

Embassy of India Budapest

Economic and Commercial Report for the month of September 2016

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EC investigates export of fuel rods: The government's export to Russia in 2014 of fuel rods damaged in a malfunction at the Paks nuclear power plant in 2003 may have been illegal under EU law and is the subject of a European Commission inquiry. According to Brussels sources, the government admits that it violated EU law and is now negotiating only on the consequences.

Billions in EU funds for farmers: Farmers will receive tens of billions of forints in advance payments of EU farm subsidies before the end of the year, according to Rural Development Office. Hungary is entitled to Ft 430 billion in EU agricultural subsidies for 2016, of which 70% can be paid out in advance. The top-up subsidies in 2016 will reach Ft 65-75 billion, according to Office of Rural Development.

Hungary slips in competitiveness ranking: Hungary slipped six places to 69th out of 138 countries in the annual Global Competitiveness Index compiled by the World Economic Forum. The country's 4.2 rating, on a scale of 1-7, is Hungary's lowest ever score in the index, leaving it at 25th place out of 28 EU countries. Among factors hurting the country's competitiveness, the report names "policy instability", corruption, a lack of transparency, high taxes and the quality of higher education. Low inflation, the balanced budget, declining state debt and higher savings by households were highlighted as positive for competitiveness.

Gov't extends deadline for new cash registers: The Economy Ministry has extended the deadline for various small businesses to install online cash registers from October 1, 2016, to January 1 2017. The ministry has acknowledged that existing machines on the market do not meet the required criteria. The new deadline of January 1, 2017, will also apply to taxi drivers and money-changers.

S&P upgrades Hungary to investment grade: International credit-rating agency Standard & Poor's upgraded Hungary's sovereign debt rating from BB+/B to BB-/A3, thereby lifting the country's sovereign debt from junk status to investment grade for the first time in nearly five years. Among the three large international credit rating agencies, Fitch Ratings has already raised Hungary to investment grade and only Moody's is keeping it in the junk category.

Investments nosedive in Q2: Investment volume plunged 20.3% year-on-year in the second quarter of 2016 and was 0.8% less than in the first quarter, the Central Statistics Office announced. Investments were down 12.6% year-on-year in the first three months. The large second-quarter contraction was due to the winding up of projects financed by the EU. The Economy Ministry expects investment volume to accelerate in the second half of the year with rises in EU-funded projects and new home constructions.

Budget deficit at record low: The budget deficit was Ft 274 billion, or 36% of the full-year target of 761 billion at the end of August, the lowest figure on record. Looking ahead, the last four months of the year are traditionally the best in terms of tax revenue. In the last five years, the average budget deficit for the September-December period was Ft 100 billion. Taking this into account, the deficit is on track to be well below the targets.

Central Bank sees 3% inflation in 2018: Inflation will reach the MNB's [Central Bank's] 3% target by the middle of 2018, later than previously forecast, while the expansion of the economy will continue in 2016, according to the quarterly inflation report from the central bank. The National Bank has revised its inflation

forecast to 0.4% for 2016, down from 0.5% forecast in its June report, and 2017's target was revised from 2.6% to 2.3%. The MNB kept its economic growth targets unchanged at 2.8% for in 2016 and 3% in 2017. state debt is expected to decline from 75.3% of GDP at the end of 2015 to 74.5% by the end of 2016, and 73.5% by the end of 2017. The 2016 budget deficit may be as little as 1.4-1.5% of GDP, lower than the 2% target, allowing considerable room for manoeuvre for fiscal measures, the MNB adds.

Inflation remains in negative territory: Consumer prices fell 0.1% year-on-year in August, extending three straight months of negative inflation on an annual basis, according to preliminary figures from the Central statistics Office. The month-on-month decline was 0.4%. The seasonally adjusted core inflation in August was 1.2%, unchanged from July. The biggest decline in prices was registered in fuels, down 11.4% year-on-year. Tobacco prices were up 3.8% and the price of services rose 1.1% on an annual basis.

