Economic Trends in Eastern Europe

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Economic Trends in Eastern Europe

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Authors:

Chapter 1: International Environment
Katalin Nagy

Chapter 2: Central and Eastern Europe
Katalin Nagy, Péter Vakhal

Chapter 3: The Hungarian Economy
Zoltán Matheika, Gábor Oblath, Éva Palócz, Péter Vakhal

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Fax: (36-1) 309-2647

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Edited by Éva Palócz

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info@kopint-tarki.hu

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The global economy

Global GDP growth is now expected to remain slightly below 3 percent, a downward revision compared to summer, when we projected a 3.2 percent growth for 2019. In the ideal scenario, worldwide growth may accelerate to 3 percent in 2020, another downward revision. Practically every country and every region will expand at a less sanguine pace than previously expected. Expectations worsened the most in the case of India and Saudi Arabia, but the US growth outlook is also lower now by almost 0.5 percentage point than in the summer. The trade war between China and the US, the Chinese slowdown and Brexit are still the largest threats but the rising tensions around Iran and the more unpredictable monetary policy lines also contribute to discourage investors and pose a risk for economic growth. The global trade turnover may stagnate or even decrease in 2019, a first since the global financial crisis. Another problem is that – not considering outright crisis periods – the global debt level has never been so high. The total debt of twelve largest countries of the world now amounts to a sum several times higher than during the financial crisis, their debt-to-GDP ratio is, on average, around 70-80 percent. Partly as a result of lax monetary policy, global debt accumulated to a magnitude that may become unsustainable in a time of economic slowdown.

Even amid the general deceleration, some positive trends can be observed as well. For example, unemployment in the majority of countries, private consumption is robust, inflation is moderate, the funding environment is favorable, and in many countries growth is substantial even after the recent slowdown. On the whole, therefore, the forecasts regarding the coming global recession may be an exagerration, at least for now. While several downward risks exist, the present slowdown still may prove temporary and may not lead to a general recession.

Third world economies may grow by 4 percent in 2019 and by 4.1 percent in 2020. This is a downward revision from last summer, prompted by the US-China tensions that affect the prospects of almost all developing countries. The protectionist wave has the greatest impact on economies that export a large part of their output to either China or the US, either as fuel exporters or as participants to the global value chains. Commodity exporters are affected by softening demand, value chain suppliers are affected by the new tariffs imposed on the end products. On the other hand, some developing countries benefit from the trade war, such as the exporters of low-end light industry products or countries with experience in producing and assembling automotive parts and ICT components. It is not yet clear whether the protectionist measures will be sustained, eased or escalate, and therefore it cannot be said whether the hopes of the East Asian countries that want to attract the Chinese subsidiaries of the multinationals to move their place of residence are realistic.

In the first seven months of this year **international trade of goods** declined by 1.3 percent on an annual basis, and the the downward trend is expected to continue. An unusual feature of the present slowdown is that the trade flows of the emerging economies decrease the most, while the trade of the developed countries rather stagnates. This is in part a result of the trade war and the protectionist conduct on the part of the developed countries. Another cause is the stagnation or even decline of industrial production in the developed countries. Total industrial production was down 1 percent compared to 2018 in the European OECD-countries and it stagnated in the OECD as a whole. The trade of services, on the other hand, still expanded, and as a result, the trade of goods and services as a whole is still growing slightly. Most multilateral organizations revised downward their trade forecasts for both 2019 and 2020, citing trade disputes, growing uncertainties in the financial markets and security risks. We expect the world trade of goods and services to expand by 2.5 percent in 2019, the second worst after the financial crisis. Trade growth may accelerate in 2020 to 3.7 percent, although downward risks abount.

Commodity prices continued to decrease. The first eight months saw a decline of food prices by about 4.5 percent compared to the 2018 average. I*ndustrial metal prices* are affected by two contradictory impacts: on the one hand, the global slowdown pushes down the prices of aluminum, copper and other semiconductors. On the other hands, precious metals are again considered investment assets, their prices are on the rise.

In its September report on the oil market, the IEA predicted a demand growth of 1.1 million barrels per day for 2019 and another expansion of 1.3 million barrels per day for 2020. In the summer, low **oil prices** were the main problem, with the OPEC and the other major exporters struggling to stabilize oil prices by cutting production. But the attack against the Saudi oil facilities changed the situation, caused turbulences in the oil price. After a short upsurge to almost USD 70, the Brent oil prices fluctuates between 60 and 65, a level still higher than where it stood in August. The conflict did not escalate since, and we expect an annual average prices of USD 64-65 for 2019, with a slight drop in prices in 2020, due to softening demand, a reflection of the weak economic outlook. An escalation of the US-Iran or Saudi Iran conflict, on the other hand, would lead to oil prices getting out of hand – in such a scenario, an oil price as high as above USD 100 is in the cards.

The worsening outlook pushed central banks toward **monetarey easing** again, putting an end to the normalizing trend that began in 2018. The *FED* cut the policy rate by 25 basis points in July – after that, it began technical repo operation to keep the interbank rate fixed. But it was not enough to calm the market: in mid-September liquidity temporarily dried up, forcing the FED to cut the reference rate again on 18 September, by 25 basis points again. The market expects another cut till the end of this year and even the return to the policy of quantitative easing. The *ECB* cut its deposit facility rate by ten basis points, to -0.5 percent. The ECB communicates that the policy rates will not rise until inflation expectations do not come close to 2 percent. What is more, it restarted its asset purchase program from November 1, at a monthly pace of EUR 20 billion. The *Bínk of England* keeps the policy rate flat for now (at 0.75 percent) since August 2018, but an escalation of the Brexit chaos may push the BOE toward a monetary easing. The *Japanese central bank* (BoJ) continues its extremely lax monetary policy, and even the *Chinese central bank* cut its reference rate from 4.25 to 4.2 percent. In short, monetary policy will remain lax in the major economies during the forecast period.

The main partners of the European Union face decelerating growth everywher. According to the latest forecasts the **US economy** is to grow by 2.1-2.4 percent in 2019 a downward revision of about 0.5 percentage point. The growth rate is about to dip below 2 percent in 2020. The US-China trade war is a major hindering factor: falling export, the industrial slowdown and softening growth of business investments heavily contributed to the relatively low GDP growth rate (a quarter-on-quarter 0.5 percent) in the second quarter of the year. In 2020, the US economy may expand by only 1.5 percent, possibly followed by a mild rebound in the subsequent year. Private consumption will remain the primary driver of growth – fiscal policy will probably be neutral, no new stimulus packages are expected.

In Japan economic growth may slow down from 1 percent in this year to about 0.7 percent in 2020. The labor and capacity shortages may stimulate investments but the worsening export outlook and the souring sentiment among firms have a counteracting impact. Expanding social spending may somewhat boost consumer demand but again, the October raise of consumption tax rates will be a counteracting force. Fiscal consolidation measures were deferred to 2020 and in an increasingly unfavorable economic climate they may be delayed further. Inflation remains low, despite the tight labor market, core inflation is stuck at 0.6 percent. Headline inflation is expected to be around 1 percent in 2019, rise to 1.6 percent in 2020 but drop again in 2021. The number of vacancies is still very high, the unemployment rate hardly exceeds 2 percent. The extremely accommodating monetary policy seemingly failed to address the problem of low growth.

In **China** the gradual slowdown – that is in part a result of the ongoing efforts to transform the Chinese economy by reallocating the resources toward the higher value-added activities – is gaining momentum in this year. The GDP will grow by 6.1 percent in 2016 and 5.7 percent in the next year. Another negative factor is the trade war with the US. This is a blow not just for China – which is preparing for a new mode of operation with growth rates more akin to the developed economies – but its partner countries that became accustomed to dynamically expanding Chinese demand. The biggest threat is that the trade war hinders the operation of global value chains. By now the domestic sales of the Chinese subsidiaries of US multinationals are twice the magnitude of US exports to China and export sales of those subsidiaries constitute another one-third of US exports to China. On the other hand, some of the Chinese firms became EMBEDDED in the US economy with state-of-the-art products and services, and the punitive measures against them may hurt the US economy as well.

in the first quarter the **Russian economy** slowed down markedly – in part due to a VAT rate hike. GDP decreased by 0.5 percent year-on-year, but the second quarter saw a degree of acceleration, driven by industry sales. But the drop in oil prices hit industrial export sales again during the summer months. At present, the Russian crude export is at 80 percent of the level seen in 2007, a reflection of the vulnerability of the Russian oil industry to global market trends. On the whole, the GDP is about to stagnate in 2019, with the possibility of a mild rebound in 2020.

In the **euro area**, economic growth has been decelerating practically since early 2018, mostly due to sluggish investment activity and weakening export growth. This is shown in the worsening industrial outlook as well. Sentiment indicators convey a mixed picture but overall, they point to the continuation of slow growth. The low interest rate policy and the somewhat expansive fiscal policies aim at prevent recession. But expectations keep getting more pessimistic, due to the trade conflicts and the still unresolved Brexit crisis. The manufacturing sector is in recession, and recently this recession seems to reach the service sector as well. Both overall growth and manufacturing growth is primarily impaired by the German and Italian economic problems. GDP may grow by merely 0.4 percent in Germany and by 0.2 percent in Italy in 2019, and no improvement is expected in 2020. The growth rate is slowing down in other eurozone countries as well, although usually at a lesser degree. The euro area GDP is to expand by 1.2 and 1.3 percent, respectively, in 2019 and 2020. In the **EU28** as a whole, GDP may grow by 1.4 percent in 2019 and 1.3 percent in the next year. (The EU13 economies are still generally more dynamic than the eurozone, but they are affected by the global slowdown as well.) *Inflation* remains moderate, partly due to low energy prices. The eurozone *inflation* dipped below 1 percent in September, core inflation is around 1 percent, way below the ECB target. The annual inflation is unlikely to exceed 1.3 percent, and no significant change is expected for 2020. The 1.5 percent inflation forecast for the EU28 reflects primarily the higher rates in the new member states althoug an acceleration of inflation has been also observed in the UK. The *labor market* situation is usually stable, with no further improvement in the recent months but deterioration either, for now. The eurozone unemployment rate may reach 7.7 percent this year, while – due to the much lower rates in the new member states – the annual unemployment rate is likely to be around 6.5 percent in 2019.

