

## Hungary: Here we go again as GDP surprises on the upside

Despite the widespread expectation of a marked slowdown in GDP growth, Hungary was able to post growth of 4.5%. This should be enough to keep Hungary in pole position in Europe



Hungary's parliament building in Budapest

### An upside surprise

Hungary's GDP rose by 4.5% on a yearly basis in the fourth quarter of 2019, according to the preliminary data release by the Hungarian Statistical Office. Local economists were more pessimistic than the Bloomberg consensus, so it clearly counts as an upside surprise.

The release did not include any details about the performance of sectors, so we can only guess what was behind the strong data. First of all, industry and construction posted weak production figures in the fourth quarter. However, from a GDP point of view, it's not really production but added value that matters. With still-strong wage growth and productivity improvements, we might see a decoupling between the two timeseries. Other than that, retail sector showed improvement in the last three months of 2019, so the contribution from services could have been stronger than expected, as well. Despite the upside surprise, we have mixed feelings about the outlook.

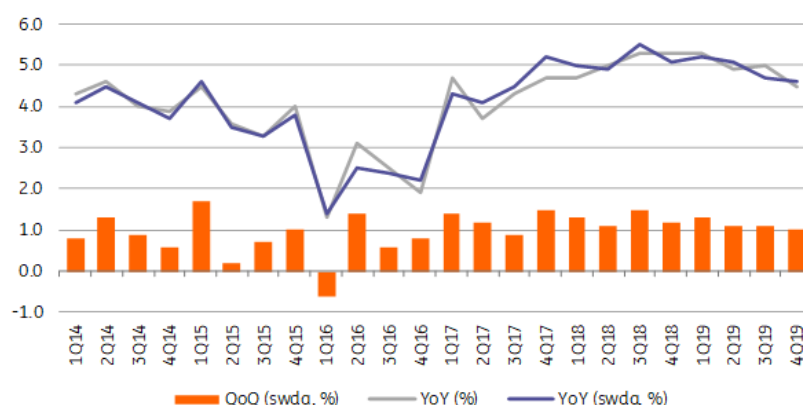
On one hand, we have seen a consistent slowdown in GDP growth, albeit a moderate one, since mid-2018 (see the quarter-on-quarter data). On the other hand, the better-than-expected fourth

quarter figure means that Hungary was in a better shape when the first global shock, the coronavirus, hit the economy. So, looking forward, there is more uncertainty than normal. The coronavirus poses a downward threat via the supply chain channel while the expected fiscal stimulus, which we expect to be announced this weekend, is a potential positive.

## Outlook for 2020

Against this backdrop, we stick to our forecast of a 3.8% year-on-year GDP growth on average in 2020. What does today's data mean for economic policy? Not much yet. The fourth quarter figure exactly matches the National Bank of Hungary's forecast released in December. Looking ahead, we need to focus on the possible external and domestic effects of the coronavirus, the oil price and the Hungarian forint, to determine whether the March rate-setting meeting will be a true gamechanger for monetary policy.

## Hungary's GDP growth



Source: HCSO

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