

25 February 2019

EMEA

Leading HUBE update

Soft landing

The Hungarian economy closed 2018 with a record high growth rate, but based on our Leading HUBE indicators, we hardly see a new record in 2019

Hungarian GDP growth showed a mild (0.4ppt) deceleration to 4.8% YoY in 4Q18, fitting the direction suggested by our Hungarian Business Economy (HUBE) indicators. Against this backdrop, we are still confident in our call, that economic activity peaked in 2018 and 2019 will bring us the start of a soft landing. However, the pace of the slowdown will much depend on the government's soon-to-be-announced 'economic protection action plan'.

We are still sticking to our soft landing theory, based on the latest high-frequency data. If we start with the positives, industrial production closed 2018 on a high note, posting the second strongest year-on-year reading in the last year despite the winter holiday season. The capacity constraints still seem to be binding, but the stock of orders was 7.2% higher than a year ago in December. On the other hand, the retail sector closed 2018 with its worst performance in the year, which clearly could be a warning sign concerning 2019. Construction sector output dropped in December on a monthly basis, and the year-on-year indicator was also showing some softening. Going forward, a deceleration is clearly on the table as the volume of contracts is down by almost 8% on a yearly basis. The fear of recession (or at least a stagnation) in Germany also is not helping the soft indicators, which is taking its toll on economic sentiment.

In summary, our Leading HUBE indicators regressed further, pointing to softer GDP growth this year. The MoM Leading HUBE has been in negative territory for six months, a clear sign for a loss of economic momentum. The latest YoY Leading HUBE indicator also dropped to a level not seen since early 2016, edging closer to negative territory.

After the MoM Leading Robust sub-index reached negative territory in the last month, we don't have good news: it dropped further. The yearly-based indicator dipped to an almost two-year nadir, pointing toward a weaker GDP growth in the next couple of quarters. If the 'economic protection action plan' proves to be effective, the Hungarian economy could produce an above 4% GDP growth in 2019 on average, so higher than we forecast in light of the latest dataset.

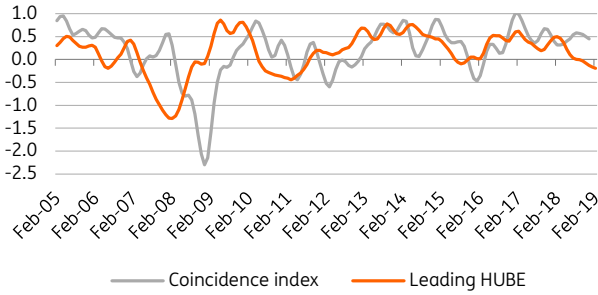
For methodology notes and performance of our Leading HUBE index, please see our report, *Leading HUBE: An Effective Leading Indicator for the Performance of the Hungarian Business Sector*, [Hungarian Statistical Review](#).

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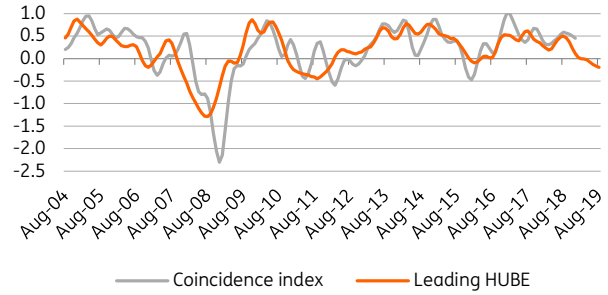
CI and Leading HUBE charts

Fig 1 CI and Leading HUBE (%MoM)