The euro remains weak, it fluctuates between 1.09 – 1.12 **USD/EUR**, that is, somewhat below the average level of 1.13 seen in the first half of the year, with no significant change on the horizon. The Brexit chaos can not only weaken the British pound further but it can theoretically undermine the euro as well, althought the recent rate cuts by the FED ease the pressure on the euro.

The **German economy** is at the edge of recession. While some of the exports see the slowdown as a normal correction, the weakness of the industrial sector begins to extend to the service sector, causing a gradual decrease in capacity utilization. The economic cooling surpasses former expectations and it is more pronounced in Germany than in most other member states, although the structure of the slowdown – primarily exports and, consequently, investments are affected – is the same as elsewhere. Firms are growing more pessimistic: The IFO sentiment index was on the decline since September 2018. By now, not only the assessment of outlook but also the assessment of the firms' present situation is worsening as well, in basically every industry. Private consumption is the remaining driver of growth even though downward risks are becoming more pronounced here as well: the market labor indicators are about to start to deteriorate, which will affect private consumption. GDP is expected to expand by 0.4 and 0.8 percent, respectively, in 2019 and 2020.

The end result – and, actually, the end date – of Brexit is still uncertain, and the change of no-deal Brexit is still large. All this brought the **British economy** to the brink of recession. The first-quarter GDP growrh was followed by a decrease of 0.2 percent (year-on-year) in the second quarter, mostly due to falling investments and the reduction of inventories. While export decreased, due to weak external demand, import decreased even more substantially, resulting in a positive change in net export. Continuing contraction of manufacturing activity and a slight expansion of services can be expected for the third quarter. The consecutive delays of the Btexit deadline extends the state of stagnation, while an eventual no-deal Brexit would bring about a recession, at least on the short term. Due to the uncertain outcome, it is hard to make predictions: the growth consensus for 2020 is around zero, but negatíve growth is also a possibility.

Makrogazdasági mutatók és a Kopint-Tárki prognózisa

(éves változás, százalék)

	Tényadatok					Előrejelzés			
			2019			2019		2020	
	2017	2018	I. né.	II. né.	július	2019 jún.	2019 szept.	2019 jún	2019 szept.
GDP-aggregátumok reálnövekedése									
GDP összesen	4,3	5,1	5,3	4,9		4,5	**4,8**	3,2	**3,2**
Belföldi felhasználás	5,2	7,3	4,7	6,5		5,4	**5,7**	3,7	**3,7**
Magánfogyasztás	4,2	4,0	4,6	4,7		4,5	**4,6**	3,7	**3,7**
Közösségi fogyasztás	3,2	2,0	-1,8	-3,7		0,5	**-1,3**	0,0	**0,0**
Bruttó állóeszköz-felhalmozás	18,7	17,1	24,9	17,8		15,0	**16,4**	5,0	**5,0**
Bruttó felhalmozás összesen	9,0	18,3	9,4	15,7		9,0	**11,0**	5,0	**5,0**
Export	6,9	4,3	7,4	2,8		6,0	**4,9**	5,0	**4,3**
Import	8,2	6,8	6,8	4,3		7,1	**6,0**	5,7	**5,0**
Ipari termelés	4,6	3,6	6,3	4,6	12,0	5,4	**5,5**	4,5	**4,3**
Fogyasztói árindex	2,4	2,8	3,2	3,7	3,2 [d]	3,5	**3,3**	3,7	**3,3**
Foglalkoztatás, jövedelmek									
Foglalkoztatottak számának növekedése [a]	1,6	1,1	1,4	0,8	0,8 [e]	0,9	**0,9**	0,5	**0,5**
Foglalkoztatási ráta [a]	59,3	60,4	60,6	60,8	60,9 [e]	60,7	**60,8**	61,1	**61,1**
Munkanélküliségi ráta [a]	4,2	3,7	3,6	3,3	3,4 [e]	3,5	**3,4**	3,3	**3,2**
Termékegységre jutó bérköltség [b]	11,2	9,2	5,6	6,3		5,4	**5,1**	4,4	**4,8**
Bruttó nominális keresetek	12,9	11,3	11,0	10,3	10,7	9,7	**10,5**	8,5	**8,5**
Nettó reálkeresetek	10,3	8,3	7,6	6,4	7,2	6,0	**6,8**	4,6	**4,8**
Megtakarítási ráta a GDP %-ában [c]	5,2	6,3	5,6	5,2		4,9	**4,8**	4,0	**4,0**
Folyó fizetési mérleg a GDP %-ában	2,3	-0,6	-0,8 [f]	-1,0 [f]		-0,1	**-0,2**	-0,8	**-0,5**
Folyó fizetési és tőkemérleg a GDP %-ában	3,1	2,0	1,7 [f]	1,3 [f]		1,5	**1,5**	1,0	**1,0**
Államháztartás									
Államháztartási egyenleg, a GDP %-ában	-2,4	-2,3	0,0	1,8		-1,7	**-1,5**	-1,5	**-1,0**
Bruttó államadósság, a GDP %-ában	72,9	70,2	69,5	68,2		68,0	**68,0**	67,0	**66,5**
Rövidtávú hozam (3 hó), időszak vége	-0,01	0,00	0,04	0,21	0,04 [g]	0,1	**0,1**	0,3	**0,3**
Hosszút. hozam (10 év), időszak vége	2,02	3,01	2,86	2,63	1,90 [g]	3,0	**2,3**	3,5	**2,8**
Nemzetközi feltételek									
Nemzetközi kereskedelem volumene	4,9	4,0				3,4	**2,5**	3,9	**3,7**
Brent olajár ($/hordó, időszaki átlag)	54,2	71,2	63,2	68,9	61,9 [h]	65,0	**65,0**	64,0	**64,0**
GDP-változás az Eurózónában, %	2,5	1,9	1,1	1,0		1,2	**1,2**	1,4	**1,3**
GDP-vált. az új EU-tagországokban, %	4,8	4,3	4,3	3,6		4,1	**3,7**	3,3	**3,2**
Forint/euró, időszaki átlag	309	319	318	323	328 [h]	321	**325**	321	**325**
Dollár/euró, időszaki átlag	1,13	1,18	1,14	1,12	1,11 [h]	1,13	**1,12**	1,13	**1,12**

a ILO-módszer szerint, időszaki átlag, 15-74 éves népesség (közfoglalkoztatottakkal együtt)
b Feldolgozóipar, bruttó hozzáadott érték és (a természetbeni juttatásokat is tartalmazó) havi átlagos munkajövedelem alapján euróban mért egységbérköltség százalékos változása, évkezdettől kumulált adat
c Háztartások négy negyedéves halmozott nettó finanszírozási képessége a GDP %-ában
d Július-augusztus
e Június-augusztus
f MNB által közölt szezonálisan kiigazított adat
g Augusztus
h Harmadik negyedév

1.6. Central European new member states

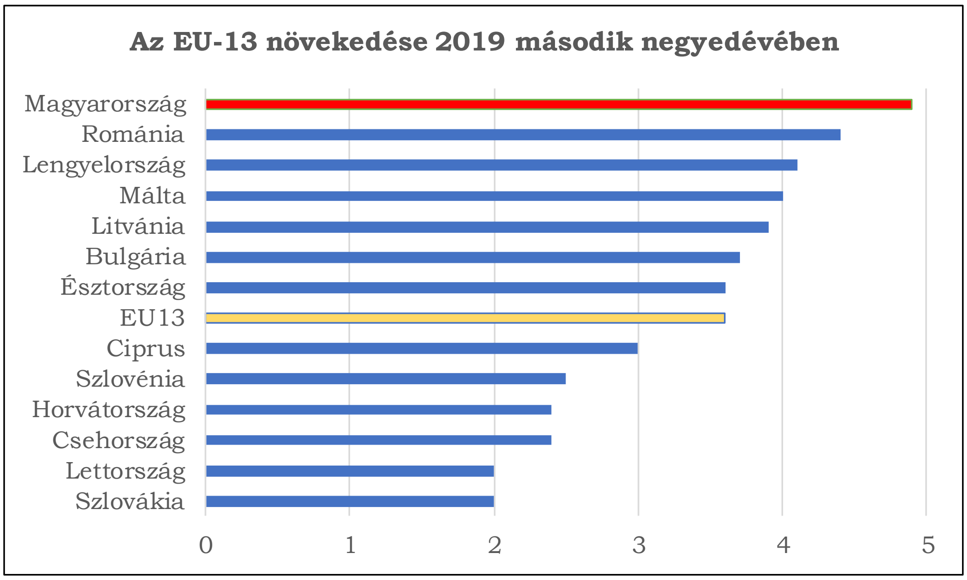
Still dynamic but decelerating growth

The aggregate GDP of the EU13 was up 3.6 percent in the second quarter, a clear deceleration compared to the 4.3 percent in the first quarter. Due to its high relative weight and still high growth rates (4.1 and 4.4 percent, respectively), Poland and Romania remained the most important drivers of economic growth: together, they produced more than half of the overall growth of the country group.

But the much smaller Hungary, by virtue of its even higher growth rate (4.9 percent in the second quarter), was almost on par with Romania in terms of contribution to regional GDP growth. Hungary boasts the highest growth rate within the region **IN BOTH THE FIRST AND THE SECOND QUARTERS – ELLENŐRIZNI.**

Lithuania also posted a respectable growth rate – 3.8 percent – in the second quarter, but this was in part a result of various one-off factors: a positive supply shock in agriculture, and a marked improvement in the accounting of income growth – that is, the 'whitening' of the Lithuanian economy.

