERBOARD; ARTICLES OF PAPER PULP, OF PAPER OR OF PAPERBOARD	125	10.1%	1.8%
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(VI) Top 5 Competitors of India's Top 5 Exports to BiH in 2017 JAN-MAY

S. No.	Commodity	Competitors	Amount (In millions of US\$)
1	84 - NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	1. GERMANY	85.0
		2. CHINA	83.5
		3. ITALY	70.5
		4. TURKEY	31.7
		5. SLOVENIA	29.4
2	09 - COFFEE, TEA, MATÉ AND SPICES	1. BRAZIL	20.2
		2. ITALY	5.2
		3. CROATIA	0.9
		4. VIETNAM	0.9
		5. UGANDA	0.6
3	41 - RAW HIDES AND SKINS	1. ITALY	42.8
		2. SLOVENIA	30.9
		3. CROATIA	9.3
		4. GERMANY	8.0
		5. AUSTRIA	7.1
4	25 - SALT; SULPHUR; EARTHS AND STONE; PLASTERING MATERIALS, LIME AND CEMENT	1. CROATIA	20.6
		2. SERBIA	2.1
		3. GREECE	2.1
		4. TURKEY	1.7
		5. ITALY	1.6
5	56 - WADDING, FELT AND NONWOVENS; SPECIAL YARNS; TWINE, CORDAGE, ROPES AND CABLES AND ARTICLES THEREOF	1. ITALY	12.7
		2. GERMANY	6.1
		3. SLOVENIA	2.1
		4. TURKEY	1.4
		5. CHINA	1.1

Source: Eurostat (<http://epp.eurostat.ec.europa.eu>)

(VII) Bilateral Investment (Source: News, local media)

S. No.	Name of Company	Secor	Amount (US\$ million)

NIL during the period of report

(VII) Global Investment (Source: News, local media.)

S. No.	Name of Company	Secor	Amount (US\$ million)

NIL during the period of report

(ix) Significant trends in trade and investment in JAN-JUL 2018

Source: Eurostat (<http://epp.eurostat.ec.europa.eu>), News, local media.

Details of significant trends	Analysis
(HS 84) NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	The product group exhibited a growth of 30.6% in JAN-JULY 2018 over the same period of 2017 and represents 20.4% of total Indian exports to BiH with 8.8 mln USD.

(HS 09) COFFEE, TEA, MATÉ AND SPICES	The product group increased by 50.9% in JAN-JULY 2018 over the same period of 2017. It represents 13.4% of total exports to BiH with 5.8 mln USD.
(HS 41) RAW HIDES AND SKINS (OTHER THAN FURSKINS) AND LEATHER	Trade increased by 18.3% in JAN-JULY 2018 over the same period of 2017 in this product group. However, it represents 5.2% of total Indian exports to BiH with 2.2 mln USD.
(HS 25) - SALT; SULPHUR; EARTHS AND STONE; PLASTERING MATERIALS, LIME AND CEMENT	The product group increased by 19.6% in JAN-JULY 2018 over the same period of 2017. It represents 4.7% of total exports to BiH with only 2.1 mln USD.
(HS 56) WADDING, FELT AND NONWOVENS; SPECIAL YARNS; TWINE, CORDAGE, ROPES AND CABLES AND ARTICLES THEREOF	Trade fell back by 5.7% in JAN-JULY 2018 over the same period of 2017. However, it represents only 4.6% of total Indian exports to BiH with a value of 2.0 mln USD.

2. Important India related statements of commercial significance by political leaders, think tanks, chambers, associations etc: NIL during the period of report

3. Market access:

- **Alerts on SPS/TBT notifications, import procedures, export restrictions put in place; change in trade policy:**

S. No.	Notification no. and date	Product	Distribution Date	Comment Deadline
				-

NIL during the period of report

- **Alerts on Trade Defence Measures taken by respective country: (Special Safeguard, antidumping, CVD or Anti-subsidy)**

S. No.	Notification no. and date	Details of products / sectors affected	Effective from

NIL during the period of report

Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina, Department of Foreign Trade Policy and Control and Protection Measures deals with such issues:
<http://www.mvteo.gov.ba/>

