

Hungary: Off the chart GDP growth gives false hope

The third quarter brought the strongest quarterly GDP growth ever, after a collapse in the previous period. However, with the return of lockdowns and curfews, the rollercoaster goes on



Source: charlemagne (pixabay.com)

11.3%

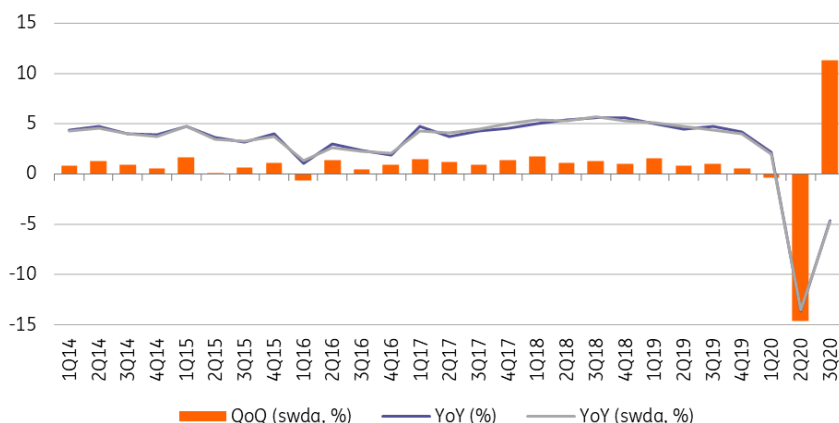
GDP growth (QoQ)

Consensus 10.2% / Previous -14.6%

Better than expected

Hungarian GDP skyrocketed by 11.3% on a quarterly basis in the third quarter of 2020, according to the preliminary data release of the Hungarian Central Statistical Office. It is the strongest quarter-on-quarter growth ever, but given that this follows a historic collapse, such an accolade means far less. Even with this strong rebound, the volume of GDP is down by 4.6% compared to the same period of the previous year.

Hungarian GDP growth

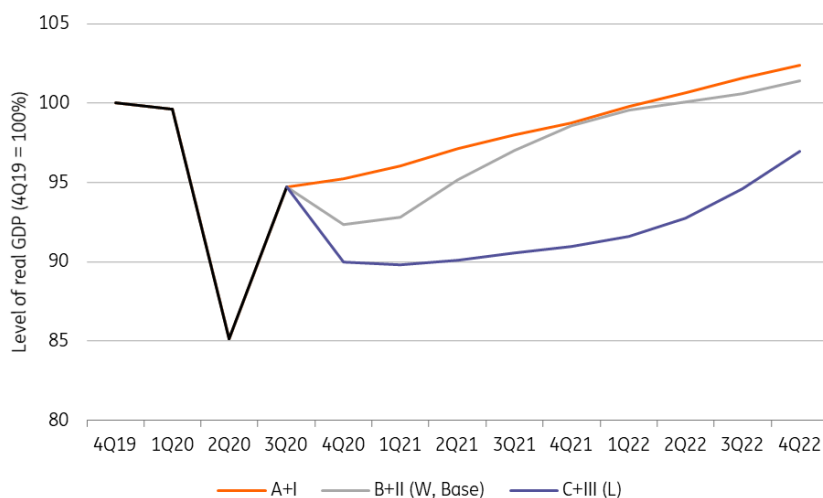


Source: HCSO, ING

As this was a flash estimate, the press release did not include many details about the performance of sectors other than saying, “the performance of most industries went up compared to the previous quarter”. That hardly comes as a surprise. But slightly more surprising was that information, communication and financial services led the rebound. In our view, industry might also play a significant role in that rebound, considering that the trade surplus in goods was already above last year’s level by September.

Due to the above-consensus figure in the third quarter, the outlook for the whole year has improved. However, as more and more countries have enforced stricter lockdowns and curfew measures, with Hungary eventually joining the list in November, the short-term outlook has become gloomier. We have now moved away from our swoosh-type scenario to a W-shaped recovery as our base case. This also means, that the ‘stop-start’ cycle will continue in the fourth quarter, as we expect a 2-3% quarter-on-quarter drop in GDP. This will lead to a 5.8% contraction in economic activity in 2020.

The path of Hungary's real GDP in our three scenarios



Source: HCSO, ING

Due to the fourth quarter dip, there is a negative carry-over effect into early 2021, dampening the outlook. On top of that, we don't see any meaningful relaxation of social distancing until the second quarter of next year, meaning a less robust rebound than after the spring collapse and reopening. With that in mind, we see GDP growing by only 3.6% in 2021 as a whole. In our new base case scenario, we expect Hungarian activity to reach pre-crisis levels only by mid-2022.

Author

Peter Virovacz

Senior Economist, Hungary

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>.