

## Hungary: A surprise trade surplus increase

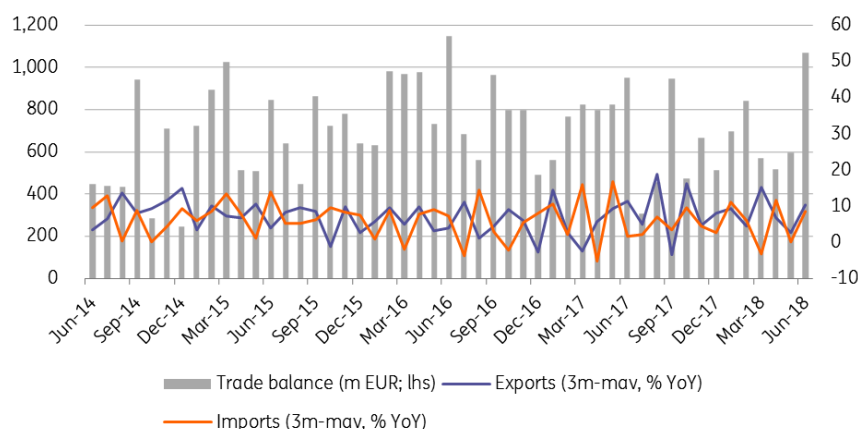
Hungary's trade balance surplus showed remarkable growth in June and the weaker forint could well be the main reason



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.

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