

## 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%

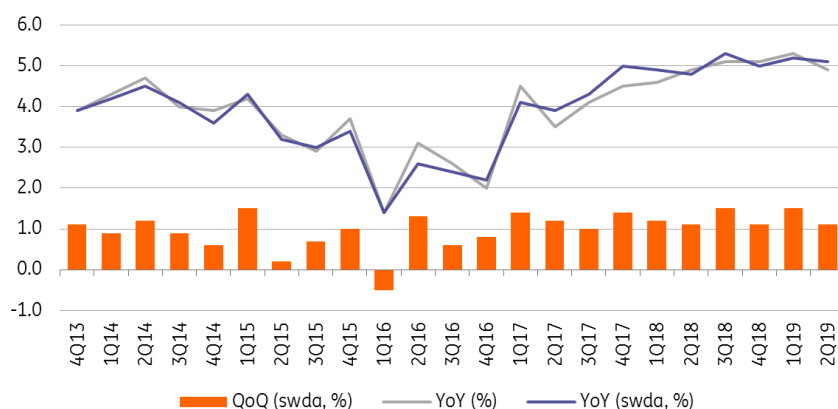
Hungary 2Q19 real GDP growth (YoY)

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%).

### Author

**Peter Virovacz**

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto: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>.