

# Embassy of India Budapest

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## Economic and Commercial Report for the month of March 2016

### Executive Summary

1. EU withholds subsidies
2. Economy Minister Varga outlines industrial development programme
3. Govt cancels voucher system in wake of EU ruling
4. Foreign & Trade Minister Szijjártó promotes car industry
5. Audi closes record year
6. GIKIL Contract with GSHL Terminated

### Economy

**EU withhold subsidies:** The European Commission suspended subsidy payments to Hungary on March 23, due to various alleged irregularities. The funds pertain to European Regional Development Fund for the operational Programme "Social Infrastructure". The Commission criticised Hungary's management and allocation mechanism. To receive the suspended funds, Hungary has to meet the Commission's requirements on renewing its subsidy tendering system. In the meantime, the Hungarian budget will cover the advance payments from loans.

**Transparency reports on overpricing for EU-funded projects:** Hungary's regulations on spending public money work in theory but in practice foster a hotbed of corruption, József Péter Martin the head of anti-corruption NGO Transparency International's Hungarian said. He added that in Hungary, at least 90% of public procurements are 20-25% overpriced. Noting that 60% of public procurements are paid from EU subsidies, Martin said there would be no public procurement nor economic growth in Hungary without EU funds.

**Cabinet to use EU funds to boost Hungary's competitiveness:** The government intends to use EU funds available for the 2014-20 period to make the economy more competitive in anticipation of a time when the funds will dry up, Prime Minister's Office leader János Lázár said. He said the Ft 12 trillion [approx € 37.83 billion] available is enough to steer the economy in the right direction. Competitiveness cannot be improved without transforming the state, and bureaucracy must be reduced, he added. Tenders will be launched for 85% of the total funds this year and a considerable part of the funds will be paid by late 2018, Lázár said. He announced that the government will set up a new bid assessment system, in which all applications for EU money will be evaluated by government employees, rather than outsourced.

**Economy Minister Varga outlines industrial development programme:** Economy Minister Mihály Varga presented the government's new industrialisation strategy called „The Irinyi Programme” which aims to increase Hungarian industry's contribution to GDP to 30% from the current 23.5%. Hungary needs to switch to a innovation-oriented economy and that the industrial sector needs to rely on research and development and the latest knowledge. Minister Varga listed seven sectors as crucial to future growth: carmaking, manufacture of specialised machinery and equipment, healthcare and tourism, food industry, the infocommunications sector, the green economy and the defence industry.

**Government cancels voucher system in wake of EU ruling:** Hungarian Government has decided to scrap the Erzsébet voucher system of fringe benefits, in light of a European Commission ruling that it violates competition rules. The government legislated preferential treatment for its Erzsébet vouchers after introducing them in 2012, forcing rival suppliers out of the market. The rules on voucher system restricted the participation by foreign companies.

**Trade surplus declines:** Hungary's trade surplus was €509 million in January 2016, down from €704 million one year earlier, the Central Statistics Office announced in its first estimate. Exports increased 1% to €6.8

billion, while imports went up 4.3% to €6.3 billion. EU countries took in 82% of Hungary's exports and provided 76% of its imports.

**3.2% Q4 GDP growth confirmed:** Hungary's annual GDP growth was 3.2% in the fourth quarter of 2015, the Central Statistics Office announced, confirming the preliminary number. Hungary's economy expanded by 2.9% last year, falling short of the government target of 3.1%. The official GDP growth target for this year is 2.5%.

**Unemployment rate down slightly:** The unemployment rate was 6.1% in the December 2015-February 2016 period, having fallen from 6.2% in the previous three month period, the Central Statistics Office announced. The number of unemployed fell to 275,000 from 346,000 one year earlier.

**Eurostat finds poverty rising:** The number of Hungarians exposed to poverty and exclusion has risen to 31.7% of the population in 2015 from 28.8% in 2008, according to Eurostat data. Hungary's per capita GDP was 68% of the EU average in 2014, based on purchasing power parity, followed by Latvia at 64%, Croatia 59%, Romania 55% and Bulgaria at 47% of the EU average.

