

23 January 2019

EMEA

# Leading HUBE update

## It is time to adapt to a slowdown

**Based on our Leading HUBE indicators, we see the Hungarian economy losing its momentum in the last quarter of 2018, the effect of which will carry over into 2019**

According to our Hungarian Business Economy (HUBE) indicators, we see Hungarian economic activity slowing down from a remarkable 5% growth rate reached in 3Q18. We are not envisaging a frightening development just a soft landing going forward. When Prime Minister Orbán made his annual State of the Nation Address in January, even he highlighted the fact that the economy needs further stimulus in 2019 to maintain an above 4% GDP growth. This message resonates well with our call of a slowdown in economic activity.

Our forecast stems from recent developments in high frequency data showing that a deceleration might have already started in the last quarter of 2018. Industrial production continued its roller-coaster ride in November showing a contraction on a monthly basis. The silver lining and a warning sign here is the stock of orders that is 12% higher than a year ago, thus capacity constraints are still being felt. The retail sector posted a soft growth in November, showing a general deceleration in consumption. Against this backdrop the construction industry is showing further strength and a double-digit growth. When it comes to volume of contracts, it seems the sector will remain in good shape in 2019. Soft indicators were rather mixed both for businesses and consumers, but recent German developments are definitely troubling given the strong ties between the two economies.

In summary, our Leading HUBE indicators decreased further, pointing to a slowdown in GDP growth in 2019. The MoM Leading HUBE has been in negative territory for four months. A similar pattern was last seen in 2015, when the country's GDP growth posted a significant deceleration in the following year. The latest YoY Leading HUBE indicator also dropped to a level not seen since the summer of 2016.

The MoM Leading Robust sub-index didn't simply drop again, but fell into negative territory for the first time in 30 months. The YoY indicator also points to a weak finish in 2018 and a soft start in 2019 with its continued trend-like decrease. We forecast Hungarian GDP growth to remain well above 4% in 4Q18, but drop below this level in the first quarter of this year.

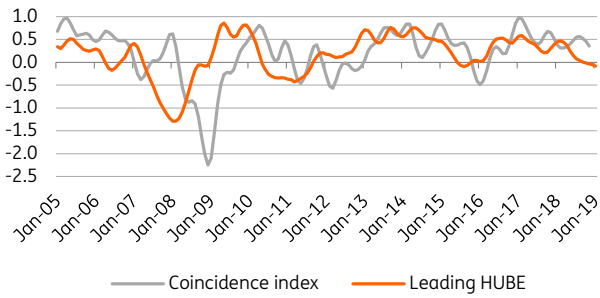
For methodology notes and performance of our Leading HUBE index, please see our report, *Leading HUBE: An Effective Leading Indicator for the Performance of the Hungarian Business Sector*, [Hungarian Statistical Review](#).

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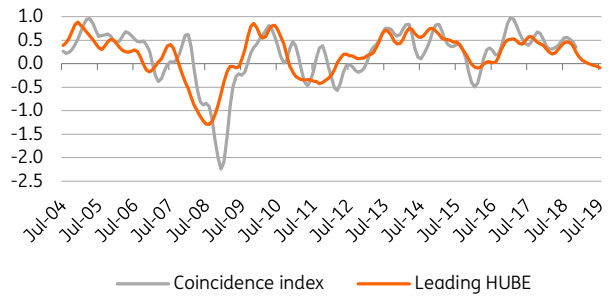
## CI and Leading HUBE charts

