

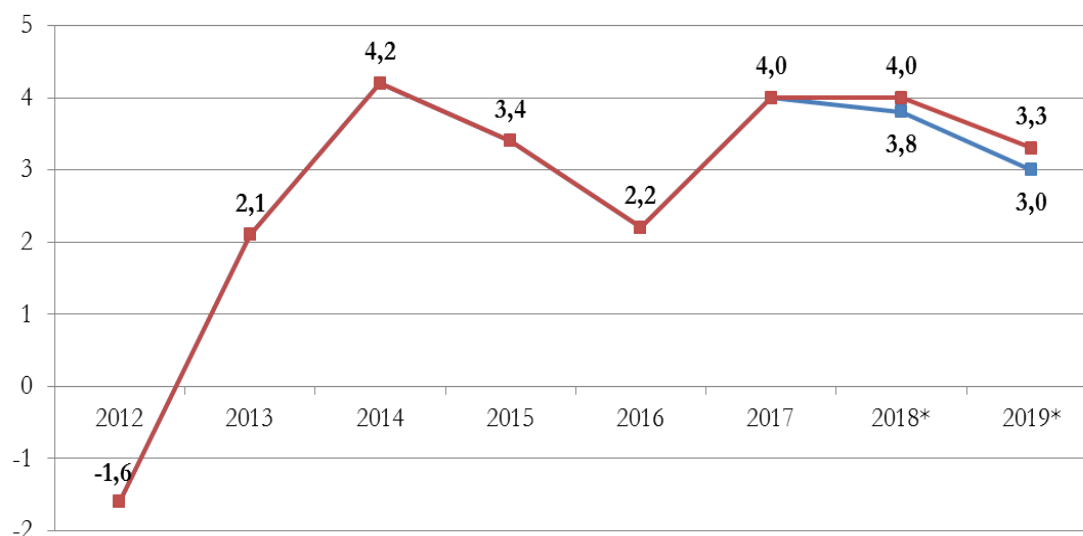


### *IMF raised estimate of Hungarian economic growth*

Compared to the previous expectations published in the World Economic Outlook in July, a study by the International Monetary Fund (IMF), the current report of October 2018 shows a 0.2 percentage points higher growth rate for this year and a 0.3 percentage points higher rate for next year. Thus the organization prognosticates that the rate of Hungary's GDP growth may be as high as 4 percent this year.

In light of recent events in the global economy, such as trade tensions as well as geopolitical and domestic policy uncertainty, the IMF revised downward the estimate of global economic growth by more than 0.1 percentage point, to 2.5 percent. Growth estimates have also been cut regarding Germany, the euro-zone average and the majority of the countries in the CEE region. Given these developments it is especially noteworthy that as far as Hungary is concerned the IMF has revised upward the previous estimate. Over the past four years, the IMF made a positive revision of Hungary's growth outlook altogether six times, similarly to other international entities (e.g. the European Commission and the OECD).

**Fig. 1: Real GDP growth of the Hungarian economy**  
(annual percentage change; previous year = 100,0%)



\* IMF projection: blue – April 2018, red – Oct. 2018

Source: IMF

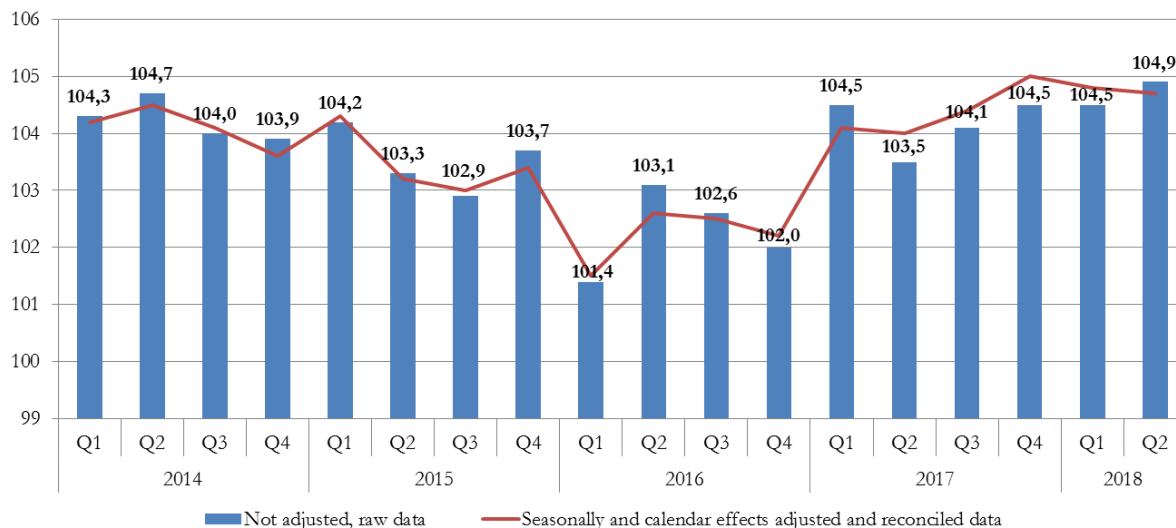
One factor behind the positive revision may have been the GDP report published by the Hungarian Central Statistical Office (KSH) in September 2018. This showed that in Q2 2018



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Hungary's GDP grew by 4.9 percent year-on-year. As the graph below demonstrates, the pace of economic growth has picked up gradually, from quarter to quarter, since Q2 2017.

