

Hungary: A surprise trade surplus increase

Hungary's trade balance surplus showed remarkable growth in June and the weaker forint could well be the main reason

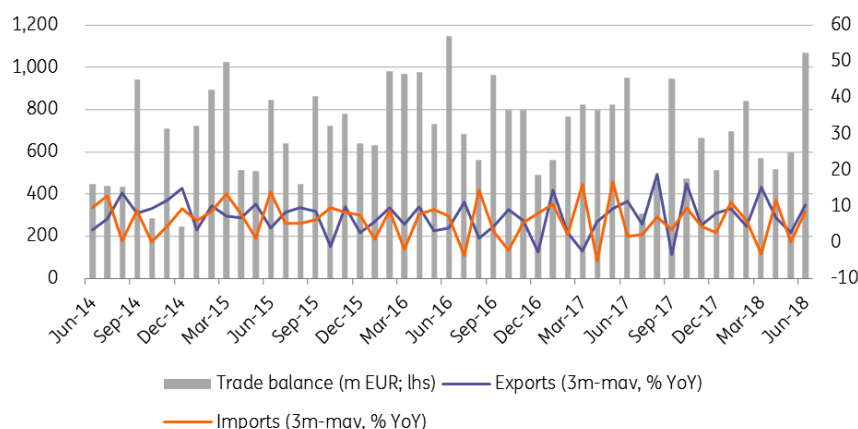


Source: Shutterstock

Hungary's trade balance surplus came in at €1.07bn in June 2018, which is €119m higher compared to the same period last year. This is the biggest monthly surplus since June 2016, although in the last four years June data has been always outstanding, which could be explained by seasonal effects. Looking at the trade balance for the first half of 2018, the surplus is €4.29bn, the lowest in four years.

Exports and imports increased by 8.9% and 8.4% YoY in EUR terms in June, respectively. On the export side, HUF weakness (a 4.7% depreciation on average compared to June 2017) contributed significantly to the expansion. Imports were fuelled by remarkable consumption and also by export activity. That's because the Hungarian export production's import exposure is about 50%. In other words, roughly half of the export value is coming from domestic value added, while the other half of the output is coming from imports.

Hungary's external trade



Source: HCSO, ING

Looking towards July, we see HUF weakness supporting a further increase in the surplus, although risks are mounting; industry is facing capacity constraints. Also, the car giant Audi, one of the main industry contributors, needs to halt its production as Volkswagen Group still can't comply with new standards and testing procedures (Worldwide Harmonized Light Vehicle Test Procedure; WLTP), thus missing type-approvals. Against this backdrop we expect a solid, but not robust trade balance surplus in 2018.

Author

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the

Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.