- **Feedback from major Indian industries/ other commercial concerns set-up in that country and Indian trade visitors to that country:** NIL during the period of report
- **Feedback on major trade fairs / BSM including Indian participation (*whether or not supported by MAI funds*):** NIL during the period of report

S. No.	Particulars of Trade Fair, dates etc.	Number of participants from India	List of large participants	Feedback received

TRADE FAIRS in Bosnia and Herzegovina

RENEXPO BiH	International Trade Fair and Conferences on Renewables and Energy Efficiency	Sarajevo	October 24-25 2018	www.renexpo-bih.com
INTERNATIONAL FAIR OF TOURISM	Fair of tourism and tourism industry, tourism exchange	Sarajevo	October 17-19 2018	www.skenderija.ba
FAIR OF ECONOMY 2018	Fair of Economy, Agriculture, Crafts and Consumer goods	Sarajevo	December 5-7 2018	www.skenderija.ba
INTERIO	International fair of forestry, wood, furniture and interior design	Sarajevo	March 2019	www.skenderija.ba

<https://www.tradefairdates.com/Fairs-Bosnia-and-Herzegovina-Z18-S1.html>,
<http://komorabih.ba/wp-content/uploads/2018/07/CALENDAR-BH-FAIRS-2018.pdf>

e. Feedback from local commercial visitors to trade fairs in India, including under BSM. Number of Business Visas issues:

S. No.	Particulars of Trade Fair, dates etc.	Number of participants	List of large participants	Number of Business Visas issued	Feedback received
1.					

VISAS

Number of Regular Visas issued	(Aug)	3
Including number of Business Visas	(Aug)	0
Number of e-Visas issued (all categories)	(July)	19

- **Investment:**

- **Opportunities for investments/assets on offer/major company divestment:**

S. No.	Particulars of the asset/company	Contact details

1. **Pavlovic International Bank, Slobomir, Bjeljina looking for cooperation, investors:**
 Ambassador of India met Dr. Joseph Szórád, Managing Director of Emerio Partners Consulting LLC on 1st October 2018. Dr. Szórád highlighted the investment opportunity in the Pavlovic International Bank (Slobomir, Bjeljina Karadordeva I., Bosnia and Herzegovina. Tel, +386- 55/232-300, Contact: Slobodan Pavlovic, Founder). The bank was founded in 1999, and is active in the territory of Republika Srpska with a Market share of 3%. The institution has 6 branches and 24 sub-branches with 17.78 public deposits, and 82.22% of private entitites. VIP clients include Alumina a.d. Zvornik, Etno Village Stanisic, Terex doo Bijeljina. Net income was 873 000 KM (appx € 448,000) in 2017 and losses of 930 000 KM (appx € 477,000) in 2018. Total basic capital is KM 25.7 mln (appx € 13 mln). The bank is looking for investors to diversify and recapitalize itself, enabling easy access into the banking sector of BiH and ensuring better future profitability.

- **Information on Tender Notices of interest to Indian project exporters (USD 15 million & above)-**

Foreign Investment Promotion Agency (FIPA) provides a database of investment projects in BiH www.fipa.gov.ba

Delegation of the European Union to BiH Tenders (European tenders):

