

## Hungary's robust GDP growth

First quarter GDP beat market expectations and in light of stronger than expected data, we revise our growth forecast to 4% for 2018



Source: Shutterstock

# 4.4%

GDP growth YoY

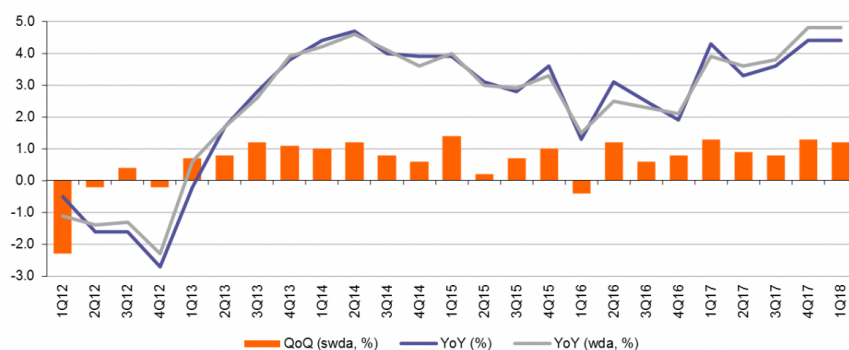
Consensus (4.2) / Previous (4.4)

Better than expected

Hungarian GDP increased by 4.4% year on year in 1Q18, according to the preliminary data of the Hungarian Central Statistical Office (HCSO).

Given that market expectations were relatively spread out from 3.8% - 5.0% YoY, the current data surprised some analysts. Compared to the average growth of 2017, the economy outperformed by 0.4ppt in 1Q18 and the main driver behind growth was the market service sector.

## GDP growth remains solid



Source: HCSO

Considering the data is preliminary, and the HCSO will publish the details in early June, we don't exactly know what the main drivers of the growth are. However, the HCSO highlighted, that market services contributed the most and given this is in line with the monthly figures, we are not surprised.

*In light of stronger than expected GDP, we revise our growth forecast to 4% for 2018*

On the expenditure side, we expect consumption to be one of the main drivers, supported by the favourable retail and service sector readings. Probably the dynamic wage growth could increase the households willingness to purchase, causing a remarkable consumption growth. As the statistical office has remained silent on the industry, we don't expect any significant contribution from this sector. With the capacity enhancements starting to produce, we see industry pulls up economic activity more significantly in the upcoming quarters.

In light of stronger than expected GDP data, we revised our GDP growth forecast to 4% YoY in 2018.

Regarding the drivers, services could remain the main contributor, meanwhile with industry gaining some momentum, we see net exports support economic activity more significantly.

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