

2.24. HUNGARY

Real GDP in Hungary is estimated to have grown by 4.9% in 2019. The economy was able to withstand the international slowdown thanks to temporary tailwinds, including rising public investment and the launch of new product lines at major factories in the automotive sector. Survey indicators and monthly data suggest that growth may ease in the near term.

GDP growth is forecast to drop to 3.2% in 2020 and to 2.8% in 2021, as the domestic business cycle matures. Investment is set to grow more decelerate, having already reached a high level. In line with the anticipated slowdown, recent labour market data point to easing labour demand, which is set to curb real wage and private consumption growth. Exports are likely to rise modestly, in line with sluggish growth in key export markets.

HICP inflation rose to 4.1% in December 2019 and averaged 3.4% in 2019 as a whole. Increasing oil and food commodity prices and the depreciating currency accounted for the recent uptick, while core inflation (excluding energy and unprocessed food) remained at 3.7% in the last months of 2019. Inflation is set to peak in the first quarter of 2020 and decrease towards the end of the year as cost pressures fade. It is projected to reach 3.3% in 2020, and 3.1% in 2021.