http://europa.ba/?page_id=320

1. **New Tenders for Construction, Supervision and Technical Assistance Published By JP Autoceste FBiH:** The highway company JP Autoceste FBiH has published tenders for the construction of several more sections of the M17 highway. This concerns Tarcin-Konjic section, Tarcin-Ivan subsection, two kilometers long LOT 2 Tunnel Ivan, and sections Poprikusa-Nemila, about five kilometers long. At the same time, tenders for supervision services and technical assistance were also announced for these sections of the highway. The deadline for submitting applications for all tenders was October 4th. The total value of the investment for the construction of these two parts is € 235 million, out of which 120 million has been ensured by the European Bank for Reconstruction and Development (EBRD). 90 more million euros are allocated from the European Investment Bank (EIB) and the rest of the funds are secured through a grant approved by the Western Balkans Investment Fund. The construction is expected to start in the spring of 2019.
2. **Hydropower Project Draws Interest from 19 Firms:** Nineteen international firms have expressed interest in taking part in the construction and financing of the 160- megawatt (MW) Dabar hydropower plant in southeastern Bosnia. They include General Electric, Strabag, Turkish Enka, as well as seven Chinese firms such as Dongfang Electric Corp and Norinco International Cooperation, HET's production manager Ilija Tamindzija said. The Dabar plant on the Trebisnjica river will be part of a planned 250-MW hydropower complex, Gornji Horizonti, which is designed also to incorporate two smaller hydropower plants, Nevesinje and Bileca. The cost of building the Dabar plant is estimated at € 200 million. Tamindzija said interested partners would soon be invited to submit formal bids for the plant, which will produce 251 gigawatt hours of electricity a year. Partners should finance at least 85 % of the project's value, and their investment would be repaid in electricity or cash. The rest would be financed by HET, a subsidiary of Bosnia's second-largest power utility, Elektroprivreda RS

- **Information regarding upcoming major investments in India from respective country:**

S. No.	Particulars of the asset/company	Sector of Investment	Quantum of Investment

NIL at the time of the report

- **Details of trade research, information, dissemination activity of the commercial wing:**

S. No	Nature of activity (trade research, information dissemination, seminars, etc)	Details (date, venue & number of participants, copy of research sent to DOC)

Publicity of upcoming Indian Trade Fairs:

The Embassy gave publicity to the following events:

- 2nd Rubber Expo 17-19 Jan 2019, Mumbai
- 2nd Re-Invest Renewable Energy Investors Meet and Expo 3-5 Oct Delhi
- 46th IHGF Delhi Fair 16-18 Oct 2018
- Bengaluru Space Expo 2018 6-8 Sept, Karnataka
- 5th Smart Cities Expo 2019 May 22-24, New Delhi, India

- **Details of activities conducted out of Trade Promotion budget:**

BE for 2018-19 Rs.	RE for 2018-19 Rs.	Amount utilized (till AUG 2018) Rs.	Details of Activity
427,000	500,000	276,683	Participation in the Mostar International Trade Fair Purchase of Make in India yoga T-shirts in connection to the 4th IDY and 3rd Ganga Danube Cultural Festival Expenditure towards delivery of 100 pcs of Shawls with Make in India Logo for use in various events

Action taken on the previous JWGs, Joint Commissions, sub-commissions etc. (issues that Mission had to follow up with host government): The last JCEC Meeting was held on 24-25 Sept 2012 in Sarajevo. Deputy Minister of Foreign Trade and Economic Relations of BiH, Mr. Mato Franjicevic, who is the Co-Chair of the Joint Committee from the BiH side, led a delegation to India in December 2016 and held a meeting with the Co-Chair from the Department of Commerce in India. Efforts are underway for constituting the next round of JCEC.

- **Trade Queries for Imports/Exports (from BiH for the month of June 2018)**

The Embassy received *nil* inquiries/questions/initiatives from Bosnian companies:

No.	Company	Contact person	Sector	Status

The Embassy received *nil* trade inquiries from Indian companies:

No.	Company	Contact person	Sector	Action Taken

8. Any Other Issue of Importance:

1. **EC adopts Revised indicative strategy paper:** The European Commission adopted the revised Indicative Strategy Paper for Bosnia for the period 2014-2020, with a € 314.9 million of Pre-Accession Aid Planned. The strategic document has been updated to take into account the most relevant developments towards the EU integration process and the results achieved so far in the different areas of intervention. For the period 2018-2020, Bosnia and Herzegovina will continue to benefit from IPA II assistance for the implementation of the public administration reform, including public financial management. Support in the rule of law sector will further improve access to justice for all citizens and improve the coordination and capacity for border management, fighting corruption and organized crime. IPA II assistance will support further reforms to ensure protection of fundamental rights, in particular of the most vulnerable groups, including Roma and refugees and internally displaced persons. Moreover, IPA will continue supporting reforms in the education, employment and social sectors focusing on the reform of labor and employment institutions. Support for agriculture and rural development will contribute to increased competitiveness of the agro-food sector and better living standards for farmers and the rural population. Similarly, the inclusion of environment and energy for IPA II support is crucial to

support the adoption of EU-aligned legislation and infrastructure investments notably in water and waste management, civil protection and flood management, and of climate action including energy efficiency and renewable energy. The support in the energy sector is conditioned on the adoption of a comprehensive countrywide strategy.

