

Economic stagnation comes to an end in Hungary once again

The Hungarian economy has started to emerge from stagnation based on the first quarter preliminary GDP data. Without knowing the exact details of the growth structure, we maintain our 2024 full-year GDP forecast at 2.1%



Budapest, Hungary

0.8%

GDP growth in Q1 (QoQ, swda)

ING forecast 0.3% / Previous 0.0%

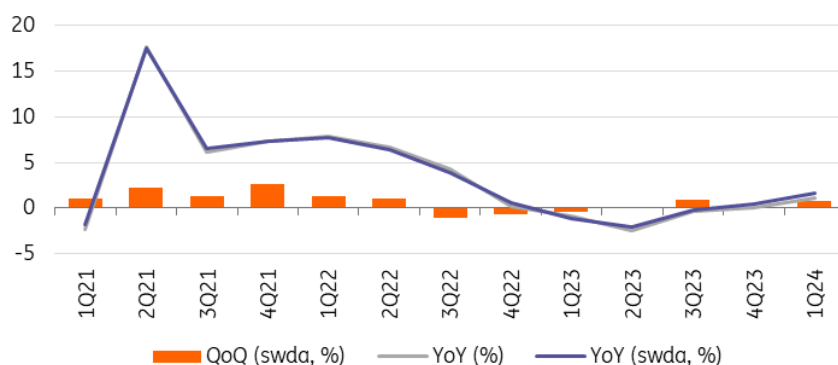
Better than expected

The Hungarian Central Statistical Office (HCSO) has recently released its GDP growth estimate for the first quarter of 2024, deviating from its previous practice by publishing the data 30 days after the end of the quarter, instead of the usual 45 days. Although this accelerated release provides more timely information, it still lacks detailed insights compared to previous reports. Plus, as a result of the quicker data release, analysts had to rely on a narrower data set to make their

predictions, which increased the likelihood of surprises. Indeed, the actual figures have exceeded expectations.

In terms of quarterly data, we see a positive surprise. A 0.8% GDP growth rate was reported for the first quarter, surpassing the market consensus of 0.5%. The better-than-expected quarterly growth combined with last year’s low base resulted in a significant improvement in the year-on-year indicator, which came in at 1.1%. However, it is important to highlight that this time, seasonal factors played a more substantial role than usual, as confirmed by the 0.6ppt difference between the raw data and the adjusted indicator (1.7% YoY) due to fewer working days.

Hungarian GDP growth

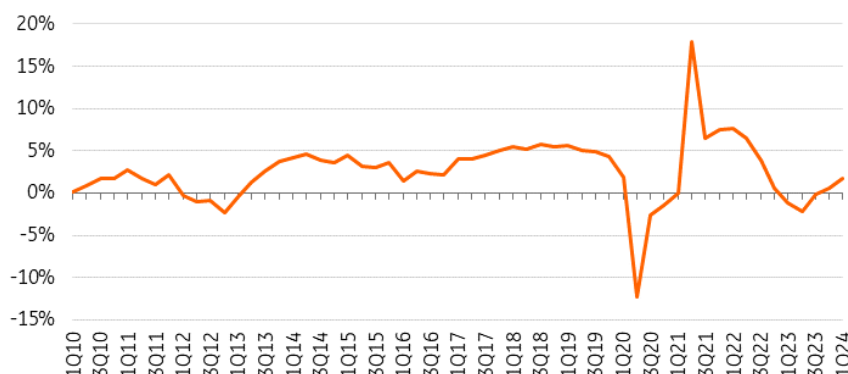


Source: HCSO, ING

The Hungarian economy has continued its seesaw pattern over the past four quarters, oscillating between stagnation and dynamic growth. Following the negative surprise in the previous quarter, we now see a mild positive surprise. The average quarterly annualised growth rate for the past four quarters stands at a modest 1.7%. Not bad, but not spectacular either.

As usual, the HCSO provides limited commentary on the initial estimate, leaving us to wait over a month for more detailed information and final figures. According to the preliminary statement, the margin of error for these rapid estimates (15 days earlier than usual) could be as high as +0.2ppt compared to the detailed data, which are released 60 days after the end of the quarter. This means that, despite the slight upside surprise we've seen today, this could be reversed when the second estimate is finally released on 4 June.

The quarterly annualised growth rate of Hungarian real GDP



Source: Source: HCSO, ING

Four-quarter moving average, seasonally and working day adjusted data

The service sector's strong contribution to GDP growth was expected, given the easing of households' cautiousness, improvements in consumer and services confidence indices (the latter already above historical averages), and double-digit real wage growth. The industrial sector emerged as a negative contributor to GDP growth in the first quarter, despite a significant jump in February's industrial performance. In our view, this means that the March industrial production figure contains a negative bias. The agricultural and construction sectors were not mentioned in the preliminary release, suggesting that their impact on GDP growth was minimal.

Based on this initial estimate and lacking detailed information, we believe it is premature to revise our economic growth forecast for this year. However, we do identify a minimal upside risk to our current 2.1% growth projection for this year.

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