



Koninkrijk der Nederlanden



Hungary Economic News Letter

Embassy of the Kingdom of the Netherlands

Editorial

The EC, in close cooperation with IMF and observers from the ECB conducted a mission to Hungary in the second half of January. The EC welcomed Hungary's efforts to keep its budget deficit below 3% of GDP, but the government should pay more attention to the quality of the fiscal adjustments made to achieve this goal, was the main conclusion of the mission, which message was also conveyed by EC President Manuel Barroso in talks with Prime Minister Viktor Orbán in Brussels. President Barroso did not comment on whether Hungary will be freed from the EU's excess deficit procedure this year. Orbán said that practically all disputes, i.e. infringement cases with the EU have been closed "this way or that". Analysts believe that in the course of the Spring additional austerity measures could be needed in the 2013 budget and recall that last year the budget had to be modified nine times in order to reach the initial deficit target.

As the date for appointing a new central bank governor is approaching, an increasing number of foreign media and analysts are addressing the issue. Some believe the new leadership to be appointed by the Orbán cabinet will use monetary policy to boost growth. However PM Orbán will name the next central bank governor only in the very last moment. Due to uncertainties surrounding the appointment the HUF was volatile and EUR/HUF exchange rate reached the 300 mark for a short period. Thanks to some positive messages from the government it went back to the 393-395 zone in the last days of the month despite that the monetary council had cut further the policy rate to 5.5%.

In order to improve the investment climate the government signed further three strategic partnership agreements with multinationals, this time with Nokia, Jabil Circuit and Tata. While the level of investments is record low, investments in automotive sector and its supply chain continue, with Mercedes and Audi launching new models. In order to maintain the momentum the government announced a special vehicle industry centre in Zalaegerszeg/Szombathely, although it remains to be seen what it will mean in practical terms.

As to the Embassy's activities, the preparatory work on the bilateral round table on Water Management to be held in April in Budapest has geared up. Although the event will be hosted by the Hungarian Ministry of Foreign Affairs, the Dutch contribution to the content of this event is planned very carefully and the government-to-government element will be completed with business-to-business programme. In case your company is interested, please do not hesitate to contact the Embassy.

Bert van der Lingen

Martijn Homan

Marina Varga

Éva Szabó

Deputy Head of Mission

Agricultural Counsellor

Senior Policy Adviser

Trade Promotion Officer

EU relations

Gov't to revamp distribution of EU funds

The government is planning to overhaul the institutional framework of EU financing in the 2014-20 EU Multiannual Financial Framework, *Index* reported. Co-ordination will be taken over by the Development Policy Steering Committee, chaired by the Prime Minister.

So far the state development agency NFÜ has been responsible for the planning and implementation of the entire New Hungary Development Plan and is in charge of disbursing the HUF 8.2tn (EUR 27bn) of EU funds that Hungary received during 2007-13. The NFÜ received HUF 9bn (EUR 30mn) in the 2013 budget, but its role will be phased out as the government plans to decentralise the agency's activities and delegate tasks to various ministries.

Minister of State János Lázár, who now oversees EU funding, said the share of irregular spending of EU funds dropped to 18% in 2010 and to only 6% in 2011. Hungary had already invited bids for 95% of funds allocated under the current financial framework, while 85% of funding has already been committed to approved projects. The fact that Hungary has signed contracts regarding 65-70% of funded projects puts the country in the middle of the field compared to other member states. To help solve problems related to stranded projects, which are often related to co-financing difficulties, the government plans to allocate additional HUF 50bn. The Ministry of National Development plans to review the failed project proposals by February 15.

New infringement procedure against Hungary

The European Commission sent a Letter of Formal Notice to Hungarian authorities over the telephone tax, by which it has formally launched infringement proceedings against the country over the new tax levied on 1 July 2012. Commission experts told *BruXInfo* that the concerns of Brussels in this respect are no different from those expressed in relation to the temporary tax imposed on the telecom sector in the autumn of 2010. That case is already at the European Court of Justice.

