

Hungary: GDP growth decelerates, but it's still strong

The Hungarian economic growth is over its peak, but still manages GDP of 4.9% year-on-year in 2Q19. That exceeded expectations and we look for 4.5% YoY overall growth for the full year



4.9%

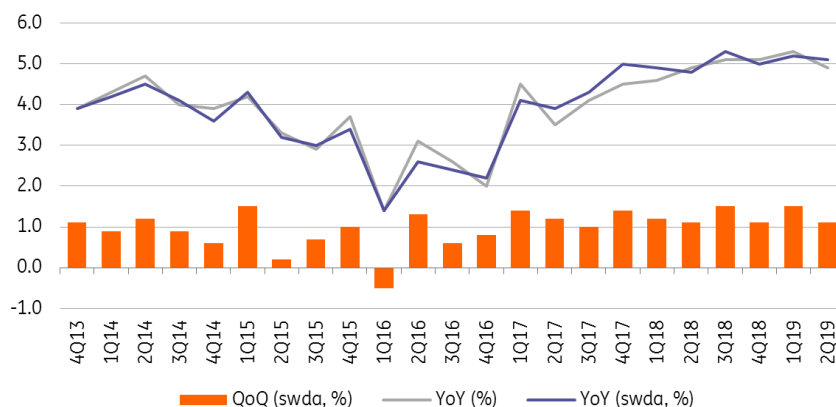
Hungary 2Q19 real GDP growth (YoY)

Consensus (4.7%) / Previous (5.3%)

Better than expected

Hungarian GDP increased by 4.9% on a yearly basis in 2Q19, according to the preliminary data release of the Hungarian Central Statistical Office (HCSO). Given the high frequency data of this period, the reading has caused some surprise as those figures had suggested a greater loss of economic momentum.

Real GDP growth



Source: HCSO

As the release did not include the exact breakdown of the GDP, we had to rely on the HCSO's short commentary and our estimates. Most sectors – services, construction and industry – probably showed a deceleration, however the expansion is still robust. Industry is struggling with weaker external demand, the construction output is mainly limited by labour shortage, while services – as the main contributor to GDP – might have decelerated due to the higher savings rate arising from rising fears of an upcoming recession.

When compared to its peers, the Hungarian economy is among the best performers in the EU. Although the main external risks (trade war, struggling Eurozone economy, Brexit) are expected to start to show in the domestic economy in the second half of the year. Consequently, we expect GDP growth to continue decelerating in 2H19, dragging down the overall annual measure to 4.5% YoY on average in 2019. Yet our estimate is still more optimistic than the Hungarian government's own forecast (4%), or that of the NBH (4.3%).

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