Another notable case is Bulgaria whose economy usually grew at a below-average pace, due to the constant pressure toward internal depreciation, a result of its currency being fixed to the euro, while the central bank has been busy fighting inflation (mostly successfully). The institutional environment is far from ideal, hence most of the growth stimuli came from external demand. On a more positive note, the fixed excange rate creates a predictability that is beneficial for the export oriented economy on the longer term.



Bulgaria is expected to join the OECD next year, and also joining the ERM II will take place sooner rather than later. The country is expected to adopt the euro around 2023. Cooling external demand, however, poses a downward risk, even though the second-quarter growth rate (3.7 percent) was still relatively impressive. The government has limited room for stimulating growth by fiscal means because fiscal expansion can easily lead to dropping out of the ERM II.

Much of the ongoing slowdown is a result of a structural shift: while growth was driven by both consumption and investment in the previous quarters, investment lose momentum by the second quarter of 2019 in a number of new member states. Romania is a special case: here, fixed capital formation grew by an impressive 18 percent in the second quarter, yet the volume of total capital formation fell by about 70 percent, due to plummeting inventories. This correction is a reflection of the rupture in industrial trends: after a period of fast industrial growth, industrial output decreased by 1.2 percent in the first eight months of 2019 year-on-year, and it fell by more than 5 percent in August, with more steep fall in the offing.

In the Czech Republic investments almost stagnated in the second quarter, meaning that the moderate growth (2.8 percent) was mostly due to private consumption – and some improvement in net export. Investments decreased in many industrial subsectors, with a fall exceeding 2 percent in the automotive sector. While this can be partly attributed to statistical base effect, the deterioration is real: the Czech confidence index reached a five-year record low in September, and also industrial production shows a stagnating trend hidden behind wide fluctuations. For now, the Czech central bank does not changed its policy stance: the policy rate, although low compared to other countries in the region, is quite high when taking the economic fundamentals into account. The government tries to stimulate growth by revving up the utilization of EU funds, but the labor shortage hinders further growth even if foreign workers (mostly from Slovakia) already constitute as much as 5 percent of the workforce.

Inflation accelerates

After a lull early in the summer, inflation started to accelerate again. In the first eight months regional inflation stood at 2.5 percent, far from dramatic, but the trend is clearly points upward. The highest average rates were observed in Romania (4 percent), Hungary (3.5 percent) and Latvia (3.1 percent), while Croatia, Cyprus and Malta boasted the lowest rates. While core inflation is similar to headline inflation in most new member states, seasonal effects heavily affect Romanian, Slovakian and Latvian inflation. The primary seasonal factor is rising energy prices, with an added factor, food prices, in Romania.

So the present level of inflation is not cause for concern in itself, the upward trend is a warning sign against a headlong rush to begin fiscal or monetary expansion – central banks need to remain cautious. Although the international environment points toward monetary easing, price stability is far from robust in most new member states. The exchange rates of the regional currencies were quite volatile in the past months and usually fluctuated on the weak side, especially the Polish zloty and the Hungarian forint, but even the Czech koruna depreciated against the euro. While the Romanian leu suddenly appreciated against the euro in May, due to a one-off inflow of **EURO MEGKÉRDEZNI VAKHAL PÉTERTŐL after** a large-scale issue of government bonds, the exchange rate returned to its previous level by mid-October.

In short, a low-key inflation pressure appeared in the new member states, but the central banks are not yet forced to react. This may change, however, in the medium term: the governments may put pressure on central banks to stimulate growth by monetary easing, while inflation is likely to peak toward the end of the year or the start of the next year, putting monetary councils between a rock and a hard place.

Decelerating growth

In the medium term, regional growth is likely to be cut by half, although it probably remains well above the eurozone average. With the external conditions clearly deteriorating, net export is bound to lose much of its capacity to give a boost to economic growth. A growth based on consumption and investments, at least without a substantial improvement in productivity, is volatile and unsustainable. The inflow of EU funds cusions the slowdown but the magnitude of available funds will substantially decrease with the departure of the UK, and the changing rules regarding the spending of the available funds cause considerable uncertainty as well. A possible jump in oil prices poses another serious threat to productive activity and inflation, especially for countries outside the euro area, since they are particularly vulnerable in times of crisis. For now, we assume that the international environment remains basically stable. In this case, the new member states may grow by an average 3.7 percent in 2019 and approximately 3 percent in 2020, with considerable downward risk.

I/1. sz. táblázat

Gazdasági növekedés az Európai Unió tagországaiban

(A GDP százalékos változása az előző évhez viszonyítva)

	Súly*	2013	2014	2015	2016	2017	2018	2019**	2020**
Németország	21,4	0,4	2,2	1,7	2,2	2,5	1,5	0,4	0,8
Franciaország	14,8	0,6	1,0	1,1	1,1	2,3	1,7	1,3	1,3
Olaszország	11,1	-1,7	0,1	0,9	1,1	1,7	0,9	0,2	0,5
Hollandia	4,9	-0,1	1,4	2,0	2,2	2,9	2,6	1,9	1,8
Belgium	2,8	0,2	1,3	1,7	1,5	1,7	1,4	1,2	1,3
Luxemburg	0,3	3,7	4,3	3,9	2,4	1,5	2,6	2,3	2,9
Írország	2,0	1,4	8,6	25,2	3,7	8,1	8,2	5,4	2,7
Görögország	1,2	-3,2	0,7	-0,4	-0,2	1,5	1,9	1,6	2,0
Spanyolország	7,6	-1,4	1,4	3,8	3,0	2,9	2,4	2,3	2,0
Portugália	1,3	-1,1	0,9	1,8	1,9	2,8	2,1	1,8	1,6
Ausztria	2,4	0,0	0,7	1,0	2,1	2,5	2,4	1,4	0,8
Finnország	1,4	-0,8	-0,6	0,5	2,8	3,0	1,7	1,1	1,2
Észtország	0,2	1,9	2,9	1,9	3,5	4,9	3,9	4,0	3,2
Szlovákia	0,6	1,5	2,8	4,2	3,1	3,2	4,1	2,8	2,8
Szlovénia	0,3	-1,1	3,0	2,3	3,1	4,9	4,5	2,9	3,1
Ciprus	0,1	-6,0	-1,3	2,0	4,8	4,5	3,9	3,3	2,7
Málta	0,1	4,6	8,2	10,8	5,6	6,8	6,7	4,6	4,0
Lettország	0,2	2,4	1,9	3,0	2,1	4,6	4,8	2,7	2,5
Litvánia	0,3	3,5	3,5	2,0	2,4	4,1	3,5	4,0	3,3
Eurózóna	**72,9**	**-0,3**	**1,4**	**2,1**	**1,9**	**2,5**	**1,9**	**1,2**	**1,3**
Egyesült Királyság	15,1	2,0	2,9	2,3	1,8	1,8	1,4	1,0	0,2
Dánia	1,9	0,9	1,6	2,3	2,4	2,3	1,5	1,9	1,2
Svédország	2,9	1,1	2,7	4,4	2,4	2,4	2,3	1,4	1,0
Magyarország	**0,8**	**2,0**	**4,2**	**3,8**	**2,2**	**4,3**	**5,1**	**4,8**	**3,2**
Csehország	1,3	-0,5	2,7	5,3	2,5	4,4	2,9	2,5	2,1
Lengyelország	3,1	1,4	3,3	3,8	3,1	4,8	5,1	4,0	3,7
Románia	1,3	3,5	3,4	3,9	4,8	7	4,1	4,5	3,4
Bulgária	0,3	0,9	1,3	3,5	3,9	3,8	3,1	4,0	3,0
Horvátország	0,3	-1,1	-0,1	2,4	3,5	2,9	2,6	3,0	2,6
EU-15	**91,1**	**0,1**	**1,3**	**2,4**	**1,9**	**2,3**	**1,8**	**1,1**	**1,1**
Új EU-13	**8,9**	**1,3**	**2,7**	**3,8**	**3,2**	**4,8**	**4,3**	**3,7**	**3,2**
EU-28	**100**	**0,3**	**1,8**	**2,3**	**2,0**	**2,6**	**2,0**	**1,4**	**1,3**
BREXIT	**84,9**				**2,0**	**2,7**	**2,1**	**1,4**	**1,5**
Emlékeztető tételek									
USA		1,8	2,5	2,9	1,6	2,2	2,9	2,1	1,5
Japán		2,0	0,3	1,1	1,0	1,9	0,8	1,0	0,7
Kína		7,7	7,3	7,0	6,7	6,9	6,6	6,1	5,9
Oroszország		1,3	0,7	-2,8	-0,2	1,5	2,2	0,6	1,5
Délkelet-Európa									
Szerbia		2,6	-1,8	1,7	3,3	2,1	4,3	3,2	3,8
Törökország		4,2	5,2	6,1	3,2	7,4	2,5	-2,3	3,9

* 2014 januárjától Lettország GMU-ba való belépése miatt az aggregált makrogazdasági mutatók súlyozása megváltozott. Az új súlyok kiszámítása a következőképpen történik: a GDP – az euró alapú folyó áras GDP szintek megoszlása alapján

** A Kopint-Tárki előrejelzése.

EU-15 = A 2004 előtt csatlakozott („régi") EU-tagországok

Új EU-13 = A 2004-ben, 2007-ben és 2013-ban csatlakozott új tagországok.

