

14 November 2018  
Snap

## Hungarian GDP accelerates - against all odds

Despite the external tensions and domestic constraints, the Hungarian economy was able to maintain its robust growth in 3Q18 surprising everyone

# 4.8%

GDP growth (YoY)

Consensus (4.4%) / Previous (4.9%)

Better than expected

Hungarian GDP increased by 4.8% year on year in 3Q18 according to the preliminary release from the Hungarian central statistical office (HCSO).

Again, this is a significant upside surprise, as second-quarter GDP was also better than expected. We're not talking about a 'simple' surprise as the vast majority of the market expected a significant deceleration but despite all the odds, economic activity accelerated.

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**We may see 4Q18 GDP surprise once again, which will not only make Hungary close to outperforming the government's 4.3% GDP forecast in 2018 as a whole but end up posting the strongest year in almost fifteen years**

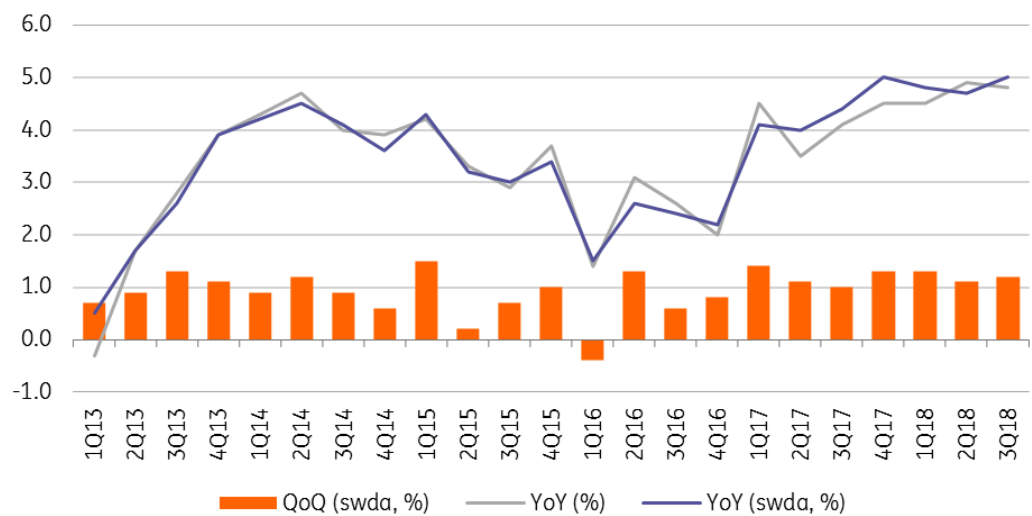
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Moreover, the majority of the high-frequency data (both soft and hard) and the external environment like the German slowdown or the disappointing Eurozone activity also suggested a loss of economic momentum in Hungary.

The data is preliminary, and the statistical office will publish the details in early December, so we're having a hard time identifying the exact sources of the surprise. However, the HCSO highlighted that "most industries contributed to the growth, market-based services to the greatest extent". The latter shouldn't come as a surprise, but it seems the expected deceleration based on the decreasing wage growth and loss in momentum in the labour market didn't really affect the sector's turnover.

Agriculture – which used to be the hardest to forecast – could also be a surprise-factor here. Despite the pretty weak industrial performance and trade balance data, we could imagine net exports to outperform all the expectations on the back of the export in services, which is steadily carving out a bigger role in the Hungarian export activity.

### Hungarian GDP growth



Source: HCSO

With the recent strong performance, the seasonally and calendar adjusted annual data shows a turnaround, as well as the quarter-on-quarter readings. However, we still stick to the view that Hungarian economy will continue to slow down, mainly on the back of weaker fiscal and monetary thrust in the coming quarters along with the deceleration in the Eurozone and lack of room of improvement in the labour market.

Nevertheless, we may see 4Q18 GDP surprise once again, which will not only make Hungary close to outperforming the government's 4.3% GDP forecast in 2018 as a whole but end up posting the strongest year in almost fifteen years.

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