According to the EU's Authorisation Directive governments of the member states have the right to impose so-called administrative charges on telecom service providers, but the proceeds may be spent on nothing else but on the infrastructure and network, i.e. the operation of the sector. The EC, however, is convinced that the collected levy - just like in the case of the previous telecom sector tax - is spent not on the development of the sector but on other purposes, which is not permitted by the Authorisation Directive.

Economic policy

New bond issue foreseen

The government announced that it had hired BNP Paribas, Citigroup, Deutsche Bank and Goldman Sachs to arrange a road-show with fixed-income investors. Hungary's state secretary of the economy ministry, Gyula Pleschinger said at a conference that conditions would dictate the timing of a new Eurobond but added the government usually sells USD 2bn per international bond issue. Hungary's potential return to the international bond market would cut the chances of an IMF agreement to practically zero, giving the government carte blanche to continue with its controversial policies, analysts commented. Hungary needs to refinance around EUR 1bn in foreign-currency denominated bonds this year, according to Fitch, with most of that coming due in the first quarter. In total, the government has funding needs of EUR 7bn, said Nomura.

Hungary last issued in the international capital markets in mid-2011. Since then it has funded itself domestically, including through retail bonds. It is worth adding that in mid-February Hungary paid a EUR

607mn instalment on its 2008 IMF loan, two weeks before it was due. The early repayment was possible because investors had snapped up the new retail euro bond Pemák, purchasing a total EUR 1.3bn.

Budgetary policy

IMF-EU mission in Budapest

European Commission officials, in close cooperation with International Monetary Fund staff and observers from the European Central Bank (ECB), conducted a mission to Hungary from 16 and 28 January. The EU executive encouraged the government to "pay close attention" to the quality of the fiscal adjustment measures in order to support growth and the recovery of confidence in the country. It also said that in order to keep the budget deficit below 3% of GDP and so allow the lifting of the excessive deficit procedure (EDP), "additional steps" are required by the cabinet.

The mission welcomed the fiscal consolidation achieved so far and the commitment of the government to continue its efforts to keep the deficit well below 3% of GDP. At the same time, it encouraged the government to pay close attention to the quality of the adjustment measures so as to ensure a sustainable correction that supports growth and confidence. In view of the challenging external financing needs that Hungary faces in 2013 and 2014, decisive structural reforms as well as a stable and credible institutional policy framework will also play an important role, the mission concluded.

Preliminary December budget data look good

Hungary posted a HUF 84.2bn (EUR 284mn) budget surplus in December, the National Economy Ministry has reported. This took the full-year shortfall down to HUF 607bn (on a cash-flow basis, excluding local governments), which is somewhat higher than the original target of HUF 576bn (EUR 1.94bn). However, the goal was last raised to HUF 671bn (EUR 2.26bn) and compared to that the 2012 gap came in some HUF 60bn below the target. The ESA-95 based balance figure will be 2.7%, the Ministry predicts. The final official deficit data will be sent to the EU by the Central Statistics Office (KSH) at the end of March, in the form of the EDP Report.

Monetary policy

Hungary might change FX regime

The government has silently given up targeting Eurozone entry, rendering pointless the central bank's inflation-targeting monetary policy in place in 2001, as well as the benefits of the free-floating exchange rate system in place since 2008, *Napi Gazdaság* wrote. In the long term, both the monetary policy and the exchange rate system were aimed at Hungary's eventual adoption of the euro. With the new approach, the question arises whether to change the emphasis from inflation targeting to the real exchange rate, in practice reintroducing a trading band, as before 2008, the newspaper speculates.

Monetary council cuts rate further

The majority of the Monetary Council of Hungary's central bank (NBH) did not let to be "intimated" by the recent depreciation of the HUF and so the MPC continued the monetary easing started in August 2012 and lowered the base rate by 25 basis points to 5.50%. This was the sixth consecutive policy meeting producing a 25-bp rate reduction.