**Industrial output drop confirmed:** Industrial production in Hungary was 0.2% lower, year-on-year, in January the Central Statistics Office announced. Workday-adjusted figures show there was a 2.2% increase.

**Construction falters without EU funds:** Construction industry output plunged 20.1% year-on-year in January 2016, as EU-funded infrastructure projects dried up, the Central Statistics Office announced. Construction of buildings fell by 32.1% and civil engineering projects by 38.5%. New orders dropped 21.8% year-on-year and the total volume of construction orders declined 44.1%. Output was down 13% from the previous month.

**FDI falls for first time in years:** Foreign direct investment in Hungary fell in 2015 for the first time since 2010, according to Central Bank [MNB] data. The number declined from €3 billion in 2014 to €2.8 billion in 2015, according to preliminary figures. Reinvestment by foreign companies fell from €3.4 billion to €2.9 billion in 2015, while dividend payouts rose from €2.7 billion to €3.1 billion.

**Central Bank announces rate cuts:** The MNB's monetary council surprised analysts by announcing a reduction in the base rate from 1.35% to 1.2%. The move goes against comments by deputy governor Márton Nagy in the previous month – who said that there would be no rate cuts before May 2016 – as well as the Central Bank's earlier stated policy announcement of maintaining the 1.35% level to the end of 2017.

**February 2016 inflation lower than expected:** Inflation fell to 0.3% year-on-year in February 2016, from 0.9% in January 2016, the Central Statistics Office announced. Core inflation came to 1.4% year-on-year and 0% month-on-month in February.

**2015 C/A surplus near €5bn:** The combined current account and capital account showed a €3.2 billion surplus in the fourth quarter of 2015, €985 million more than one year earlier, the MNB reports. For the full year, the surplus rose by €3.5 billion to €9.5 billion. After a €1 billion surplus in the fourth quarter, Hungary's current account surplus for last year came to €4.7 billion.

**Pénzügykutató sees problems behind strong economic data:** Hungary's macroeconomic figures appear healthy on the surface, but the underlying data point to a less upbeat outlook, the economic research group Pénzügykutató concluded in a study. Pénzügykutató expects GDP growth of 2.3% in 2016, a slowdown from 2.9% in 2015, arguing that investment activity will continue to decelerate. Capital expenditures will turn negative in 2016 because EU funds will dry up. Economic growth will be driven mainly by rising household consumption and higher exports led by the automotive sector.

**Hungarian debt still junk for Moody's:** International credit-rating agency Moody's did not change its rating of Hungarian sovereign debt on, keeping it in the Ba1 category, just below investment grade status.

**S&P criticises MNB secrecy bill:** Credit-rating agency Standard & Poor's has maintained its "BB+" rating with a positive outlook on Hungarian sovereign debt at its latest review. The external vulnerability of the Hungarian economy has fallen, but uncertainties remain in the economic policy that pose risks to the budget, S&P said.

**Budget surplus in first two months of 2016:** There was a Ft 14.8 billion budget surplus in the first two months of 2016, up from a Ft 310.7 billion deficit for the same period last year, the Economy Ministry announced.

**Russian Trade Minister visits Hungary:** Russian Trade Minister Manturov visited Hungary on March 22 and met with PM Orban and FM Szijjarto. The talks with FM Szijjarto focussed on enhancing economic cooperation between the two countries.

## Commercial

**Tourist numbers show 6% growth:** The number of guest nights spent at commercial accommodation in Hungary was 6% higher in January 2016 than in the same month of last year, the Central Statistics Office announced. Foreign guests spent 5.8% more nights and domestic guests 6.1% more. Overall, the number of foreign tourists went up 7.9%.

**Automotive Sector output expands:** Hungary's automotive sector output expanded by 17.6% in 2015, reaching Ft 7.8 trillion, Foreign Affairs and Trade Minister Péter Szijjártó announced at a car industry conference organised by state investment promotion agency HIPA. The vehicle industry was responsible for €19.6 billion of Hungary's exports in 2015, up nearly 14% from €17.2 billion in 2014, he noted.

