

Hungary: GDP growth surprises at 5%

Despite widespread expectations of a slowdown, the Hungarian economy flexed its muscles and posted 15-year high growth in 4Q18, despite a lot of external tensions



5.0%

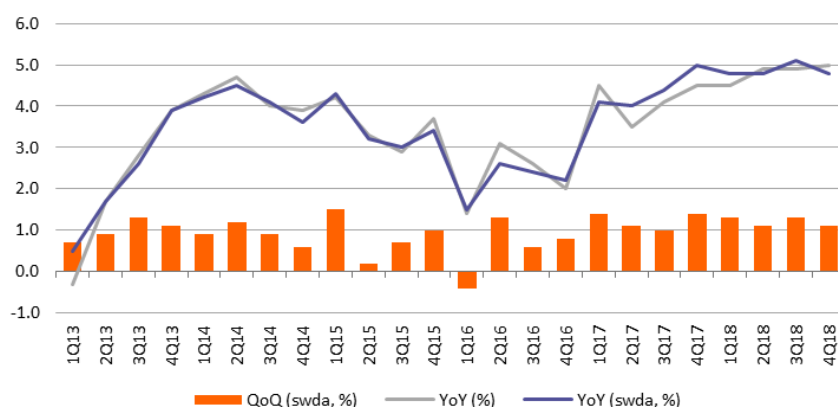
Real GDP growth (YoY)

Consensus (4.5%) / Previous (4.9%)

Better than expected

Hungarian GDP increased by 5.0% year-on-year in 4Q18, according to a preliminary release of the Hungarian Central Statistical Office (HCSO). This is another significant upside surprise – most of the market expected a slowdown but YoY GDP growth picked up. That said, QoQ growth has shown some deceleration through 2018. So, despite the unfavourable external environment – with the German slowdown, disappointing Eurozone activity and trade wars – the Hungarian economy was able to maintain its positive momentum.

Real GDP growth



Source: HCSO

While the data is preliminary and the HCSO will publish details in early March, it has already highlighted that all of the major subsectors contributed positively to GDP growth. This was especially so for the service and retail sectors. It seems that the deceleration already seen in the high frequency data from the retail sector was misleading. With industry finishing 2018 on a high, we see this also as a potential surprise factor. Overall, we look for stronger-than-expected performance across the board, rather than a huge surprise from just one sector.

We see clear upside risks to our 2019 GDP forecast

Despite all of the positives, we can still see the first signs of a slowdown in seasonally and calendar adjusted YoY growth decreasing from 5.2% to 4.8%. There was also a mild deceleration in the quarter-on-quarter reading. Looking forward, with 4Q18 growth coming in stronger than the yearly average of 4.8% we see a positive carryover effect in 2019. We'd rather wait for the detailed release to update our economic activity forecast but, based on the recent data release, see upside risk to our latest 3.6% YoY 2019 GDP forecast.

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