**Fig 1 CI and Leading HUBE (%MoM)**



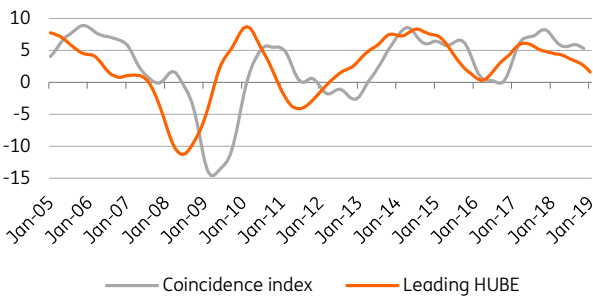
Source: ING

**Fig 2 CI and Leading HUBE (%MoM; 6-month lead)**



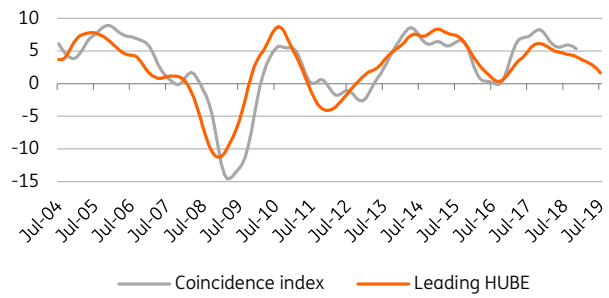
Source: ING

**Fig 3 CI and Leading HUBE (%YoY)**



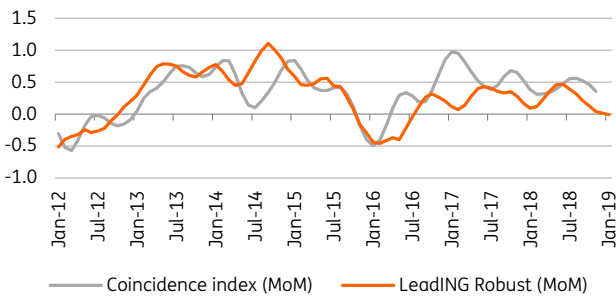
Source: ING

**Fig 4 CI and Leading HUBE (%YoY, 6-month lead)**



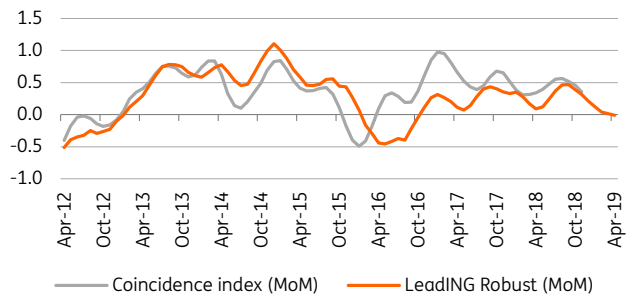
Source: ING

**Fig 5 CI and Leading Robust (%MoM)**



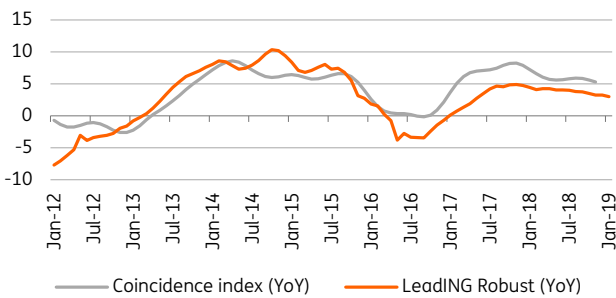
Source: ING

**Fig 6 CI and Leading Robust (%MoM; 3-month lead)**



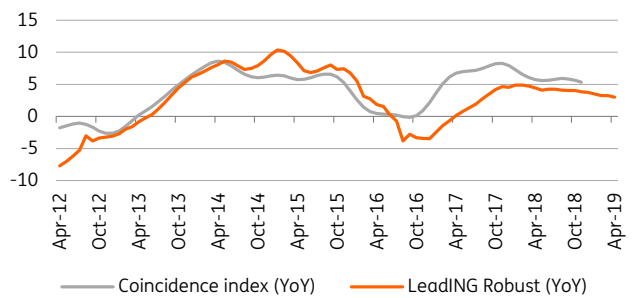
Source: ING

**Fig 7 CI and Leading Robust (%YoY)**



Source: ING

**Fig 8 CI and Leading Robust (%YoY; 3-month lead)**



Source: ING

**Fig 9 Coincidence index and Leading figures (%)**

Date	Coincidence Index (MoM)	Leading HUBE (MoM)	Coincidence Index (YoY)	Leading HUBE (MoM)	Leading Robust (MoM)	Leading Robust (YoY)
Jan-14	0.74	0.56	7.19	7.33	0.78	8.06
Feb-14	0.84	0.60	7.82	7.23	0.67	8.61
Mar-14	0.84	0.69	8.35	7.31	0.53	8.44
Apr-14	0.63	0.75	8.59	7.60	0.45	7.84
May-14	0.32	0.75	8.39	7.95	0.47	7.30
Jun-14	0.14	0.70	7.85	8.23	0.64	7.46
Jul-14	0.10	0.63	7.16	8.35	0.83	7.92
Aug-14	0.21	0.54	6.57	8.23	0.99	8.66
Sep-14	0.34	0.52	6.16	7.97	1.11	9.66
Oct-14	0.49	0.51	6.00	7.73	1.01	10.34
Nov-14	0.69	0.49	6.11	7.57	0.88	10.17
Dec-14	0.83	0.46	6.33	7.45	0.70	9.40
Jan-15	0.84	0.46	6.44	7.34	0.59	8.37
Feb-15	0.71	0.40	6.30	7.12	0.46	7.10
Mar-15	0.53	0.30	5.97	6.72	0.45	6.80
Apr-15	0.41	0.20	5.75	6.14	0.47	7.07
May-15	0.37	0.10	5.79	5.45	0.55	7.57
Jun-15	0.37	-0.01	6.04	4.71	0.56	8.03
Jul-15	0.41	-0.07	6.36	3.98	0.44	7.29