Trade surplus grows again: The trade surplus widened to €662 million in July 2016 from €638 million one year earlier, even as exports fell for the first time in 16 months, according to preliminary data from the Central Statistics Office. Exports were down 5.2% year-on-year to €7.3 billion, while imports were 6% lower at €6.6 billion. The monthly declines were steeper, 13.8% for exports and 9.7% for imports. The trade surplus rose to €6 billion in the first seven months, up from €5.1 billion in the same period in 2015.

Q2 GDP growth at 2.6%: Hungary's year-on-year GDP growth was 2.6% in the second quarter of 2016, as indicated in preliminary data, the Central Statistics Office confirmed. As first-quarter data showed annual GDP growth of 1.1%, GDP growth for the first half came to 1.9%. Agriculture, manufacturing and services contributed the most to the second-quarter growth. On the other hand, the construction industry's saw a 24% decline. Furthermore, fixed capital investments were down 20%.

Unemployment falls below 5%: The average unemployment rate was 4.9% during the period June-August 2016, down from 6.6% in the same period in 2015, the Central Statistics Office announced. The number of unemployed went down from 304,000 to 227,000, while the number in work was 4.386 million, up from 4.251 million one year earlier.

Current account surplus higher in Q2: Hungary's net financing ability was €1.844 billion in the second quarter of 2016, according to unadjusted figures, and €2.204 billion according to seasonally adjusted data, the Central Bank (MNB) announced. The adjusted trade surplus was €1.474 billion, the adjusted surplus of services is €1.501 billion, the primary income deficit was €864 million and the secondary income deficit was €283 million. The current account surplus reached €3.3 billion in the first half and the net financing ability of the country was €3.6 billion.

Slump drags down industrial production: Industrial output declined 4.7% year-on-year in July 2016 as output in the vehicle sector fell 8.5%, according to final data from the Central Statistics Office. Output fell 0.4% month-on-month, but in the first seven months it grew 1.3%. Industrial exports slumped 5% in July, including a 6.1% drop in vehicle exports. Industrial domestic sales tumbled 5.8%, including a 4.4% drop in manufacturing output.

Construction output nosedives: Construction industry output was down 17.6% year-on-year in July according to figures from the Central Statistics Office. Output fell 3.2% from the previous month and plummeted 24.2% in the first seven months. Construction of buildings increased 1% in July on an annual basis but that of other buildings plunged 31.8%. The decline is attributed to the temporary dry-up in EU funded infrastructure projects.

Wage growth slows down in July: Growth in the average gross wage slowed to 5.1% in July 2016, at Ft 257,900 a month, from 5.7% in June, the Central Statistics Office reported. In the first seven months, gross wages were 7.4% higher, on average. The average net monthly wage, without taking into account family tax allowances, was Ft 171,500 in July, a 12-month increase of 6.7%.

Central Bank (MNB) governor highlights importance of joining Silk Road: Hungary's GDP could grow by another €100 billion, or the size of its present economy, if it opens up to the Silk Road, MNB governor György Matolcsy said at the annual conference of economists in Kecskemét. Hungary became the first European country to sign a memorandum of understanding with China on promoting the Silk Road economic Belt and Maritime Silk Road in 2015. China is developing its industry based on the German Industrie 4 model and Hungary also needs to follow that example, he said. There is a race among Central and Eastern-European countries on implementing reforms, he continued. He named the host city Kecskemét as Hungary's first "smart city", which could be a basis for future growth.

Minister for Foreign Affairs and Trade, Peter Szijjártó, outlines new strategy for the Economy: The development of the Hungarian economy needs to enter a new phase, in which the main goal is to attract investments in research, development and innovation, Foreign Affairs and Trade Minister Péter Szijjártó

declared at a conference. He told that since the 2010 plan of making Hungary a regional manufacturing centre has been realised, the need today is to put the economy in a higher value-added category. He announced that Hungary's investment promotion policy will have new elements from 2017. These will primarily support technology changes at companies already in Hungary, in order to maintain their competitiveness in the changing environment. Companies will be able to deduct almost twice as much as they spend on research and development from their tax base in 2017. Also from January 1, 2017 companies which support the mobility of labour will enjoy new tax allowances. Contributions of up to Ft 15 per km for commuting costs will be tax free, as well as accommodation costs. These expenses can be deducted from the tax base from 2017.