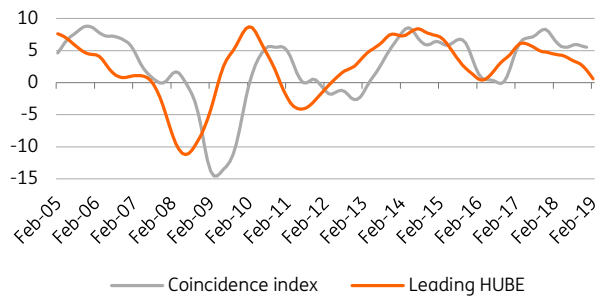
Source: ING

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



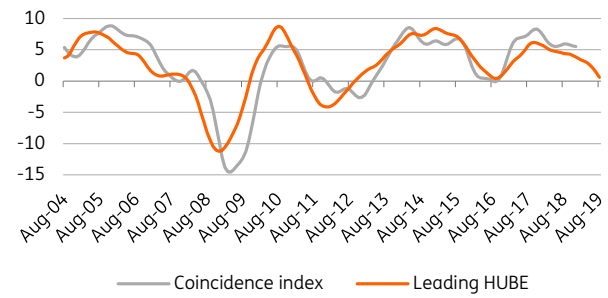
Source: ING

Fig 3 CI and Leading HUBE (%YoY)



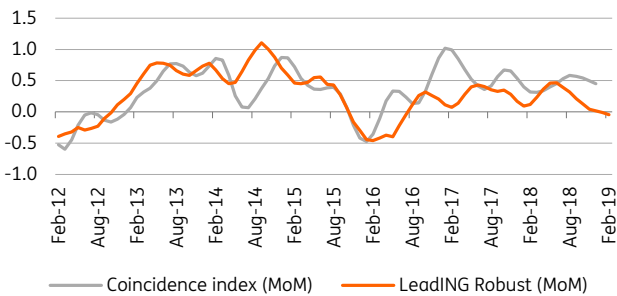
Source: ING

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



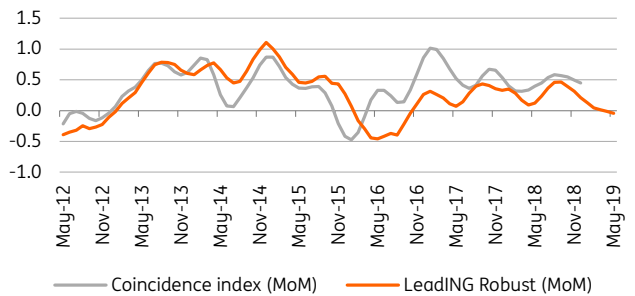
Source: ING

Fig 5 CI and Leading Robust (%MoM)