It was not clear whether the rate cut cycle could be continued in the current situation, although global investor sentiment remains supportive and real economic processes (e.g. a possible deepening of recession in last quarter of 2012, decelerating inflation) provided arguments for the continuation of cautious monetary easing. It was primarily domestic factors (uncertainties about the incoming central bank leadership and possible changes in monetary policy) that led to a marked easing of the HUF.

Employment

Compensation for minimum wage increase

Employers in the 11 sectors most affected by the government's decision to increase minimum wages can submit applications for supplementary money to top up these wages from March on, business daily *Világgazdaság* wrote, citing a document of the Economy Ministry. However, contrary to earlier press reports, subsidies will only be available in June rather than March. Sectors eligible for support include the food, textile, leather and catering industry, wood and furniture production, as well as the retail and building sectors. On January 1, the monthly minimum wage rose to HUF 98,000 (EUR 341) from HUF 93,000 for unskilled workers and to HUF 114,000 (EUR 397) from HUF 108,000 for skilled workers.

Unemployment rate stagnates

The number of employed totalled 3.9 million in Hungary in the fourth quarter of 2012 in the 15-74 age group, which means 16,400 fewer people had jobs than in the third quarter. The number of unemployed, however, grew by only 900 people therefore the jobless rate picked up moderately only to 10.7% from 10.6% in the preceding three-month period. In annual comparison, the number of employed still grew by 58,000 people, although this growth stems primarily from public services, mostly from public workers, while the number of employed decreased in the industry and, within this, especially in the manufacturing sector compared to the base period.

Competitiveness

Government decides on free entrepreneurial zones

The government has finalised the list of regions eligible for free entrepreneurial zone status. At the cabinet meeting 47 such zones in the country were selected, most of them in Borsod-Abaúj-Zemplén and Szabolcs-Szatmár-Bereg counties, the Economic Ministry said in a statement. The government is promising tax relief of up to HUF 400,000 (EUR 1350) per employee to companies that settle in such zones. The employment policy pursued by Hungarian governments so far failed to improve the position of underdeveloped areas and was especially unsuccessful in easing the tensions resulting from these differences.

Company liquidations increase in 2012

The number of company liquidations reached 28,300 last year, up 4,000 from 2011, company information service Opten has announced. Company liquidations rose at a faster pace due to legal regulations, as authorities cracked down on firms failing to meet reporting obligations. Managing director Tamás Tóth expects company windups to fall this year. However, there were also 38,000 newly-registered companies in 2012, which is highly unusual for an economy in recession, he added.

SMEs

Few switch to new tax schemes

Some 51,000 small businesses have opted to pay taxes under the self-employed business tax "Kata" and 10,000 under the new small company tax "Kiva", the Economy Ministry announced. The numbers are well below early estimates of hundreds of thousands, *Napi Gazdaság* writes. Kata taxpayers, if employed full time, must pay a flat HUF 50,000 (EUR 167) a month, which replaces all other taxes, including corporate tax and social security contributions. Companies with annual revenue of less than HUF 6mn (EUR 20,000) can also choose the scheme. Companies with 25 or fewer employees and annual revenue below HUF 500mn (EUR 1.7mn) can switch to "Kiva" in which a flat 16% tax applies.

Business environment

Hungary joins the Open Government Partnership

As part of the government-level anti-corruption programme, the Government decided in 2012 that Hungary will join the Open Government Partnership and will thereby make a number of further undertakings in the fight against corruption and for the implementation of a more transparent system of

public administration. Hungarian government pledges to improve the publicity of fiscal data and access to public procurement information and to increase the publicity of contracts entered into with respect to the utilisation of public property and public funds.

This year the government introduces an integrity management system in the public sector, as part of which it creates an institutional system for the protection of whistle-blowers, identifies the rules relating to communication between state agencies and interest representations. This ensures that any proposals to be discussed by the Government and the drafts of ministerial decrees are previously subjected to an analysis focusing on corruption risks and creates occupational codes of ethics approved by professional public bodies that are independent of the government for government servants and law enforcement agencies.