Commercial

Ministry signs strategic agreement with Joint Venture Association: The Development Ministry signed a strategic agreement with the Joint Venture Association (JVSZ). Revenues of the 200 JVSZ members exceed Ft 11 trillion and they employ 100,000 people, said Head of the Association Péter Tálos. Development Minister János Fónagy praised the efforts of JVSZ members made to increase both the association's and the country's competitiveness and asked JVSZ to help promote foreign capital investments in the sector.

Gov't aids Master Good expansion: Poultry processor Master Good has signed an agreement with the government on a Ft 439 million subsidy, part of the investment support scheme designed for large Hungarian companies that are not eligible for EU funds. Master Good is in the midst of an Ft 878 million project to develop its chicken farms and poultry processing equipment, which will create 103 jobs. The company is also in the process of expanding its production facility from a Ft 9 billion investment, to be completed by mid-2017, said owner László Bárány. The business is one of the largest in the sector, processing 100,000 tons of chicken each year. Master Good's net profit was Ft 1.6 billion on turnover of Ft 45.4 billion in 2015.

Magyar Telekom gets EU subsidy, wins Ft 2.8 bn MAV tender: Magyar Telekom and its subsidiaries won a total of Ft 12.2 billion of EU funds in the digital network development tender to develop fixed-line broadband services, the telecoms company announced. The company will build networks with a minimum capacity of 30 Mbps in 64 areas, allowing 111,000 households to connect to broadband internet services. Magyar Telekom has also won a Ft 2.8 billion public procurement tender from state railway company MÁV for communication services, including voice and data for the next three years. It will provide mobile data and voice services to MÁV's 10,000 employees under the contract.

Procter & Gamble investing \$200mn: Procter & Gamble announced plans to invest a further \$200 million in Hungary, at a ceremony attended by Foreign Affairs and Trade Minister Péter Szijjártó and US ambassador Colleen Bell. The US firm will package Braun products and assemble and package some Oral B products at its facility in Gyöngyös, while capacity at its Csömör unit will be expanded. The two projects will create 250 jobs. The company signed a strategic cooperation agreement with the government. Procter & Gamble has 1,200 employees and has invested \$300 million in Hungary to date.

State helps to keep jobs at Dunaferr: The government has extended Ft 480 million in subsidies to steel maker ISD Dunaferr, which in return has revoked plans for large-scale dismissals, the Development Ministry announced. Dunaferr has promised to retain 1,200 workers, whose jobs were at risk, and to train young workers. The company has eliminated 242 jobs since 2013. The company said that will invest €20 million in 2016, bringing the total investment in recent years to €50 million. EBITDA was Ft 2.8 billion on total revenues of Ft 272 billion. Dunaferr expects revenues to climb to Ft 315 billion in 2016.

Alcoa expands in Székesfehérvár: Alcoa has opened a polishing facility in its Székesfehérvár factory, completing a Ft 4.9 billion project. Two new production lines were launched. The 1,600 American companies operating in Hungary, among them Alcoa, have over 100,000 employees and have invested \$9 billion, Foreign Affairs and Trade State Secretary László Szabó told the opening ceremony. The new production line to be installed in early 2017 will increase capacity, he added. Alcoa has invested \$70 million in Hungary over the past ten years.

Ledina to start porcelain production: Ledina, the company founded by the city of Pécs in May 2016 with the purpose of taking over the assets and workers of the town's renowned porcelain maker Zsolnay, is expected to start porcelain production. Ledina lured 120 of Zsolnay's 170 employees but the latter company's owner thwarted efforts to have the company declared bankrupt by paying off its debts. A company called

Anidel Project recently bought Ledina from the city, and subsequently obtained a production facility in a local industrial park, as well as the equipment necessary to start production for appx Ft 2 billion.