2. **Unemployment Figure Drops by about 2,000 in June 2018:** Compared to the previous month, the number of unemployed persons was lower by 1,996 or 0.44 %. Of the total number of job seekers, 247,641 or 55.27 % are women, stated the Labor and Employment Agency of BiH. According to the data of the Statistics Agency of BiH, in May 2018, the number of employed persons in BiH was 802,718, of whom 339,364 were women. Compared to April 2018, the number of employed persons increased by 0.8 %. The registered unemployment rate for May 2018 was 35.9 %.
3. **Export of BiH Raised by 11.8 % for the First Part of 2018:** Bosnia's exports into EU have increased for 13 % and are worth appx 2.5 bln €. Bosnia exported KM 6.911 bln (appx € 3.533 bln) worth of goods in the first 7 months of 2018, which is 11.8% more than in the same period of 2017. It imported KM 11.095 bln (appx € 5.6 bln) worth of goods, representing a 9.1% increase over 2017's seven-month period. According to Bosnia and Herzegovina's Statistics Agency, the import-export coverage was 62.3 % while the foreign trade deficit amounted to some KM 4.2 bln (appx € 2.1 bln). When it comes to Bosnia's exports into the EU, it amounted to KM 5.067 bln (appx € 2.5 bln), representing a 13.3 % increase over the same period of 2017. However, Bosnia imported KM 6.645 bln (appx € 3.39 bln), which is 7.2 % more than the last year's period. The import-export coverage with the EU was 76.3 %. Exports in the first half to India were 3.6 mln € marking an 18.1% growth over the same period of 2017, while imports € 30.6 mln, dropping by 4.4%. Total trade with India was € 34.2, down by 2.4%, compared to the same period of 2017.
4. **Bosna Bank International's H1 Net Profit Drops Slightly:** Sarajevo-based Bosna Bank International's first-half net profit dropped 1.6% on the year to 4.1 million KM (€ 2.1 mln). The lender's net interest income increased 3.4% to 11.6 million KM (€ 5.9 mln) in the six months through June. Bosna Bank International had total assets of one billion KM (€ 511) at the end of June 2018.
5. **BH Telecom H1 Net Profit Drops:** State-controlled company BH Telecom's its first-half net profit fell to 23.9 million KM (€ 12.2 mln) from 32.3 million KM (€ 16.5 mln). in the same period of 2017. Operating income declined 5.5% on the year to 232.4 million KM (€ 118.9 mln) in the first half, while operating costs dropped 3.9% to 208.8 million KM (€106.8). BH Telecom is the largest of the three telecoms operating in Bosnia. The company is based in capital Sarajevo and has its customers mainly in the Federation entity. BH Telecom offers fixed and mobile voice services and Internet access. The other two Bosnian telecoms are HT Mostar, which is active in the Federation, and Telekom Srpske, which operates in Republika Srpska entity.

External:

1. **Visit of China State Construction Engineering Corporation Ltd. to FIPA:** The delegation of the China State Construction Engineering Corporation - CSCEC from China, headed by the Deputy Director General Tang Hao visited the Foreign Investment Promotion Agency of BiH (FIPA) in order to get information on the work and activities of the Agency and the possibilities for investing in projects in Bosnia and Herzegovina. CSCEC it is ranked 4th on the list of the largest companies in China and has about 300,000 employees. It is one of the largest investment and construction companies operating in 129 countries around the world.

Average Monthly Exchange rates for August 2018

1US\$= 1.694907 KM

1EUR= 1.955830 KM

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

Sanjeev Manchanda
Second Secretary (Com/Pol)/CR
Embassy of India
Budapest