The programme also intends to provide training for the staff members of state agencies on issues such as integrity, the prevention of corruption and ethics, and will launch authentic, transparent and cost-effective information campaigns, differentiated for each target group, with the active involvement of citizens and civil organisations in order to improve the skills and awareness of members of society in connection with corruption phenomena and the attitudes and counter-measures that may be employed to effectively fight them.

New regulations on export loans

State-owned export financier Eximbank will apply the European Commission's one-year interbank rate as its reference rate, as part of new rules for state-subsidised export loans introduced from January 1. Companies that owe money to either the state or Eximbank will no longer be eligible for state guarantees. Service sector companies seeking assistance must prove that most of their employees pay social security in Hungary. Construction companies must show that at least 25% of the value of the work in question can be considered Hungarian export.

Dutch presence in Hungary

Visser & Smit Hanab BV

Visser & Smit Hanab, a major Dutch mechanical and pipeline construction company, is engaged in a wide range of activities comprehending mechanical construction for refineries, building of compressor stations, water purification plants, boiler- and combustion systems and alike. The Hungarian Branch was founded in 2006 and managed by director Árpád Teschner.

Part of Volker Wessel company, the organisation is active in the installation of subterranean utilities and pipeline constructions for gas/oil products and water. Besides being a prominent representative in the field of pipeline construction, the company may be considered to be a leading cable installation contractor as well.

Along the pipeline/cable routes, it is inevitable to cross many obstacles, such as rivers, roads and rocks etc. Within the company, a variety of advanced trenchless installation techniques have therefore been developed and introduced, thus minimising public inconveniences as well as disturbances to the environment at cost saving rates. Throughout Europe, Visser & Smit Hanab constructed a large amount of submerged pipeline sections in rivers, canals, estuary crossings, rocks, sea outfalls and landfalls. There is an increasing demand for scopes of work comprehending a combination of design and construction. For more information you can visit the website: www.vshanab.com

Friesland closing Debrecen dairy

Friesland Campina Hungária will close its facility in Debrecen from September but has signed a letter of intent with a potential buyer, the dairy announced. Friesland will concentrate production of certain products in its Mátészalka unit, and will outsource production of other goods. The plans mostly affect Milli brand products. Logistics and administration will be based in Budapest from 2014.

Industry

Industrial output slumps in November

Industrial production fell 6.9% year-on-year in November, after a 3.8% decline in October, according to figures from the Central Statistics Office. Industrial exports were down 4.9% year-on-year in November. The decline in domestic industrial production was steeper, down 11.9% on annual basis.

The increase in vehicle production was not enough to offset slowing demand for electronic, IT and optical goods. Vehicle exports, which account for one third of manufacturing output, rose 12.1% year-on-year. However, IT, computer and optical production fell 26.8% in the same period.

The Economy Ministry blamed external factors for industry's downfall in November, noting that output was also down in Spain, Italy and the Czech Republic. The ministry found solace only in the 45.7% surge in new orders for manufacturing companies, although much of that was attributed to one huge, one-off order. The high base figure from January 2012 and the decline in production of telecoms equipment is to blame for the November figures, said ING analyst Dávid Németh.

Automotive

Special vehicle industry centre

The cabinet classed the Nyugat-Pannon Vehicle Industry and Electromechanical Centre in the Szombathely-Szentgotthárd and Zalaegerszeg region as a prominent vehicle industry centre, Defence Minister Csaba Hende announced. The centre is expected to draw EUR 1bn in capital investment and create 25,000 new jobs, he said, following a press briefing with local council leaders of the three towns. This could become the second most prominent vehicle centre in Hungary after Kecskemét, he added.

Rehau opens factory in Győr, while Soyer in Székesfehérvár

Biatorbágy company Rehau Automotive has opened its new factory in the Győr industrial park, completing a EUR 60mn project. Production in the 26,000m² building will start in April with 200 employees. Rehau will supply Audi with 500,000 bumpers annually, for A3, TT and Q7 models.