Források: Eurostat-, Nemzeti Statisztikai Hivatalok-, OECD-, Kopint-Tárki-adatbázisok

I/2. sz. táblázat

Az infláció alakulása az Európai Unió tagországaiban

(Harmonizált fogyasztói-árindexek, százalékos változás az előző évhez viszonyítva)

	Súly*	2013	2014	2015	2016	2017	2018	2019**	2020**
Németország	20,1	1,6	0,8	0,1	0,4	1,7	1,9	1,4	1,4
Franciaország	14,3	1,0	0,6	0,1	0,3	1,2	2,1	1,2	1,2
Olaszország	12,4	1,2	0,2	0,1	-0,1	1,3	1,2	0,8	0,8
Hollandia	3,9	2,6	0,3	0,2	0,1	1,3	1,6	2,2	2,1
Belgium	2,6	1,2	0,5	0,6	1,8	2,2	2,3	1,5	1,4
Luxemburg	0,2	1,7	0,7	0,1	0,0	2,1	2,0	1,8	2,0
Írország	1,1	0,5	0,3	0,0	-0,2	0,3	0,7	0,9	1,3
Görögország	1,4	-0,9	-1,4	-1,1	0,0	1,1	0,8	0,6	0,9
Spanyolország	8,0	1,5	-0,2	-0,6	-0,3	2,0	1,7	1,0	1,1
Portugália	1,5	0,4	-0,2	0,5	0,6	1,6	1,5	0,7	0,8
Ausztria	2,2	2,1	1,5	0,8	1,0	2,2	2,1	1,4	1,4
Finnország	1,4	2,2	1,2	-0,2	0,4	0,8	1,2	1,1	1,2
Észtország	0,1	3,2	0,4	0,1	0,8	3,7	3,4	2,6	2,5
Szlovákia	0,6	1,5	-0,1	-0,3	-0,5	1,3	2,5	2,6	2,5
Szlovénia	0,3	1,9	0,4	-0,8	-0,2	1,6	1,9	1,8	2,0
Ciprus	0,2	0,4	-0,2	-1,6	-1,2	1,0	0,8	0,9	1,3
Málta	0,1	1,0	0,7	1,2	0,9	1,3	1,7	1,5	1,7
Lettország	0,2	0,0	0,7	0,2	0,1	2,9	2,6	2,4	2,8
Litvánia	0,3	1,2	0,3	-0,7	0,7	3,8	2,5	2,4	2,9
Eurózóna	**70,9**	**1,3**	**0,4**	**0,0**	**0,2**	**1,5**	**1,8**	**1,3**	**1,3**
Egyesült Királyság	17,8	2,6	1,5	0,0	0,7	2,7	2,5	1,9	2,5
Dánia	1,6	0,5	0,4	0,2	0,0	1,1	0,7	0,6	0,5
Svédország	2,3	0,4	0,2	0,7	1,1	1,9	2,0	1,8	1,4
Magyarország	**0,7**	**1,7**	**0,0**	**0,1**	**0,4**	**2,4**	**2,9**	**3,4**	**3,4**
Csehország	1,1	1,4	0,5	0,2	0,7	2,3	2,0	2,5	2,6
Lengyelország	3,4	0,8	0,1	-0,7	-0,2	1,6	1,2	1,8	1,9
Románia	1,5	3,2	1,4	-0,4	-1,1	1,0	4,1	4,0	4,1
Bulgária	0,4	0,4	-1,6	-1,1	-1,3	1,0	2,6	2,6	2,7
Horvátország	0,3	2,3	0,3	-0,3	-0,6	1,3	1,6	1,0	2,0
EU-15	**90,8**	**1,5**	**0,6**	**0,1**	**0,4**	**1,7**	**1,9**	**1,4**	**1,5**
Új EU-13	**9,2**	**1,4**	**0,3**	**-0,4**	**-0,2**	**1,7**	**2,2**	**2,5**	**2,6**
EU-28	**100,0**	**1,5**	**0,5**	**0,0**	**0,3**	**1,7**	**1,9**	**1,5**	**1,6**
BREXIT	**82,2**				**0,2**	**1,5**	**1,8**	**1,4**	**1,4**
Emlékeztető tételek[a]									
USA		2,1	1,5	1,6	0,1	1,3	2,5	1,9	2,2
Japán		0,0	0,4	2,7	0,8	0,5	1,0	1,1	1,6
Kína		2,6	2,6	2,0	1,4	2,0	2,2	1,9	2,1
Oroszország[b]		6,8	7,8	15,5	7,0	3,7	3,7	4,6	3,8
Délkelet-Európa									
Szerbia		1,5	2,3	1,4	1,1	3,1	2,0	2,5	2,7
Törökország		7,8	8,9	7,8	7,7	11,0	16,7	13,3	9,6

a Nem harmonizált árindexek
b December/december
* 2014 januárjától Lettország GMU-ba való belépése miatt az aggregált makrogazdasági mutatók súlyozása megváltozott. Az új súlyok kiszámítása a következőképpen történik: Infláció – az euró alapú folyó áras magánfogyasztási szintek megoszlása alapján
** A Kopint-Tárki előrejelzése
EU-15 = A 2004 előtt csatlakozott („régi") EU-tagországok
Új EU-13 = A 2004-ben, 2007-ben és 2013-ban csatlakozott új tagországok.
Források: Eurostat-, Nemzeti Statisztikai Hivatalok-, OECD-, Kopint-Tárki-adatbázisok

I/3. sz. táblázat

Munkanélküliség az Európai Unió tagországaiban

(a munkanélküliek aránya a teljes 15-74 éves munkaerő százalékában, Eurostat-féle harmonizált ráták)

	Súly	2013	2014	2015	2016	2017	2018	2019*	2020*
Németország	16,4	5,2	5	4,6	4,1	3,8	3,4	3,1	3,3
Franciaország	12,6	10,3	10,3	10,4	10,1	9,4	9,1	8,5	8,3
Olaszország	11,7	12,1	12,7	11,9	11,7	11,2	10,6	10,4	9,6
Hollandia	3,3	7,3	7,4	6,9	6,0	4,9	3,8	3,4	3,4
Belgium	2,2	8,4	8,5	8,5	7,8	7,1	5,9	5,6	5,8
Luxemburg	0,1	5,9	6,0	6,5	6,3	5,6	5,3	5,4	5,3
Írország	0,9	13,8	11,9	10	8,4	6,7	5,8	5,1	5,0
Görögország	2,1	27,5	26,5	24,9	23,6	21,5	19,3	18,9	17,5
Spanyolország	9,2	26,1	24,5	22,1	19,6	17,2	15,3	14,0	13,9
Portugália	2,0	16,4	14,1	12,6	11,2	9,0	7,0	6,7	6,5
Ausztria	1,8	5,4	5,6	5,7	6,0	5,5	4,9	4,7	4,7
Finnország	1,0	8,2	8,7	9,4	8,8	8,6	7,4	6,8	6,6
Észtország	0,3	8,6	7,4	6,2	6,8	5,8	5,7	5,5	5,5
Szlovákia	1,1	14,2	13,2	11,5	9,7	8,1	6,9	5,8	5,8
Szlovénia	0,4	10,1	9,7	9	8,0	6,6	5,6	4,6	4,3
Ciprus	0,2	15,9	16,1	15	13	11,1	8,2	7,0	6,0
Málta	0,1	6,4	5,8	5,4	4,7	4,0	3,9	3,5	3,5
Lettország	0,4	11,9	10,8	9,9	9,6	8,7	7,3	6,7	6,5
Litvánia	0,6	11,8	10,7	9,1	7,9	7,1	6,5	6,1	6,0
Eurózóna	**66,3**	**12**	**11,6**	**10,9**	**10**	**9,1**	**8,2**	**7,7**	**7,5**
Egyesült Királyság	12,6	7,5	6,1	5,3	4,8	4,4	4,0	3,8	4,2
Dánia	1,1	7,0	6,6	6,2	6,2	5,7	5,0	4,9	4,7
Svédország	1,9	8	7,9	7,4	6,9	6,7	6,3	6,5	7,0
Magyarország	**2,0**	**10,2**	**7,7**	**6,8**	**5,1**	**4,2**	**3,7**	**3,4**	**3,2**
Csehország	2,1	7,0	6,1	5,1	4,0	2,9	2,4	2,1	2,0
Lengyelország	7,8	10,3	9,0	7,5	6,2	4,9	3,3	3,8	3,6
Románia	4,0	7,1	6,8	6,8	5,9	4,9	4,3	4,2	4,1
Bulgária	1,4	13	11,4	9,2	7,6	6,2	6,0	4,9	4,8
Horvátország	0,8	17,4	17,2	16,1	13,4	11,1	9,1	7,6	7,2
EU-15	**78,9**	**11,1**	**10,5**	**9,9**	**9,2**	**8,4**	**7,5**	**7,1**	**7,0**
Új EU-13	**21,1**	**10,1**	**10,4**	**7,9**	**6,6**	**5,5**	**4,5**	**4,2**	**4,0**
EU-28	**100,0**	**10,9**	**10,2**	**9,4**	**8,6**	**7,6**	**7,0**	**6,5**	**6,4**
BREXIT	**87,4**				**9,2**	**8,3**	**7,4**	**6,9**	**6,7**
Emlékeztető tételek[a]									
USA		7,4	6,2	5,3	4,9	4,3	3,9	3,8	3,9
Japán		4,0	3,6	3,4	3,1	2,8	2,4	2,4	2,4
Kína[b]		4,6	4,7	4,1	4,0	4,0	4,0	3,8	3,8
Oroszország[d]		5,5	5,1	5,6	5,7	5,4	5,1	5,5	5,8
Délkelet-Európa									
Szerbia[e]		22,1	19,2	17,7	15,3	13,5	12,7	11,0	9,0
Törökország		9,0	9,9	10,3	10,9	10,9	11,0	14,0	13,6

a nem harmonizált munkanélküliségi ráták
b városi munkanélküliség
c ILO, munkaerő-felmérés
d OECD statisztika, munkanélküliek aránya a 15-64 éves munkaerő százalékában
e Szerb Statisztikai Hivatal, munkanélküliek aránya a 15-64 éves munkaerő százalékában
* 2014 januárjától Lettország GMU-ba való belépése miatt az aggregált makrogazdasági mutatók súlyozása megváltozott. Az új súlyok kiszámítása a következőképpen történik Munkanélküliség – az aktív népesség (foglalkoztatottak + munkanélküliek) megoszlása alapján
** A Kopint-Tárki előrejelzése

EU-15 = A 2004 előtt csatlakozott („régi") EU-tagországok
Új EU-13 = A 2004-ben, 2007-ben és 2013-ban csatlakozott új tagországok.
Források: Eurostat-, Nemzeti Statisztikai Hivatalok-, OECD-, Kopint-Tárki adatbázis

II. A magyar gazdaság

The pace of GDP growth – 4.9 percent – defied previous expectations again in the second quarter. Hungary boasted the second highest growth rate in the first half of 2019 within the EU (surpassed only by Ireland).