**Mercedes to build €250mn factory:** Mercedes-Benz is planning to invest €250 million to build a new chassis factory at its Kecskemét complex by 2018, the German carmaker announced. The expansion will enhance flexibility in the production of new generation and compact cars, the company said.

**Audi closes record year:** Revenues of Audi Hungaria Motor rose to an all-time high of €7.9 billion last year, a 10% expansion from €7.2 billion in 2014, the carmaker announced. Audi's Győr factory produced a record 2,022,000 million engines and 160,206 vehicles in 2015, increases of 25,000 and 50,000, respectively.

**Waberer's sets up German subsidiary:** Waberer's International has set up a German subsidiary, Waberer's Deutschland, in Hurth, near Cologne, the Hungarian hauler said. The company transports mostly automotive industry products, home appliances, fast moving consumer goods and cosmetics from Germany. Waberer's already has units in France, the UK, the Netherlands, Italy, Poland, Romania and Slovakia.

**Rába looking to expand abroad:** Rába will consider establishing maintenance and production facilities closer to its customers in other countries, either by acquisitions or by other means, chairman and CEO István Pintér said. More than 90% of revenues of state-owned axle and vehicle making company Rába come from exports, but it has no presence abroad, he noted.

**OTP buys AXA Bank Hungary:** OTP Bank announced acquisition of Hungarian subsidiary of France's AXA Bank, without disclosing financial details. The acquisition will increase OTP's mortgage loan portfolio by 25%. The transaction is expected to be completed by the end of 2016 following regulatory approval. AXA Bank Europe Hungary, with a network of seven branches, has incurred total losses of Ft 108 billion in its six years of operation.

## Bilateral

**Indian Participation at Travel Exhibition:** India Tourism Office Frankfurt participated in the Hungexpo Utazás International Travel Fair (3rd -6th March 2016) portraying an array of exotic travel destinations in India to Hungarian tourists. Ambassador of India, H.E. Rahul Chhabra attended the opening ceremony and met H.E. Minister of Economy Mr. Mihály Varga. It was said that 2015 was a success story in the history of Hungary's tourism sector. The number of arrivals and nights grew by 7.4 percent and 5.4 percent. With the number of guests surpassing 10 million and the number of nights above 25 million, revenues totalled more than HUF 360bn. India was highlighted as being the second with the highest increase of tourists with an increase of Indian tourists by 64% in 2015.

**Trends in bilateral trade:** Source: Central Statistical Office ([www.ksh.hu](http://www.ksh.hu))

**Global trade of Hungary (USD, EUR billion)**

	2013	2014	2015	% change
Global imports	99.3 USD 74.7 EUR	104.3 USD 78.2 EUR	91.4 USD 82.4 EUR	-12% +5.4%
Global exports	108.0 USD 81.3 EUR	112.8 USD 84.5 EUR	100.4 USD 90.5 EUR	-11% +7.1%
<b>Total</b>	<b>207.3 USD</b> <b>156.0 EUR</b>	<b>217.1 USD</b> <b>167.2 EUR</b>	<b>191.8 USD</b> <b>172.9 EUR</b>	<b>-12%</b> <b>+6.3%</b>

**Bilateral Trade (USD, EUR million)**

	2013	2014	2015	% change
Import from India	365.6 USD 275.0 EUR	385.1 USD 286.7 EUR	364.9 USD 329.2 EUR	-5% +14.8%
Export to India	216.9 USD 162.8 EUR	210.5 USD 157.3 EUR	213.8 USD 193.7 EUR	2% +23.1%
<b>Total</b>	<b>582.5 USD</b> <b>437.8 EUR</b>	<b>595.6 USD</b> <b>444.0 EUR</b>	<b>578.7 USD</b> <b>522.8 EUR</b>	<b>-3%</b> <b>+17.8%</b>

**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 March 2016

1US\$= 280.29 HUF

1EUR= 311.22 HUF

Source: MNB-Hungarian National Bank [www.mnb.hu](http://www.mnb.hu)

### Upcoming Trade Fairs in Hungary:

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

Further information: [www.hungexpo.hu](http://www.hungexpo.hu)

**Trade enquiries:** In the month of March 2016 Embassy of India, Budapest received 30 enquiries from India and 0 trade enquiries from Hungary.