Mitsuba expands output in Salgótarján: Japanese car electronic part supplier Mitsuba is to expand production at its Salgótarján base from a Ft 4.3 billion investment, creating 150 new jobs. Japan has become the largest greenfield investor in Hungary, said Mr. László Szabó, State Secretary of the Ministry of Foreign Affairs and Trade. There are appx 150 companies from Japan which have invested a total of € 4.5 billion in Hungary to date.

Jabil to layoff employees: Jabil Circuit Magyarország will dismiss 320 workers because the company is moving two of its production lines to the Ukraine factory in Uzhhorod. The company has a 54,000m2 factory in Borsod-Abaúj-Zemplén county with 4,500 employees. Jabil signed a strategic cooperation agreement with the government in August 2013 and received a Ft 6 billion job creation state subsidy in 2011. In addition, Jabil received a total of Ft 1.2 billion in EU subsidies between 2010 and 2013.

K&H profits up 45% in first half: K&H bank made a Ft 23 billion pretax profit in the first half of 2016, up nearly 45% from one year earlier, CEO Hendrik Scheerlinck announced. The profit is due to a rise in the number of clients, a decline in costs, a lower bank tax and a one-off item, he said. K&H extended Ft 37.7 billion in mortgage loans in the first half and also expanded its commercial lending. The bank issued 10% more loans to SMEs in the first half, Scheerlinck said.

Bilateral

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

Global trade of Hungary (USD, EUR billion)

	2014	2015	2016 Jan-Jun	% change 2016H1/ 2015H1
Global imports	104.3 USD 78.2 EUR	91.4 USD 82.4 EUR	45.8 USD 41.1 EUR	+1.5% +1.3%
Global exports	112.8 USD 84.5 EUR	100.4 USD 90.5 EUR	51.8 USD 46.4 EUR	+3.3% +3.1%
Total	217.1 USD 167.2 EUR	191.8 USD 172.9 EUR	97.7 USD 87.5 EUR	+2.4% +2.3%

Bilateral Trade (USD, EUR million)

	2014	2015	2016 Jan-Jun	% change 2016H1/ 2015H1
Import from India	385.1 USD 286.7 EUR	364.9 USD 329.2 EUR	183.3 USD 164.4 EUR	-5.4% -5.5%
Export to India	210.5 USD 157.3 EUR	213.8 USD 193.7 EUR	90.5 USD 81.2 EUR	-11.9% -12.1%
Total	595.6 USD 444.0 EUR	578.7 USD 522.8 EUR	273.8 USD 245.6 EUR	-7.6% -7.8%

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

Product	2014. year	2015. year	% growth	% total
Total Product (according to the Combined Nomenclature)	112,536.9	100,387.6	-10.8%	100%
85 ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS, AND PARTS AND ACCESSORIES OF SUCH ARTICLES	22,201.1	20,074.7	-9.6%	20%
84 NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	21,090.3	18,902.4	-10.4%	19%

87 VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING-STOCK, AND PARTS AND ACCESSORIES THEREOF	17,814.6	18,003.0	1.1%	18%
30 PHARMACEUTICAL PRODUCTS	4,990.3	4,822.7	-3.4%	5%
39 PLASTICS AND ARTICLES THEREOF	4,303.3	3,834.5	-10.9%	4%
90 OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; PARTS AND ACCESSORIES THEREOF	4,591.4	3,311.8	-27.9%	3%
40 RUBBER AND ARTICLES THEREOF	2,607.9	2,373.8	-9.0%	2%
27 MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBSTANCES; MINERAL WAXES	3,778.6	2,334.2	-38.2%	2%
94 FURNITURE; BEDDING, MATTRESSES, MATTRESS SUPPORTS, CUSHIONS AND SIMILAR STUFFED FURNISHINGS; LAMPS AND LIGHTING FITTINGS, NOT ELSEWHERE SPECIFIED OR INCLUDED; ILLUMINATED SIGNS, ILLUMINATED NAME-PLATES AND THE LIKE; PREFABRICATED BUILDINGS	1,969.5	1,760.6	-10.6%	2%