Economic growth remained broad-based in the second quarter: both private consumption and fixed capital formation expanded dynamically, even if the rate of growth dipped below 20 percent in the case of the latter. The EU funds still play a major role in investment growth: this is shown in the spectacular expansion in transport investments (transport infrastructure projects) and water and sewage management investments. But EU funds probably gave a boost to investments in the business sector as well, especially in agriculture and manufacturing, since a large part of the available funds is allocated among firms, to support their business development investments.

Actual private consumption growth minimally accelerated to 4.7 percent while private consumption expenditure growth – again, minimally – a decelerated, to 4.8 percent. The slowdown in consumption is bound to become more pronounced in the future, as real wage growth gradually loses momentum and the improvement of the labor market situation halts. A growing part of the private business sector struggles to keep pace with the wage growth, as demonstrated by a couple of plant closures. Also, labor shortage, at least in several industries, seems to begin to ease. But all this probably does not affect prodoundly the immediate present: the pace wage growth and consumption growth in the second half of the year may remain very close to the rates seen in the first half. Consumption growth is upheld, among others, by dynamic household borrowing, which in turn is supported by various schemes of the government (for example, the car purchase support). On the whole, the annual average growth rate of private consumption is likely to remain slightly above 4.5 percent.

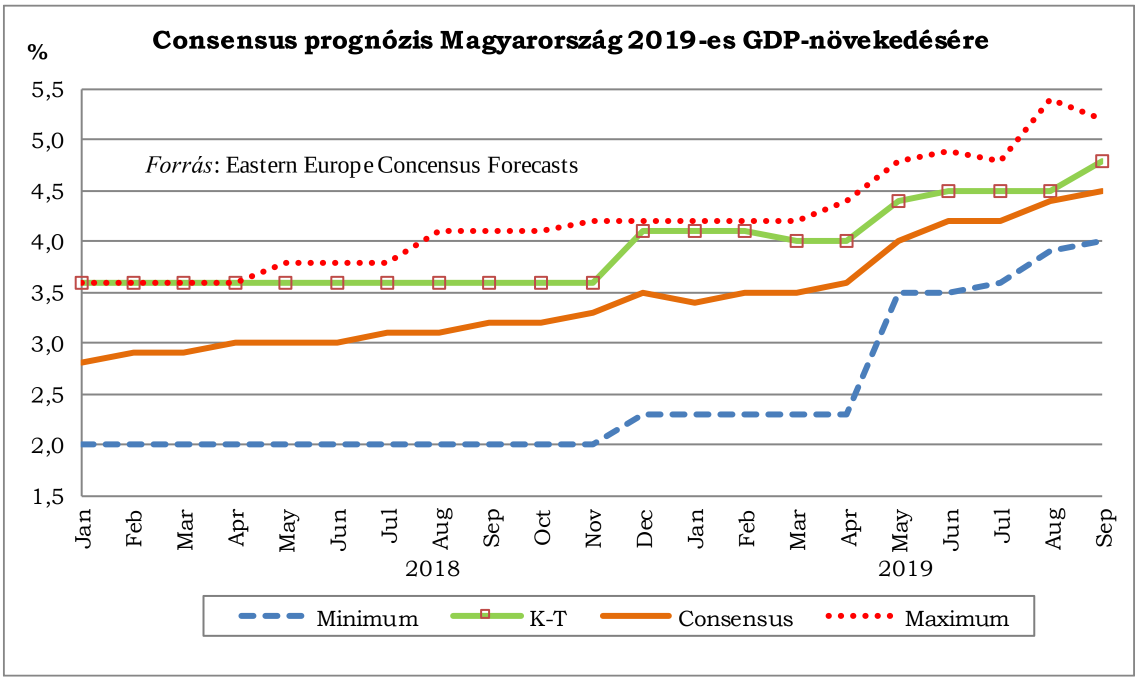
While in the first quarter the change in inventories kept down overall growth, its negative growth contribution was much milder in the second quarter. As a result, domestic demand could expand at a rate much higher in the second quarter (by 6.5 percent) than in the first, even amid slower fixed investment growth. On the other hand, the surprisingle favorable growth rates of external trade flows in the first quarter proved temporary, as expected. Export growth trailed expectations while import growth decelerated as well, but not as spectacularly. The negative growth contribution of net export surpassed 1 percentage point again, but still remained well below the negative contribution seen in 2018.

As the external economic climate grows more and more uninviting, trade policy tensions mount, eventually export growth is likely to shift to a lower pace permanently. But right now, export growth may rebound somewhat in the third quarter, hence the annual average growth contribution of net export may remain below 1 percentage point in 2019 as a whole.

To sum up, GDP growth will somewhat fall short of the 5.1 percent seen in 2018, due to a mild deceleration of domestic demand, even if net export holds back the overall growth rate to a lesser degree than in the last year. **At present, we expect a yearly GDP growth rate of 1.8 percent.** This prediction makes the Kopint-Tárki relatively optimistic again among the pool of forecasters, according to the Consensus Economic Survey.

Depending on various factors, primarily on how investment growth evolves in the coming quarters, the actual growth outcome may fall short of this prediction or surpass it.

In the next year, however – as domestic demand, especially fixed investments, lose momentum – economic growth is likely to slow down to 3-3.5 percent. It seems, for now,



that neither the new family support measures or the effort to boost the expansion of borrowing, will be sufficient to offset the impact of the cooling of external demand.

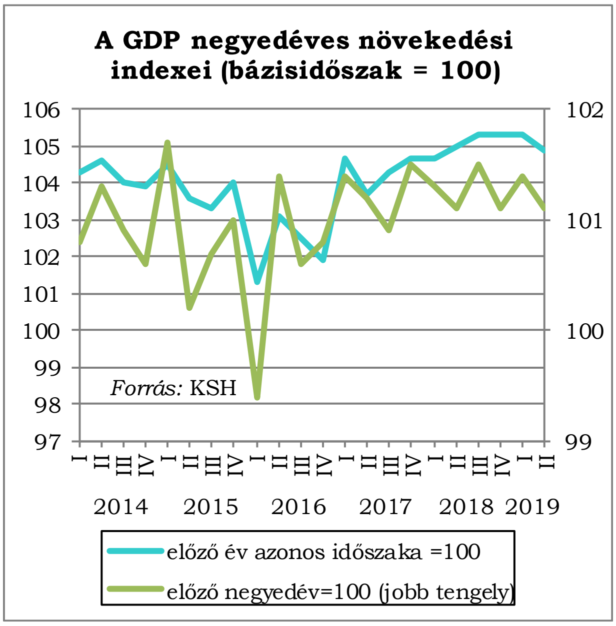
Investment growth will be twarthed by the fact that the utilization of EU funds peaked in 2019. This means that a positive growth of investments in itself will be a positive outcome in 2020. As of now, the analysts seem to agree that investment growth remains positive indeed in the next year.

On the other hand, a growing part of the announced investments seem to concentrate on improving labor efficiency, instead of expanding the labor force. This is actually a rational and needed trend in times of severe labor shortage, but it is also an additional factor that will probably put a halt to employment growth. This will weaken consumption growth directly – through a deceleration of the rise of real wage disbursements – and also indirectly – through starting a negative shift in the still quite optimistic sentiment – and, consequently, quite large willingness to accumulate debt – among hoseholds.

In the longer term, the question is how much longer the domestic SME-sector is able to weather the simultaneous burdens of rising wages and deteriorating external demand conditions. (Of course, a substantial part of the domestic SMEs is not even in the position to consider exporting at all.) The state tries to alleviate the problem by providing cheap and ample finance for firms, and also tries to support the development of SMEs with potential with programs like the „Hungarian Multi” program. How these efforts will affect the Hungarian business sector as a whole is a question for the future.

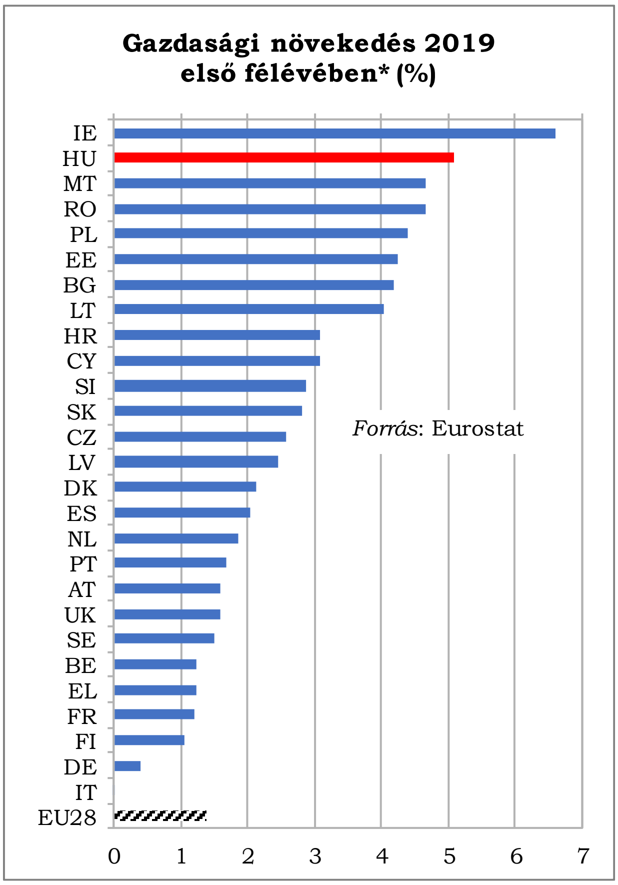
A GDP és komponensei

In the second quarter of 2019 GDP was up 4.9 percent, a mild deceleration from the 5.3 percent in the first quarter. This growth rate was a positive surpise again, and also stood out among the other EU member states. **– az eddig ismert adatok alapján a magyar GDP nőtt a második legerőteljesebben (év/éves alapon) az EU-tagállamok körében, méghozzá nem csupán a második negyedévben, de az első félév egészét tekintve is. (Az első helyezett Írország.) MOST MÁR TÉNYLEG ELLENŐRIZNI**