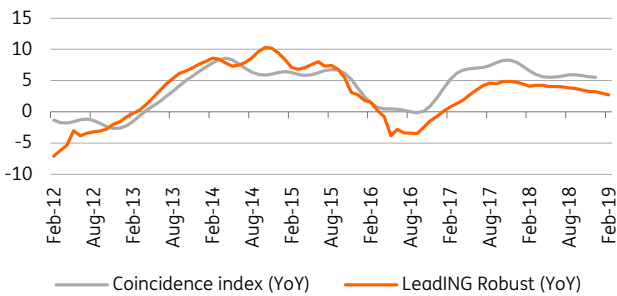
Source: ING

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



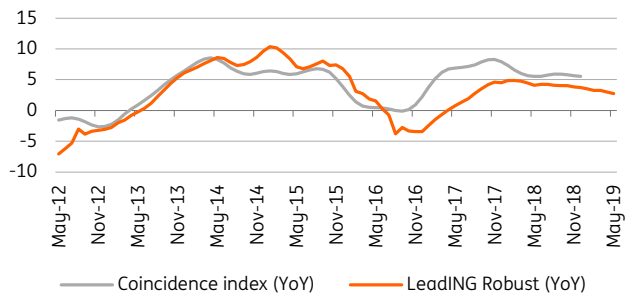
Source: ING

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	0.54	7.14	7.39	0.78	8.06
Feb-14	0.85	0.59	7.80	7.29	0.67	8.61
Mar-14	0.83	0.68	8.35	7.37	0.53	8.44
Apr-14	0.58	0.76	8.57	7.66	0.45	7.84
May-14	0.26	0.76	8.31	8.01	0.47	7.30
Jun-14	0.08	0.71	7.69	8.29	0.64	7.46
Jul-14	0.07	0.64	6.94	8.39	0.83	7.92
Aug-14	0.21	0.55	6.35	8.25	0.99	8.66
Sep-14	0.37	0.52	5.97	7.98	1.11	9.66
Oct-14	0.53	0.51	5.87	7.72	1.01	10.34
Nov-14	0.74	0.49	6.04	7.55	0.88	10.17
Dec-14	0.87	0.45	6.30	7.43	0.70	9.40
Jan-15	0.87	0.45	6.44	7.33	0.59	8.37
Feb-15	0.72	0.39	6.30	7.12	0.46	7.10
Mar-15	0.54	0.31	5.99	6.72	0.45	6.80
Apr-15	0.43	0.23	5.82	6.16	0.47	7.07
May-15	0.37	0.12	5.94	5.49	0.55	7.57
Jun-15	0.36	0.01	6.24	4.76	0.56	8.03
Jul-15	0.39	-0.06	6.58	4.03	0.44	7.29
Aug-15	0.39	-0.10	6.77	3.36	0.43	7.42
Sep-15	0.29	-0.07	6.68	2.75	0.27	6.78
Oct-15	0.07	-0.01	6.20	2.22	0.07	5.53
Nov-15	-0.21	0.05	5.20	1.78	-0.16	3.12
Dec-15	-0.42	0.05	3.85	1.38	-0.29	2.75
Jan-16	-0.47	0.02	2.47	0.94	-0.44	1.85
Feb-16	-0.35	0.02	1.38	0.56	-0.46	1.53
Mar-16	-0.10	0.14	0.73	0.39	-0.42	0.23
Apr-16	0.18	0.33	0.48	0.49	-0.37	-0.74
May-16	0.33	0.47	0.45	0.83	-0.40	-3.82
Jun-16	0.33	0.53	0.41	1.35	-0.22	-2.78
Jul-16	0.24	0.52	0.27	1.94	-0.04	-3.34
Aug-16	0.13	0.52	0.01	2.57	0.11	-3.43
Sep-16	0.15	0.47	-0.14	3.13	0.26	-3.45
Oct-16	0.33	0.42	0.12	3.57	0.32	-2.43
Nov-16	0.60	0.40	0.94	3.93	0.26	-1.45
Dec-16	0.86	0.50	2.23	4.40	0.20	-0.69
Jan-17	1.02	0.60	3.76	5.01	0.11	0.11
Feb-17	0.99	0.62	5.17	5.64	0.07	0.75
Mar-17	0.85	0.53	6.17	6.06	0.14	1.32
Apr-17	0.68	0.43	6.71	6.17	0.28	1.91
May-17	0.52	0.38	6.91	6.08	0.40	2.76
Jun-17	0.41	0.35	7.00	5.89	0.43	3.51
Jul-17	0.36	0.29	7.12	5.64	0.40	4.20
Aug-17	0.41	0.23	7.43	5.34	0.35	4.62
Sep-17	0.56	0.19	7.87	5.05	0.33	4.52
Oct-17	0.67	0.22	8.23	4.85	0.35	4.86
Nov-17	0.66	0.32	8.29	4.76	0.28	4.88
Dec-17	0.54	0.41	7.95	4.66	0.17	4.75
Jan-18	0.40	0.48	7.29	4.53	0.09	4.45
Feb-18	0.32	0.50	6.57	4.41	0.12	4.10
Mar-18	0.31	0.46	6.00	4.34	0.24	4.23
Apr-18	0.34	0.37	5.64	4.27	0.37	4.25
May-18	0.40	0.22	5.51	4.11	0.46	4.06
Jun-18	0.45	0.11	5.55	3.86	0.47	4.05
Jul-18	0.54	0.03	5.74	3.59	0.39	4.02
Aug-18	0.58	0.00	5.91	3.35	0.32	3.81
Sep-18	0.57	-0.01	5.92	3.14	0.21	3.72
Oct-18	0.55	-0.03	5.79	2.89	0.13	3.49
Nov-18	0.50	-0.08	5.62	2.48	0.04	3.26
Dec-18	0.45	-0.13	5.53	1.94	0.02	3.25
Jan-19		-0.17		1.28	-0.01	2.98
Feb-19		-0.19		0.58	-0.04	2.71

Source: ING

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