**Fig. 2: Volume change of GDP**  
(the corresponding period of previous year = 100,0%)



Source: Hungarian Central Statistical Office (KSH)

The majority of economic sectors have positively contributed to the outstanding performance in the second quarter.

In view of **production-approach** data, the value added of the agricultural, industrial and services sectors gained 3.2 percent, 3.6 percent and 4.3 percent, respectively, year-on-year. Within the industrial sector, the value added of the construction and manufacturing sectors increased by 24 percent and 4.0 percent, respectively. The sub sector with the largest change in the volume of GDP growth, 7.7 percent year-on-year, within the services sector was the category retail trade, accommodation services and catering.

On the **expenditure side**, the actual final consumption of households and the actual final consumption of the government grew by 5.3 percent and 1.9 percent, respectively, compared to the same period of the previous year. Gross fixed capital formation was up by 15 percent in comparison to Q2 2017. The volume of external trade grew also higher: the volume of exports and imports increased by 6.2 percent and 7.5 percent, respectively, year-on-year. The main drivers of growth were the export volume of services and the volume of imported goods.

The performance of the Hungarian economy has improved not only in comparison to the same period of the previous year but also in comparison to the preceding quarter. Data adjusted for seasonal and calendar effects show that GDP grew by 1.0 percent quarter-on-quarter. In this

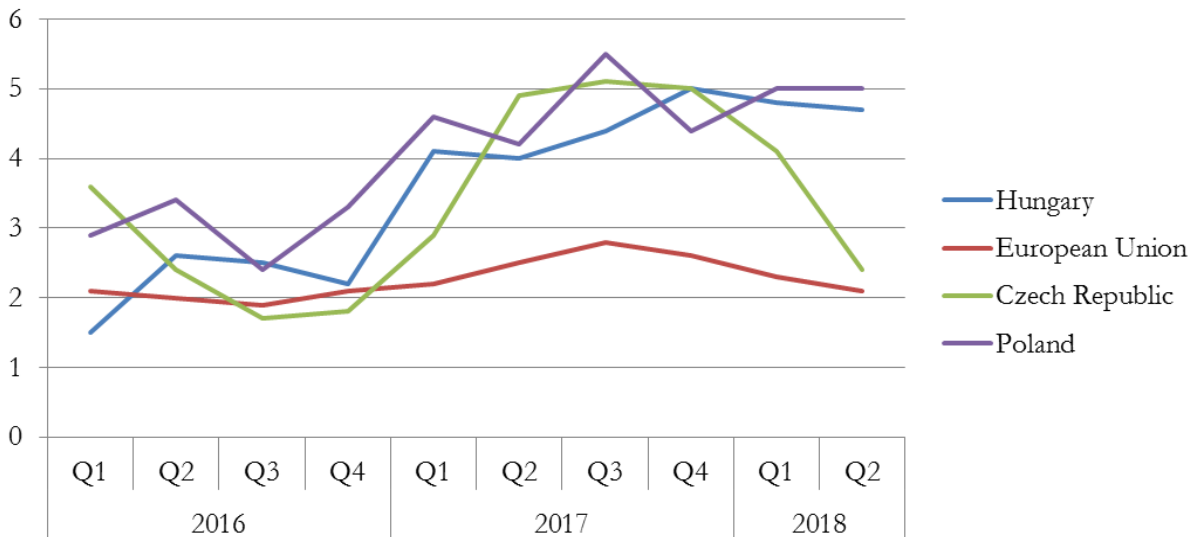


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period, the value added of the agricultural, industrial and services sectors was up by 2.2 percent, 0.9 percent and 0.5 percent, respectively. Concerning the expenditure side, the volume of the actual final consumption of households increased by 1.1 percent and that of gross fixed capital formation gained 3.0 percent. The volume of exports and imports was up by 2.4 percent each compared to Q1 2018.

The volume of GDP within the European Union grew on average by 2.1 percent year-on-year in Q2 2018. Data published by the Eurostat with regard to Q2 2018 show that the rate of GDP growth within the Visegrad Group continued to be higher than the average growth of the EU.

**Fig. 3: Volume index of GDP (at market prices) in selected countries**  
(Seasonally and calendar adjusted data, percentage change compared to same period in previous year)



Source: Eurostat online database

Hungary's Minister of Finance Mihály Varga noted in a speech held at the Budapest Economic Forum 2018 at the beginning of October that the Hungarian economy had been on a path of balanced growth since 2013. In order to maintain this trend, he added, the competitiveness of the country must be increased, state expenditures must be reduced, investment must be facilitated and existing labour reserves must be utilized.