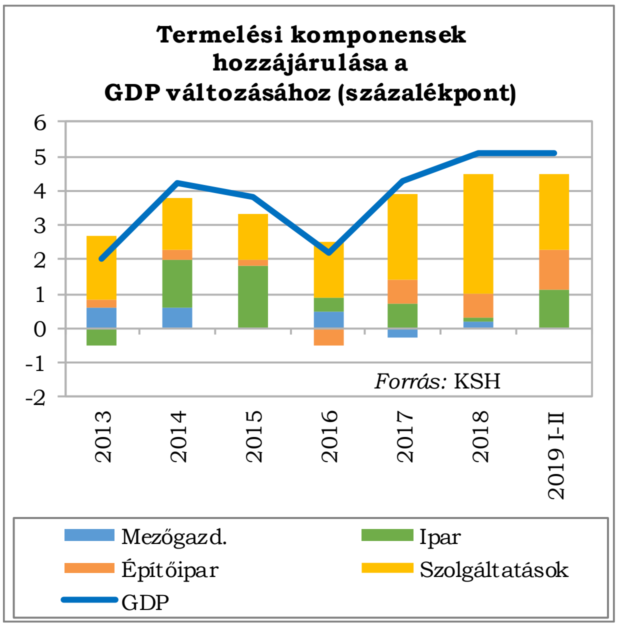
On a *quarter-on-quarter* basis, GDP rose by 1.1 percent (as opposed to 1.4 percent in the first quarter), still a good pace, although not outstanding compared to the past two and a half year.**PLURAL??**

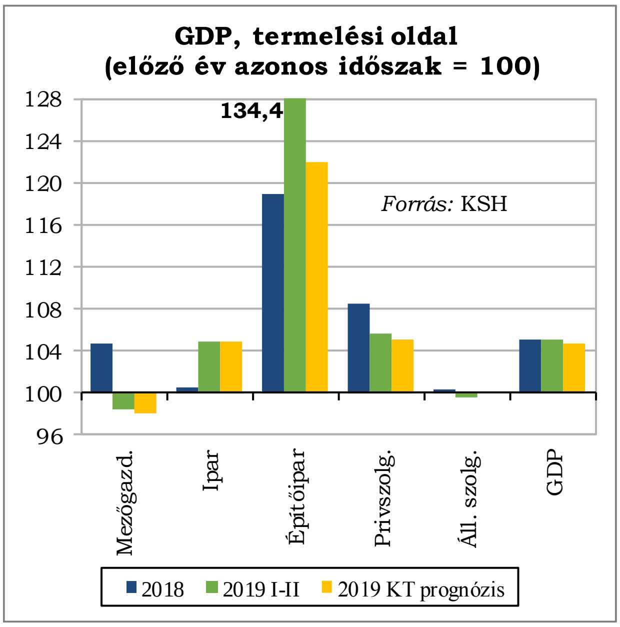
On the ***production side***, *services*, buttressed by strong domestic demand, remained the primary force behind growth. What is more, the pace of growth of services even accelerated, putting an end to the former slowing trend. The acceleration is mostly due to wholesale and retail trade, HIVATALOS NÉV KELL and the tourism industry, but industry-level data suggests that HOTELING AND CATERING were the actual winners, not retail trade. From this it can be surmised that not the consumption of residents but tourist spending is primarily behind the acceleration of services growth.



By contrast, the growth of *industrial* and *construction* value added decelerated substantially – theese are the components behind the GDP slowdown. Still, construction expanded at a gallopint pace, while industrial growth – according to the industrial statistics – rebounded in the third quarter.

On the ***expenditure side***, the contribution of *net export* returned into negative territory, as expected, due to the significant slowdown in the export of good. In the present economic conditions, export growth can only exceptionally surpass import growth. This





means that again, final domestic use components exclusively drive economic growth. The growth of the largest domestic component, *household consumption expenditures*, decelerated by a symbolical 0.1 percentage point while final household consumption accelerated to the same degree. (The respective second-quarter growth rates were 4.8 and 4.7 percent.) So, household consumption growth basically remained stable, despite the fact that real wage disbursement growth decelerated by more than 1.5 percentage points. Apparently strong household borrowing has been able, for now, offset the impact of the wage slowdown on consumption.

The other main component of domestic use, fixed capital formation, much more substantially decelerated but still expanded at a spectacular pace, 17.8 percent, in the second quarter. In the first half of the year, the average growth rate of fixed capital formation – nearly 21 percent – was the highest among the Eastern European new EU member states.

At the same time, while the negative effect of the *change of inventories* was enormous in the first quarter, the negative contribution of this component was much milder in the second quarter. As a result, overall gross capital formation grew by almost 16 percent, a pace not far below the pace of fixed capital formation growth and way above the rate achieved in the first quarter.

Thanks to more dynamic total capital formation, final domestic use expanded at a higher pace as well – by 6.5 percent – which made possible the acceleration of GDP growth, despite the return of negative growth contribution of net export.

As in 2018, **economic growth is in great part fueled by strong household and state demand in 2019**, but private business investment demand also gained significant momentum, as shown by the very high growth of manufacturing investments. According to the NBP *household investments* grew substantially, although it should be noted that this is nor really reflected in either the houseing construction data or in the investment outlays data published by the CSO. In any case, it is to be seen to what degree the new family support scheme (the so-called baby-expecting support) can speed up housing investment activity. While state-affiliated investments grew dynamically in the first half of the year, a marked slowdown is expected in the second half, as the spending of EU funds plateaus.

On the whole we expect the continuation of intense growth of final domestic use – even if fixed investment growth continues to decelerate. On an annual average, the growth rate of final domestic use in 2019 will fall short of the rate seen in 2018 only because of the downward pull of one particular component, the change of inventories. This domestic slowdown will be in part cushioned by a more favorable net export. **GDP is expected to expand by 4.8 percent in 2019**, a slight slowdown compared to the previous year. Due to the uncertainties regarding investment growth in the second half, the final growth outcome may cause both positive and negative surprises.

2.1. A GDP termelési oldala

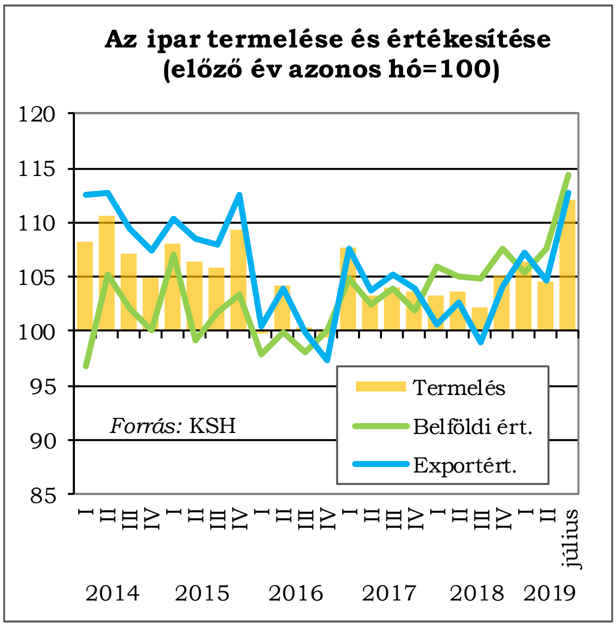
Ipar

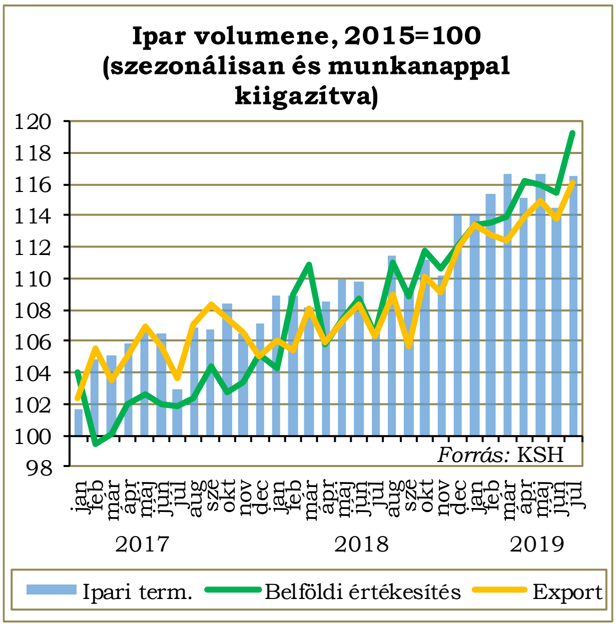
While industrial growth was disappointingly stuck below 4 percent in 2018, it gained speed this year: in the first nine months, industrial output was up 6.3 percent on an annual basis. The speedup was mostly a result of *export sales*: the latter spectacularly accelerated (to 7.3 percent, from 1.6 percent in 2018), despite the unfavorable external economic trends, domestic sales grew at a pace only slightly higher than in the last year (6.5 percent).

For the time being, export sales again expand at a higher speed than domestic sales, due to the gradual entry of new export capacities. But if only *manufacturing* is considered, domestic sales growth is still ahead of export growth: industrial export sales agot a boost from the very strong expansion of energy exports. Manufacturing export sales growth is still far from universal: almost one-third of manufacturing branches posted a decrease in export sales in the first nine months. Especially notable is the decrease in metal industry and chemical industry, two medium-sized manufacturing sectors where export sales rose in 2018. In the chemical industry the negative turn is especially severe, although the pace of decline abated in the third quarter.