German-owned Soyer Magyarország opened a factory in Székesfehérvár following a HUF 118mn (EUR 393,000) investment. The company received HUF 59mn (EUR 197,000) for the project from the New Széchenyi Plan. Soyer manufactures stud welding products and has contracts with carmakers Audi, Suzuki and General Motors.

Audi engine production hits new high

The Audi factory in Győr produced a record 1.9 million engines in 2012, up from 1.88 million in 2011, Audi Hungarian Motor announced. In addition 33,533 cars were assembled last year, down from 39,500 one year earlier. While work on the new production line for A3 models is close to completion, Mercedes CLA model which will be "the coolest" export from Hungary according to Daimler CEO Dieter Zetsche, has just rolled out of the production line in Kecskemét.

GM engine production set to grow

General Motors produced 293,000 engines in its unit in Szentgotthárd, Vas county last year, up 30% from one year earlier. The target for 2013 is 336,000 engines, including new models. After last year's EUR 500mn expansion the factory has 867 workers and will hire an additional 60 this year, gradually reaching 1,440 in 2015.

Construction/Infrastructure

Looser regulations for unfinished construction projects

Rules on extending construction permits have been relaxed since January 1 in order to help developers who have brought projects to a halt because of the ongoing economic crisis. If the remaining construction work does not require a new permit, then original permits, which would expire otherwise, may be extended regardless of whether there are new requirements for the project. In order to be eligible, projects in progress must have standing walls and a roof and the original permit may not be older than ten years.

Stadium project starts in Debrecen

Construction of a new 20,000-seat stadium in Debrecen began on 29 January, in the presence of mayor Lajos Kósa and sports state secretary István Simicskó. According to plans, the city football club could play its first match there next spring. The HUF 11.45bn (EUR 38mn) facility is scheduled to open on April 28, 2014.

Services

Feibra applies for postal licence

Feibra, the subsidiary of the Austrian postal service, applied to the media and communications authority NMHH for a licence to operate in Hungary. The market for delivery of letters weighing less than 50 grams was deregulated in ten EU countries, including Hungary, from January 1. Market entry is possible 45 days after the application is submitted.

Erzsébet voucher to expand

The state holiday service NÜSZ is planning to expand the scope of the tax-saving Erzsébet voucher. The monthly ceiling for payments by Erzsébet meal vouchers will rise to HUF 8,000 (EUR 267) per employee. In addition, new products will be included in the scope of the voucher. These include school equipment for children, sports and cultural events. The voucher will be renamed Erzsébet Meal voucher.

The Erzsébet Leisure Time voucher could be used to pay for tickets to sporting and cultural events, being fully tax free for employers. An Erzsébet gift voucher will have 51% tax paid by the employer but could be used by employees to purchase non-food items. At present, 30,000 employers provide Erzsébet vouchers to a value of HUF 90bn (EUR 300mn) to over 2 mln employees.

Financial services

Private assets going abroad

The transfer of assets held in private banking to other countries reached almost HUF 300bn (EUR 1bn) in 2012, Blochamps Capital estimates in a study. Private banking investments have a solid 4% return on assets, which make this business attractive. The premium category is moving upwards from invested assets of HUF 5-20bn (EUR 17-67mn) to HUF 50-100bn (EUR 167-333mn).

Research/Innovation

New subsidy scheme for R&D activities

The “*R&D Competitiveness and Excellence Agreements*” (VKSZ_12) subsidy scheme is now open for applications. The scheme is financed from the Research and Technology Innovation Fund and provides non-refundable cash subsidies totalling HUF 22bn (EUR 74mn) to R&D projects that involve a strategic cooperation of stakeholders.