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

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

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

Product	2014. year	2015. year	% growth	% total
Total Product (according to the Combined Nomenclature)	210.5	213.8	1.6%	100%
84 NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	86.8	77.6	-10.6%	36%
85 ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS, AND PARTS AND ACCESSORIES OF SUCH ARTICLES	34.9	52.2	49.7%	24%
29 ORGANIC CHEMICALS	22.5	26.6	18.1%	12%

87 VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING-STOCK, AND PARTS AND ACCESSORIES THEREOF	6.1	9.4	53.2%	4%
39 PLASTICS AND ARTICLES THEREOF	9.4	7.5	-20.3%	4%
90 OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; PARTS AND ACCESSORIES THEREOF	13.0	7.1	-45.3%	3%
48 PAPER AND PAPERBOARD; ARTICLES OF PAPER PULP, OF PAPER OR OF PAPERBOARD	5.4	4.5	-16.1%	2%
73 ARTICLES OF IRON OR STEEL	5.7	4.0	-30.8%	2%
74 COPPER AND ARTICLES THEREOF	3.8	3.8	-0.5%	2%
94 FURNITURE; BEDDING, MATTRESSES, MATTRESS SUPPORTS, CUSHIONS AND SIMILAR STUFFED FURNISHINGS; LAMPS AND LIGHTING FITTINGS, NOT ELSEWHERE SPECIFIED OR INCLUDED; ILLUMINATED SIGNS, ILLUMINATED NAME-PLATES AND THE LIKE; PREFABRICATED BUILDINGS	5.0	2.9	-42.7%	1%

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

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

Average Monthly Exchange rates for September 2016

1US\$= 275.41HUF

1EUR= 308.77 HUF

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

Upcoming Trade Fairs in Hungary:

(I) <u>Autumn Wedding Exhibition</u> , 5-6 November 2016 –Featuring all related products
(II) <u>AGROmash Expo</u> 25-28th January 2017 –International trade fair for Agricultural machinery
(III) <u>FEHOVA</u> 9-12th February 2017 -International Exhibition for Fishing, Hunting and Arms

Further information: www.hungexpo.hu

Trade enquiries: In the month of September 2016 Embassy of India, Budapest received 16 enquiries from India and 1 trade enquiry from Hungary.

Indian Trade inquiries for the month of September 2016

S. No.	Enquiry originator	Product	HS codes	Nature Export/Import value (\$ mln)	Action taken
1	ShoHan Inc.	Cosmetics		Export to Hungary	All inquires have been answered
2	Big Fly Hygiene Products Ltd	Agro: grains, seeds, spices		Export to Hungary	
3	Syn Blue Enterprise	Textile		Export to Hungary	
4	Eureka Clothing Company	Textile		Export to Hungary	
5	Steelfab	Engineering: misc products from sheet metal		Export to Hungary	
6	Pramod Auto Parts Pvt. Ltd.	Engineering: Autocomponents		Export to Hungary	
7	Locero Ceramic Pvt. Ltd.	Ceramic tiles		Export to Hungary	
8	Hemant kateshia	Engineering: brass fittings		Export to Hungary	
9	Uthayam Coir Export	Coir		Export to Hungary	
10	SGM TEXTILE	Textile: home textiles, garmentt, bags		Export to Hungary	
11	Slogan Ceramic	Ceramic tiles		Export to Hungary	
12	Mech Export	Textiles		Export to Hungary	
13	Sushen Medicamentos Pvt Ltd	Pharma		Cooperation	
14	TLS Mercantile Pvt. Ltd.	Agro: Rice, Spice, Wheat, Flour, Soya, etc		Export to Hungary	
15	Tawar Enterprises	Misc: Agro: vege and engineering products		Export to Hungary	
16	Thermal Engitech Pvt. Ltd	Engineering: stainless milk cans, boilers		Export to Hungary	

Bosnia & Herzegovina (BiH)

BiH improves competitiveness ranking: BiH was at 107 place, compared to 111th place last year, in the competitiveness ranking, according to the Global Competitiveness Report 2016-17, even though it lagged behind other countries in the region.