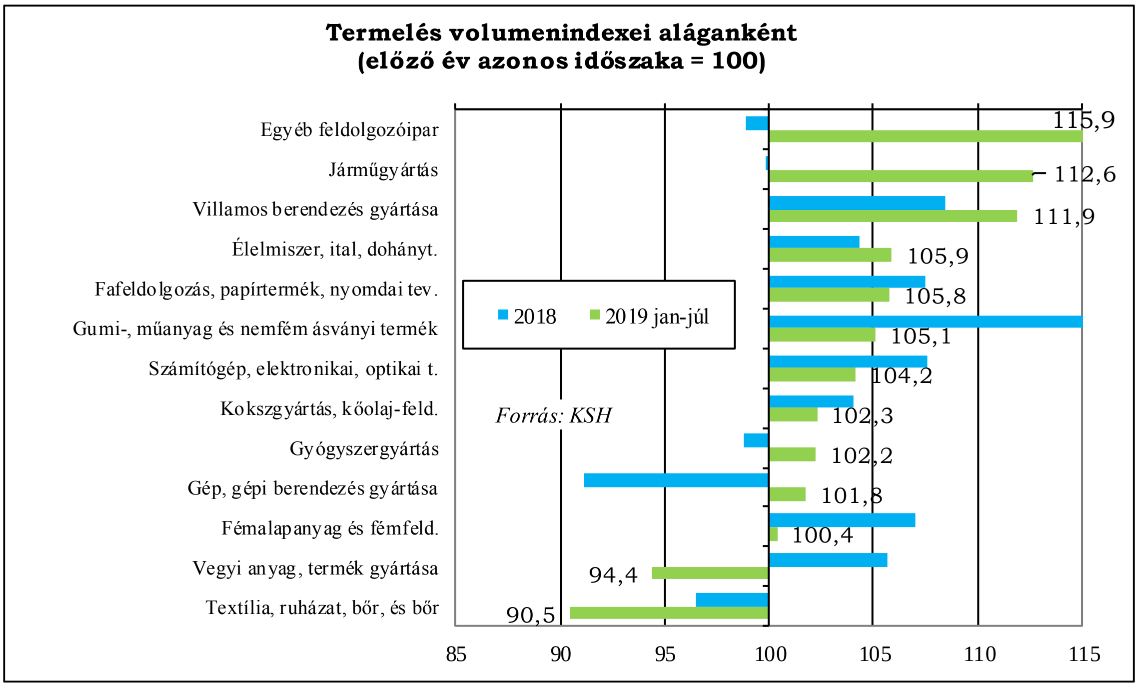
The most important factor behind the renewed export sales expansion is the *automotive* sector, the largest manufacturing branch. Besides, electronic industry, electric industry, strongly rebounding other manufacturing should be mentioned. On the other hand, the marked slowdown in rubber industry and the already mentioned fall in chemical industry had a negative impact on overall growth.

The growth of domestic sales is more broadbased then export sale growth: only textile industry, pharmaceutical industry and electronic industry saw a decline in domestic sales in the first three quarters.

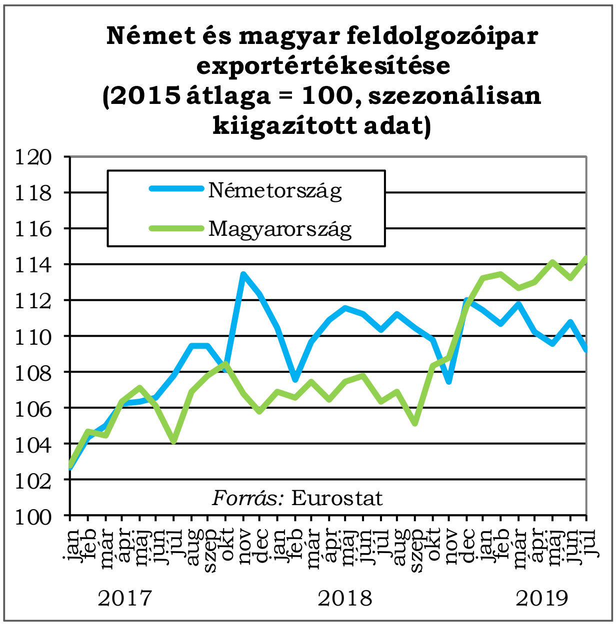


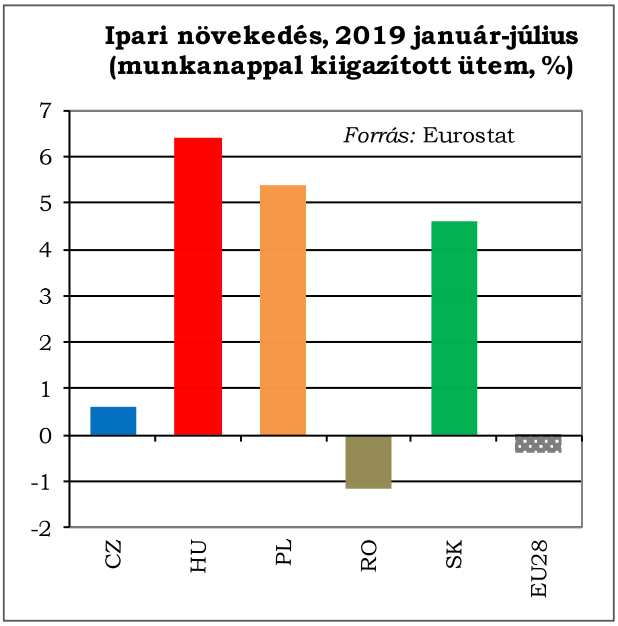


While manufacturing export sales remained dynamic amid a clear downward trend of German manufacturing export sales, it is only a question of time when the downward pull of European manufacturing stagnation will become visible in the growth performance of Hungarian manufacturing. The gradual layoff of agency workers, NON-**PROLONGATION** of the employment of fixed-term employees in several industrial branches is a sign of the coming turnaround which is expected to become more visible during the next year. The evolution of the stock of orders is another warning sign. Strong manufacturing investments provide some reason to be optimistic, but a growing part of these investments are focused on improving efficiency, rather than expanding output and workforce.



We expect an annual average industrial **growth of about 5.5 percent in 2019**, with upward risks. This forecast presupposes a substantial but not drastic slowdown in the fourth quarter, but it is possible that the slowdown will be delayed until the next year.





Industrial growth is likely to lose much momentum in the next year unless an unexpected positive turnaround in international conditions takes place.

Építőipar

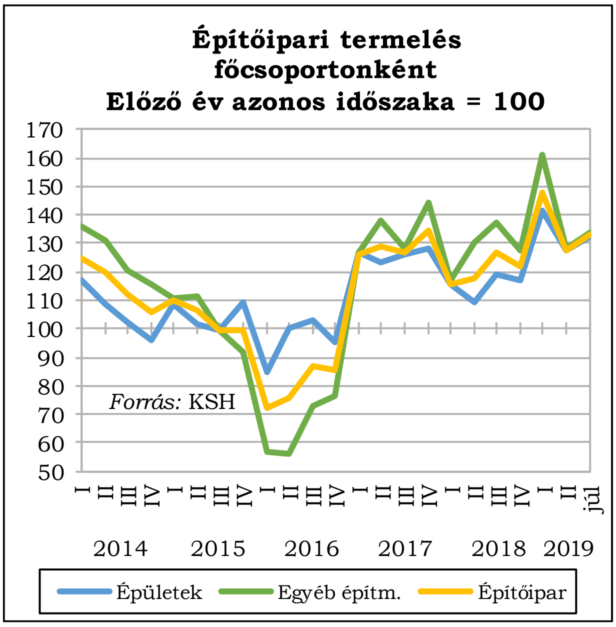
After the 21.3 percent growth in the last year, construction output expanded by 28 percent in the first nine months of 2019. This is impressive considering the fact that the cumulative growth in 2017-2018 was almost 60 percent, implying a much higher base than previously. Thanks to this steady and fast growth, the volume of construction output will, at last, surpass considerably the previous peak level in 2005, meaning that the long crisis of construction is finally officially over.

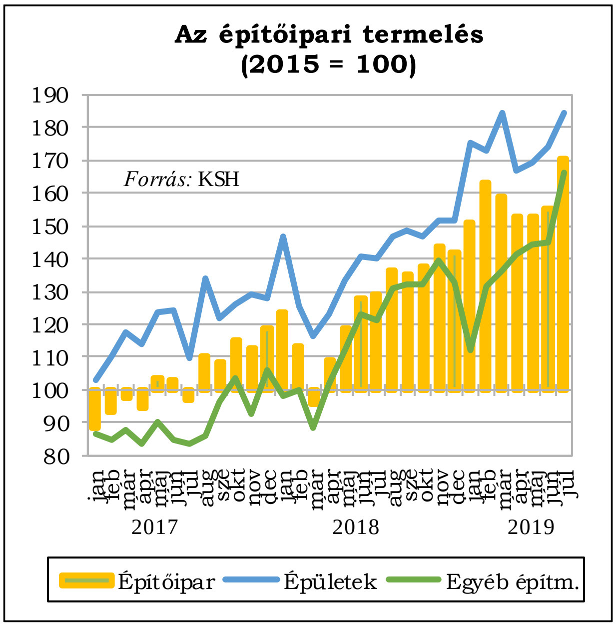
While in the first two quarters of the year civil engineering was the main driving force of construction growth – just as in 2018 – a shift took place in the third quarter. Both main groups of construction saw a major slowdown in year-on-year growth but it was most drastic in the case of civil engineering than in the case of the construction of buildings. On a three-quarter average the respective growth rates of building construction and civil engineering were identical.

The erratic but unmistakable slowdown in civil engineering indicates that the present wave of using EU funds for construction projects is beyond its peak, at least in terms of year-on-year growth. In terms of absolute volumes the trend is not as clear-cut – despite the wide fluctuations, the seasonally adjusted volume of civil engineering output was higher in the third quarter than in the second, and this growth may (or may not) continue in the coming months. As for year-on-year growth, it can be hoped, but cannot be taken for granted, that civil engineering continues to expand at a double-digit pace during the last quarter. But it is questionable whether civil engineering can grow at all in the next year.