Under Sub-programme “A” of the scheme, the following projects are eligible: integrated R&D projects involving a broad cooperation of stakeholders that are aimed at tackling R&D-related tasks specified by major players in a key industry. Subsidies of between HUF 1-6bn are available. Sub-programme “B” of the subsidy scheme aims to support complex projects that provide solutions to global societal problems and leverage the scientific, technological and research resources of the affected industries in synergy with one another. Subsidies of between HUF 10bn (EUR 33mn) and HUF 12bn (EUR 40mn) are available. The

exact amount of the subsidy will be specified for each member of the consortium, based on the eligible project costs allocated to a given member and on the type of research activity to be carried out during the project. The aid intensity rate is up to 100% for basic research, 65-80% for industrial research (depending on the size of the enterprise and the type of cooperation in the project).

Telecommunication

Systemax to open centre in Budapest

IT equipment distributor Systemax will open a service centre in Budapest in the spring, the foreign trade office NKH announced. The centre is expected to create 200 jobs by the end of the year. The facility will provide sales, marketing and administrative tasks for Systemax across the EMEA region.

State IT network completed

The first phase of a telecoms network linking state institutions has been completed, IT sector undersecretary Vilmos Vályi-Nagy (Ministry for National Development) announced. He said the government's annual telecoms-related expenses could fall from HUF 25bn (EUR 83mn) to HUF 15bn (EUR 50mn) after the switch to the new backbone network. The switch to the system cost HUF 5.7bn (EUR 19mn). The government will continue with development of the integrated telecoms system. Vályi-Nagy noted that the creation of a unified state-run service by linking networks was the core element of the IT communication strategy. Some 3,600 end users have been integrated, including the new sub-county units and local government-run institutions. State-owned National Infocommunications and MVM Net will operate the system.

Four bids for MÁV telecoms tender

Four companies have filed bids to set up a GSM-R communications system for state railway company MÁV, state telecoms service provider NISZ announced. The companies probably include Kapsch, Nokia and Siemens Networks, *Napi Gazdaság* speculates. The government estimated the project price at HUF 22.6bn (EUR 75mn), of which 85% will come from EU subsidies. The project will establish an EU-standard railway communications system for 3.000km of railway in Hungary.

Transport

Wizz Air builds a training centre

Hungarian low-cost airline Wizz Air is to start building a new personnel training centre in Budapest in March 2013. The facility will feature a complete Airbus A320 flight simulator, a passenger compartment and a facility where fire drills can be held. The HUF 4bn (EUR 13.8 m) investment projected is to be completed in ten years. The centre will be located at the Liszt Ferenc International Airport (formerly Ferihegy) and will allow Wizz Air to train 90% of its staff in Budapest, the carrier said in a press release. Wizz Air's partner in the construction of the training centre is Amsterdam-Schiphol based FSC (Flight Simulation Company).

Meanwhile the number of flights and destinations served by Wizz Air is continuously increasing. It launched new flights from Budapest to Geneva, Switzerland (three time per week) and Kiev, Ukraine (on daily basis) as of March 31. Moreover Wizz Air will fly twice a week between Budapest and Malta from May 17. This is the 35 destination served by Wizz from Budapest. As to Debrecen, Wizz Air now offers scheduled flights to three destinations from Debrecen: Milan, London Luton and Eindhoven. The airline launched the Debrecen-London flight in June. Passenger numbers at the airport in Debrecen are expected to climb over 50,000 this year from 30,000 in 2011, said Istvan Herdon, head of airport operator Xanga. Next year, the numbers are expected to rise over 100,000.

ÁAK to lead e-toll project

Construction of an electronic road toll system is on track and it will be completed by July 1, IT undersecretary Vilmos Vályi-Nagy said, one day after PM Viktor Orbán announced that the government would carry out the project after a tender effort failed. State motorway manager ÁAK will be in charge of the project, Vályi-Nagy told *Napi Gazdaság*, adding that the government will use the option of centralised public procurement, allowing fast-track purchases. The e-toll system is to be integrated to the IT network of the tax authority. The costs of consultancy fees and other related items linked to the planning and the entire procedure of the failed tender are estimated at HUF 1.35bn (EUR 4.5mn), according to *Népszabadság*.