### Indian Trade inquiries for the month of March2016

S. No.	Enquiry originator	Product	HS codes	Nature Export/Import value (\$ mln)	Action taken
1	SVS AQUA TECHNOLOGIES	Chemicals: water treatment		Export to Hungary	All inquires have been answered
2	SSV Exports	Leather		Export to Hungary	
3	Jayesh Fabrics	Textile fabrics		Export to Hungary	

4	Jayshri Gayatri Food Products' Pvt Ltd	Food		Export to Hungary	
5	Prem International	Agro: animal feed, seeds, spices		Export to Hungary	
6	Krishna Trades Impex	Textile: Fabric and Garment		Export to Hungary	
7	Ludlow Jute & Specialities Ltd	Jute		Export to Hungary	
8	MS Alloy Line Engineers Pvt. Ltd	Services		Investment/cooperation	
9	Rahul Pharma	Ayurvedic medicine		Export to Hungary	
10	Jindal Medi Surge	Medical products		Export to Hungary	
11	Vishaka International	Agro: vege and seeds, spice		Export to Hungary	
12	Skytouch Ceramic Pvt Ltd	Ceramic tiles		Export to Hungary	
13	Aston Exim Pvt. Ltd	Stones		Export to Hungary	
14	Mannan Exim	Herbs		Export to Hungary	
15	Thykn (India) International	Pharmaceuticals		Export to Hungary	
16	Golf Ceramics Ltd	Ceramic sanitary wares		Export to Hungary	
17	Sun Corporation	Ceramic tiles, sanitary wares		Export to Hungary	
18	The Oriental Science Apparatus Workshops	Miscellaneous		Export to Hungary	
19	Jack and Veer International	Stationery: notebooks		Export to Hungary	
20	Impulse Impex	Plastic sheets		Export to Hungary	
21	Shelar perfumery works	Incense sticks		Export to Hungary	
22	Siddharth Traders	Miscellaneous		Export to Hungary	
23	KVS Agro General Trading Pvt. Ltd	Agro: Grain seeds, spices, etc		Export to Hungary	
24	Chem Seals Engineering	Engineering: machine parts, seals		Export to Hungary	
25	Aston Exim Pvt. Ltd	Stones		Export to Hungary	
26	JPT Scrap Industries Pvt.Ltd.	Scrap metal		Import to India	
27	Meenakshi Sundari K.	Miscellaneous		Export to Hungary	
28	Polco India	Automotive: cover		Export to Hungary	
29	Kriya Exports	Engineering: brass fittings		Export to Hungary	
30	Al Aalam Exports	Misc: agro, confectionery, textiles, shoe		Export to Hungary	

## Bosnia & Herzegovina (BiH)

**GIKIL Contract with GSHL Terminated:** It was reported that the Global Ispat Coke Industry Lukavac (GIKIL) has terminated the contract with *India's* GSHL amid non-fulfillment of contracted obligations.. GSHL is owned by Mr. P.K. Mittal and is headquartered in UAE. It was further reported that the company has been placed fully under control of the state, which is the majority owner. The action was taken due to a multimillion crime and a 230 million KM loss, GSHL was excluded from the joint company, whose majority owner is Lukavac-based coke and chemical company Koksno-hemijski kombinat (KHK). GIKIL's trade union voiced satisfaction over the decision, deeming it should have made much sooner. GSHL, however, has taken legal action and the court has granted injunction in the matter.

**Sarajevo Airport Files for Bankruptcy against BH Airlines:** The Sarajevo International Airport said it has filed a request with a Sarajevo court for the initiation of bankruptcy proceedings against air carrier BH Airlines, which has found itself in a very difficult situation due to outstanding liabilities. From 2005 until 2014, BH Airlines had generated a total of 99.2 million KM in losses. Its accumulated uncovered losses had reached 39.8 million KM at the end of 2014, 20.01 million KM above the company's registered capital of 18.8 million KM.