Aluminij to Return to Full Production Capacity by End-2017: Aluminum smelter Aluminij will complete corporate restructuring in the next six to eight months and return to full production capacity in 12 to 14 months, the company's new director Mario Gadzic said in an interview. Restructuring will head in two directions - within the company and towards all outside partners and creditors. Gadzic noted that, on the external plan, the company is working intensively on revising existing agreements and debtor-creditor relations. He admitted that, currently, the company is not performing well - debts are huge and it is burdened by poor decisions made by the previous administration. A solution is crucial for the long-term stabilization of the company's operations", he said. The government of Federation entity owns 44% of Aluminij, as much is controlled by workers and small sharehold controlled by workers and small shareholders, while the Croatian government holds a stake of 12%. There have been plans to sell the ailing company.

Average Net Salary in July at 832 KM: The average net salary in BiH in July amounted to 832 KM, which represents the nominal decrease of 0.6 percent compared to the same month in 2015, and is nominally lower by 1.2 % compared to December 2015. The BiH Statistics Agency announced that the lowest average net salary of 518 KM was in accommodation and catering services, 525 KM in administrative and support services, while the average net salary in the construction industry in July amounted to 532 KM. The average gross salary in BiH in July totaled at 1,293 KM.

Construction of Hydro Power Plant 'Vranduk' near Zenica Begins: The new hydro power plant "Vranduk" will annually produce about 100 GWh. The hydro power plant is being built on the course of the river Bosna on the Vranduk site, about 12 kilometers downstream from Zenica. The project is financed by Elektroprivreda BiH and loans from the European Investment Bank EIB and the European Bank for Reconstruction and Development, and the planned start of production is on 11 November 2019.

Sarajevo Prosecution Asks Hungary to Interrogate MOL's Hernadi: The Sarajevo Canton Prosecutor's Office has requested Hungary's assistance in an investigation in which one of the suspects is Zsolt Hernadi, CEO of Hungary's MOL oil company, who should be interrogated about the privatization of the BiH oil company Energopetrol, chief Sarajevo prosecutor Dalida Burzic said. Former MOL executive Zoltan Varady and a former CEO of Croatia's INA, Tomislav Dragicevic, are also under investigation. The Sarajevo Canton Prosecutor's Office is investigating the circumstances under which the INA-MOL consortium acquired a 67% interest in Energopetrol.

Arms Maker Igman Net Profit More Than Quadruples: Arms maker Igman Konjic, majority owned by the government of Bosnia's Federation, said its net profit surged to 10.7 million KM (5.5 million euro) in the first six months of 2016 from 2.3 million KM a year earlier. Operating income jumped to 45.2 million KM through June from 12.8 million KM a year earlier, while operating costs increased to 36.1 million KM from 13.9 million KM. The Federation government owns a 51% stake in Igman. Arms-making companies from the Federation market their products in 54 countries, including the U.S., Germany, France, Turkey, Bulgaria, Romania, Montenegro, Croatia, and Macedonia.

TRADE FAIRS in Bosnia and Herzegovina

RENEXPO	International Trade Fair and Conferences on Renewables and Energy Efficiency	Hotel Hollywood DeLuxe, Sarajevo	03-04.11 2016	www.renexpo-bih.com
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

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

Average Monthly Exchange rates for September 2016

1US\$= 1.767455 KM

1EUR= 1.955830 KM

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

Vijay Khanduja
First Secretary (Com/Pol)
Embassy of India
Budapest