EBRD loan for Budapest e-tickets

The EBRD announced that it is lending EUR 54.2mn to the Budapest transport centre BKK to assist the launch of an e-ticket system for the city's public transport. The loan contract will probably be signed in early summer after due diligence, the bank added. The BKK has started work on a tender, which will be announced in the second half of the year, to have the system launched on January 1, 2014.

Energy

HUF 1bn (EUR 3.5mn) in heating subsidies awarded

A total of HUF 1.04bn (EUR 3.5mn) was given to 1,084 successful applicant households for upgrades of their heating systems in the framework of the New Széchenyi Plan, the Development Ministry announced. The winners were selected from 1,200 applications. Most of the subsidies will be used for installing condensing boilers or renewable energy facilities.

It should be noted however that the announced 10% cut on utility costs of households will reduce the incentive of energy-saving projects in the future.

New tender for renewable energy

From next month, companies will be eligible to apply for subsidies under the subsidy scheme "*Production of renewable electricity, cogeneration of heat and electricity, and biomethane*" (KEOP-2012-4.10.0/C), published by the NFÜ (National Development Agency). The subsidy scheme aims to encourage the adoption of decentralised, environmentally friendly electricity and heat generating systems operating at a certain output and using renewable energy sources (such as solar energy, wind, biomass, biogas, geothermal energy, and water power). Only projects carried out outside Central Hungary are eligible for support under the scheme.

The NFÜ has allocated HUF 16.5bn to the subsidy scheme for 2013, of which HUF 12bn is earmarked for enterprises, and HUF 4.5bn for budgetary units and non-profit entities. The minimum subsidy that may be granted is HUF 1mn (HUF 50mn for solar energy) and the maximum is HUF 1bn, with an aid intensity rate between 10% and 85%. The rate depends on the applicant's economic classification, the size of the enterprise concerned, and the location of the development. The obligation is to maintaining and operating the subsidised assets for at least five years (three years for SMEs), successful applicants will not have to undertake any other obligations. The period within which projects must be implemented is 24 months, and financial reports must be submitted by 30 June 2015 at the latest.

Retail

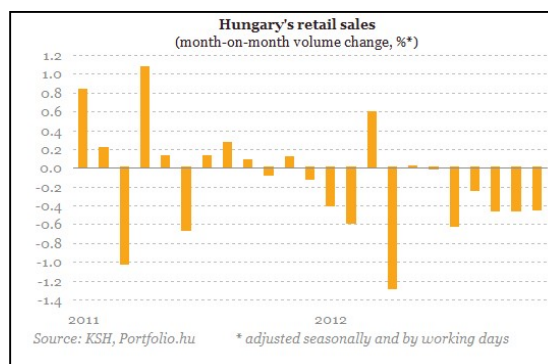
Tesco to start webshop soon

The webshop of retail chain Tesco is about to start, as preliminary registration is already possible on the company website. Tesco already offers such a service in Poland, the Czech Republic and Slovakia. Low delivery costs will attract many online shoppers, even those who have never before made an online purchase, an analyst said. Low prices will secure the leading role of Tesco in online shopping for years the analyst added. In a separate event, IKEA also announced that it will start a webshop soon.

Retail turnover volume slightly falls in November

The volume of Hungary's retail sales dropped by 0.4% month on month in November 2012, according to the data released by the Central Statistical Office. This took the year-on-year figure to -4.1%.

Compared to the 2005 level the decline reached almost 10%. As a result of Christmas shopping the large-weight December could improve the overall picture, but in view of the manufacturing sector's poor state it seems likely that recession has even deepened in Hungary in the last quarter of 2012.



Environment/Water

Bids invited for Kaposvár waste depot

The 118-member Kapos River waste management association KHÖT invited new bids to build a waste depot in Kaposvár, after the first tender failed as the bids received were over the HUF 4.3bn (EUR 14mn) budget limit. Subsidies will cover 72.8% of the costs. The construction should be completed by the end of 2014, and 70% of the waste to be recycled.