**Moody's Affirmed Credit Rating of Bosnia:** Moody's affirmed the credit rating of Bosnia and Herzegovina B3 with Stable Outlook. According to the agency, Bosnia and Herzegovina's economic situation reflects slow progress in addressing needed structural reforms; consequently, the income level is well below the European Union average.

**S&PAffirms Bosnia's Ratings at B/B:** Ratings agency Standard & Poor's said it affirmed its 'B/B' long- and short-term foreign and local currency sovereign credit ratings on Bosnia and Herzegovina with a stable outlook "We anticipate that BiH will continue to benefit from international financial support, which in turn will stave off pressures on the country's balance of payments and support government finances," the ratings agency said in a statement: "The ratings on BiH reflect our view of its institutional setup, with fragile, multilayered, and overlapping government institutions, that complicate its policymaking process and delay implementation of reforms. BiH's weak fiscal management framework and vulnerabilities arising from persistent current account deficits further constrain the ratings.

**Siemens-Led Tie-Up Gets 71.9 Million Euro Deal to Build 51 MW Wind Farm:** Power utility Elektroprivreda HZHB said it awarded to a consortium led by German engineering group Siemens a contract worth 71.9 million euro for the construction of a 51 MW wind farm in Mesihovina, in the municipality of Tomislavgrad Elektroprivreda HZHB has also selected a tie-up of Croatian companies ABB and Elektrocentar Petek to build a 20/110 kv substation in Gornji Brisnik worth 4.3 million euro. Wind farm Mesihovina which is to be completed by end-2017, as the construction will be financed with a loan from German bank KfW and a one million euro donation from the German government.

**Elektroprivreda HZHB Posts a 100 Million KM Net Loss:** Power utility Elektroprivreda HZHB said it turned to a net loss of a staggering 99.3 million KM in 2015, from a net profit of 5.3 million KM a year earlier. The company's operating revenue dropped 2.8% to 352.7 million KM, while operating costs decreased 4.8% to 313.8 million KM at the end of 2015, the company said in a statement. Elektroprivreda HZHB last year had a total of 1,785 workers, down 27 from 2014. BiH's Federation entity is the company's majority owner.

**Manufacturing Sector: the Engine of Industrial Production in 2015:** BiH last year recorded a 2.6% increase in physical volume of industrial production, as well as a rise in employment, the country's Directorate for Economic Planning said. Viewed by sectors, the main growth generator was manufacturing sector where production surged by 4.8%. The biggest growth rates last year were recorded in furniture production (27%), final metal products (9.6%), chemical products (7.6%) and food production (6.4%).

#### TRADE FAIRS in Bosnia and Herzegovina

MOSTAR TRADE FAIR	International Economic Fair	Mostarski Sajam, Mostar	12-16. 04.2016	<a href="http://www.mostar-fair.com/en">http://www.mostar-fair.com/en</a>
SARAJEVO BUSINESS FORUM	7th International investment conference	Sarajevo	4-5.05.2016	<a href="http://www.new.sarajevobusinessforum.com/">http://www.new.sarajevobusinessforum.com/</a>
ENERGA	International trade fair for energy, industry and mining	Stadion TušanjTuzla	07-09 .06 2016	<a href="http://www.tuzlanskisajam.ba">www.tuzlanskisajam.ba</a>
ZEPS	23rd General B&H Fair	Kamberovića polje, in Zenica	04-08.10.2016	<a href="http://zeps.com">http://zeps.com</a>
RENEXPO	International Trade Fair and Conferences on Renewables and Energy Efficiency	Hotel Hollywood DeLuxe, Sarajevo	03-04. 11 2016	<a href="http://www.renexpo-bih.com">www.renexpo-bih.com</a>

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

#### Average Monthly Exchange rates for Mar 2016

1US\$= 1.763368 KM

1EUR= 1.955830 KM

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

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