Aug-15	0.42	-0.09	6.59	3.32	0.43	7.42
Sep-15	0.32	-0.07	6.57	2.71	0.27	6.78
Oct-15	0.11	-0.01	6.17	2.18	0.07	5.53
Nov-15	-0.17	0.04	5.25	1.72	-0.16	3.12
Dec-15	-0.40	0.04	3.97	1.29	-0.29	2.75
Jan-16	-0.49	0.02	2.60	0.85	-0.44	1.85
Feb-16	-0.41	0.03	1.46	0.48	-0.46	1.53
Mar-16	-0.18	0.14	0.75	0.32	-0.42	0.23
Apr-16	0.10	0.31	0.43	0.42	-0.37	-0.74
May-16	0.29	0.44	0.36	0.76	-0.40	-3.82
Jun-16	0.34	0.51	0.32	1.28	-0.22	-2.78
Jul-16	0.29	0.52	0.20	1.88	-0.04	-3.34
Aug-16	0.19	0.53	-0.04	2.52	0.11	-3.43
Sep-16	0.20	0.49	-0.16	3.10	0.26	-3.45
Oct-16	0.37	0.43	0.10	3.55	0.32	-2.43
Nov-16	0.62	0.41	0.89	3.94	0.26	-1.45
Dec-16	0.85	0.49	2.16	4.41	0.20	-0.69
Jan-17	0.98	0.57	3.66	4.98	0.11	0.11
Feb-17	0.95	0.58	5.08	5.56	0.07	0.75
Mar-17	0.82	0.52	6.13	5.96	0.14	1.32
Apr-17	0.66	0.46	6.73	6.12	0.28	1.91
May-17	0.52	0.42	6.97	6.10	0.40	2.76
Jun-17	0.43	0.39	7.07	5.98	0.43	3.51
Jul-17	0.39	0.32	7.18	5.77	0.40	4.20
Aug-17	0.45	0.25	7.46	5.46	0.35	4.62
Sep-17	0.59	0.21	7.88	5.17	0.33	4.52
Oct-17	0.68	0.22	8.21	4.95	0.35	4.86
Nov-17	0.65	0.30	8.25	4.84	0.28	4.88
Dec-17	0.52	0.38	7.90	4.72	0.17	4.75
Jan-18	0.38	0.44	7.26	4.59	0.09	4.45
Feb-18	0.31	0.47	6.58	4.47	0.12	4.10
Mar-18	0.31	0.44	6.05	4.38	0.24	4.23
Apr-18	0.34	0.38	5.71	4.30	0.37	4.25
May-18	0.39	0.25	5.58	4.12	0.46	4.06
Jun-18	0.47	0.15	5.62	3.87	0.47	4.05
Jul-18	0.55	0.07	5.79	3.62	0.39	4.02
Aug-18	0.56	0.04	5.91	3.41	0.32	3.81
Sep-18	0.52	0.01	5.84	3.20	0.21	3.72
Oct-18	0.46	-0.02	5.61	2.95	0.13	3.49
Nov-18	0.36	-0.04	5.30	2.61	0.04	3.26
Dec-18		-0.05		2.16	0.02	3.25
Jan-19		-0.09		1.62	-0.01	2.98

Source: ING

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