Army to deliver drinking water

The armed forces will help to deliver clean drinking water to 340,000 inhabitants in 123 municipalities from January 1 to the end of the new year. The cabinet decided last September to impose more stringent levels for drinking water, in line with EU regulation. However, the necessary equipment is not in place in all communities. Therefore the Defence Ministry will ensure drinking water supply in those municipalities until the necessary investment projects are completed. The ministry is preparing the manufacture and deployment of filtering equipment to the said municipalities.

Agriculture

Agricultural producer prices up 18%

Agricultural producer prices were 18.5% higher in October than one year earlier, the Central Statistics Office announced. Producer prices of crops were up 25%, while those of animal products increased 7.5%. The price of potatoes almost doubled, and grain prices went up by an average of 31.1%. Vegetables became 17.1% more expensive, while fruit prices dropped 1.7%. Agricultural producer prices were up 15.4% year-on-year in the first ten months of 2012.

Subsidised farm loans not popular

Demand for the subsidised agricultural loans refinanced by state development bank MFB was very low last year, as only HUF 3.4bn (EUR 11.3mn) of the available HUF 28.3bn (EUR 94.3mn) in credit was extended. The MFB working capital loan offer will be changed this year, with longer maturities and grace periods. The interest subsidy will be increased by 50%, as will the ceiling of the loan. The New Hungary development loan will also be available for the purchase of arable land.

Subsidised farm loans 2012 (HUF bn)		
Fund	Available	Taken up
MFB working	14.0	1.0
New Hungary	10.3	1.9
TÉSZ working	2.8	0.3
Vis Maior	1.2	0.2

Food industry

National Park gets state farm

The Hortobágy National Park will take over the animalbreeding state farm Hortobágyi Természetvédelmi és Génmegőrző from state asset manager MNV, Rural Development Minister Sándor Fazekas said. This will increase the park's area by 6,820 hectares from the present 82,000 hectares. This means that some 6,000-8,000 hectares can be tendered for farming, presenting an opportunity for local farmers, *Magyar Hírlap* underlines.

Sugar beet farmers to buy refinery

A group of sugar beet farmers will purchase the former sugar refinery in Kaba, Hajdú-Bihar county from Eastern Sugar, local daily *Hajdú-Bihari Napló* learnt. The buyers will have to invest tens of billions of forints as the refinery was dismantled, said farmers representative Gyula Berki. Sugar beet farming is profitable even if the beets must be shipped to Kaposvár, the only sugar refinery in Hungary.

Tourism

Association calls for more tourism marketing

Increasing guest nights by about 15-20% over the next two years would be needed to revitalise the tourism industry, but marketing outlays are too low to reach this, association of Hungarian hotels and restaurants deputy head Ákos Niklai told *Napi Gazdaság*. Niklai warned against despising low-cost airline travellers, noting that they will become potential future guests with larger purchasing power. Hotel capacities outside Budapest have been over-developed in recent decades, but met with no demand and could not generate it, he explained. Budapest has not spent any revenue from the tourism tax on marketing in the past two years, while the city of Vienna's marketing budget is larger than that of all Hungary. Niklai pointed out that the high VAT undermines tourism industry competitiveness, as accommodation is taxed at 18% and other services at 27% VAT, 12-15% higher than the EU average.

Events

Budapest Boat Show: International Boat Exhibition together with **FeHoVa: Hunting, Fishing and Arms International Exhibition**

Date: 14-17 February

Organiser: Hungexpo

More info: www.hungexpo.hu

Caravan Salon: International Camping and Caravan Exhibition together with **Travel: International Tourism Exhibition** and **Port.hu Bringaexpo**

Date: 28 February-3 March

Organiser: Hungexpo

More info: www.hungexpo.hu

Hungarian-Dutch Forum on Water Management

Date: 8 April (to be confirmed)

Organiser: Ministry of Foreign Affairs, Hungary

More info: bdp-ea@minbuza.nl

Construma: 32nd International Buiding Trade Exhibition together with **Hungarotherm: Building Engineering, Home Design** and **URB:Icon Exhibitions**

Date: 10-14 April

Organiser: Hungexpo

More info: www.construma.hu