While public sector related demand, fed by EU funds among others, affects the construction of buildings as well, here the private sector is more important. This is why the coming ebb in the inflow of EU funds determines building construction less than civil engineering, and business and household demand may maintain output growth at a reasonable pace in 2020.

But the outlook is not exactly positive. According to the ibuild.info database, the number and financial cost of projects started were on the decline in the first three quarters of 2019 in both building construction and civil engineering. The picture is somewhat more





mixed in the case of CSO data on the stock of orders: the stocik of orders in the construction of buildings is still consistently higher (usually by more than 50 percent) than one year earlier. This suggests that the approaching slump in the construction of buildings may be temporary. This is not the case, however in civil engineering: here the slump, when it comes, may be deeper and more lasting. The timing of the downturn is still uncertain – it may or may not arrive during 2020.

In any case, the rate of construction is likely to dip well below 20 percent in the last quarter of 2019. We expect an annual average growth rate of **around 25 percent** this year, with a spectacular slowdown in 2020.

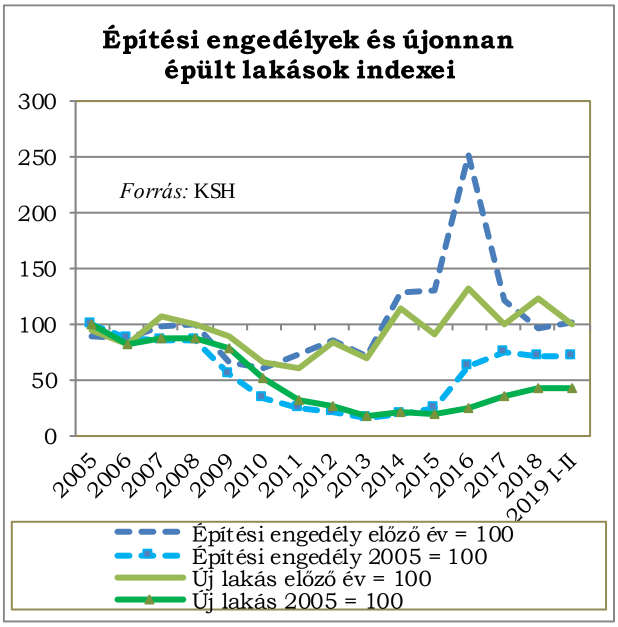
Lakásépítés, lakáspiac

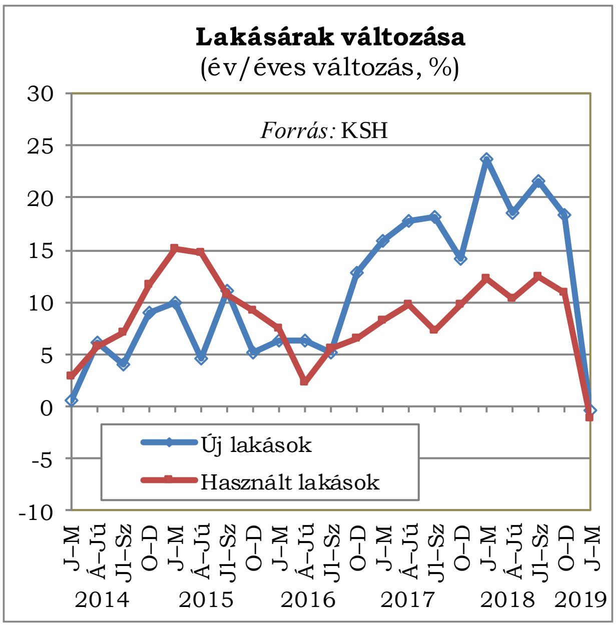
In the first three quarter, the *number of dwellings built* rose only by 0.8 percent, a harsh slowdown after the double-digit growth rates in 2017-2018. The number of housing building permits and housing building notifications, on the other hand, started to slowly rise again in the second and third quarter, which suggests that the boom in housing construction is not about to turn into a protracted bust. The meager growth does not suggest a renewed boom in the coming years, however.

Now, probably the very slow growth in the number of dwellings built is in great part a result of the delays in the completion of the existing construction projects, and a wave of completions may give a temporary boost to this number, possibly as soon as in the fourth quarter of this year. It is hard to assess to what degree the extension of the family home allowance scheme (CSOK) and the new very favorable credit scheme offered for young married couples that plan having children, both effective from 1 July, will boost demand for new dwellings and housing construction. The recent moderate upturn in housing construction permits and notifications may or may not be a reflection of these new schemes. In any case the present wave of housing construction is likely to peak way below the previous peak in 2004, when nearly 44 thousand dwellings were built.

As of now, supply side constraints are still the primary hindrance for housing construction growth. Housing demand remains strong. The “pure” price index of dwellings is still rising at a double-digit pace, although – according to the CSO – the total year-on-year price index – that includes the composition effect – showed a steep downward trend in the recent quarters.

We expect, despite the near-stagnation in the first three quarters, an acceleration of growth in the number of dwellings built in the fourth quarter. Due to the delays in the construction of dwellings declared before November 2018 (that is, before the raise of the housing VAT rate became effective), some further may take place in the next year. From 2021, however, stagnation or a temporary slip in the construction of homes is likely. This means that the ebbing of the boom will coincide with the ebbing of the more general construction boom based on the utilization of EU funds, which will accentuate the cyclical fluctuation of construction activity.


Építési engedélyek és újonnan épült lakások indexei
Forrás: KSH
300
250
200
150
100
50
0
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019 I-II
Építési engedély előző év = 100
Építési engedély 2005 = 100
Új lakás előző év = 100
Új lakás 2005 = 100


Lakásárak változása
(év/éves változás, %)
Forrás: KSH
30
25
20
15
10
5
0
-5
-10
Új lakások
Használt lakások
J–M
Á–Jú
Jl–Sz
O–D
2014
2015
2016
2017
2018
2019

2.2. A GDP felhasználási oldala

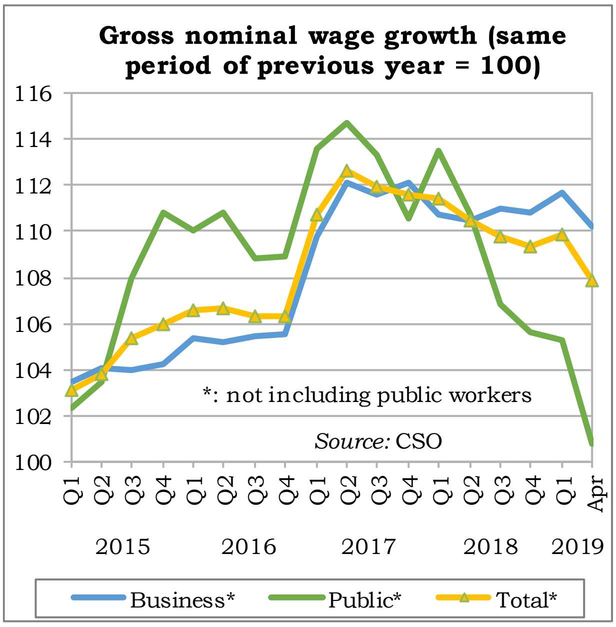
A háztartások jövedelme, fogyasztása, megtakarításai

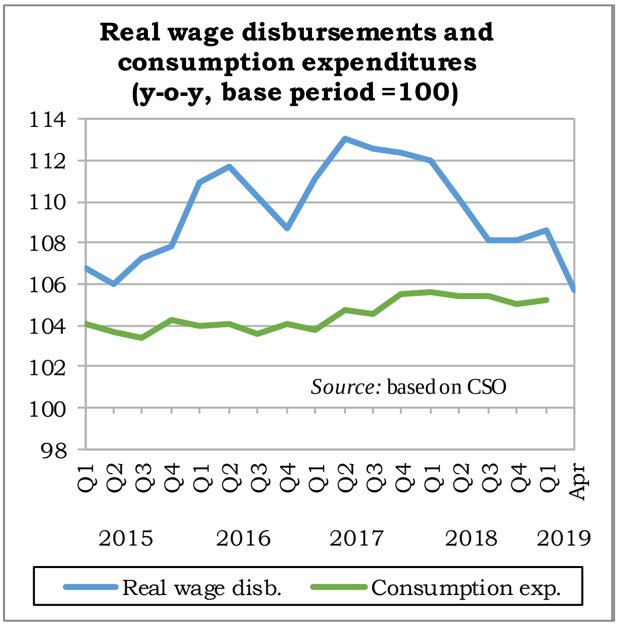
Gross and net wages were up 9.8 percent in January-August (without public workers), a negligible slowdown compared to the yearly average 10.2 percent in 2018 as a whole. *Business sector* wage growth even accelerated somewhat, from 10.8 percent in 2018 to 11.3 percent in the first eight months of 2019. As it seems, business sector wages keep rising due to the persistent labor shortage. But labor shortage is not the only factor: wage growth was especially strong in manufacturing, despite the fact that labor shortage seems to have already peaked there (see the section on employment and unemployment below). On the other hand, wage growth decelerated, even amid worsening staff shortage. The capacity of firms to raise wages and the string of strikes among auto firms apparently played a role in shaping wage trends as well.

In the *public sector*, by contrast, a substantial deceleration of wage growth took place: wages rose by only 5.8 percent in January-April, not counting public workers. But wage growth diverges considerably among various public sector branches. Public administration wages grew at a rate somewhat below the national average, and this is even more true for social workers and healthcare workers, although healthcare wage growth rebounced from July, due to a raise in the wages of qualified health workers (but not medical doctors). But education employees are the most disadvantages layer: their wages rose by only 3.5 percent, that is, their real wages virtually stagnated in January-August.

If public workers are taken into account as well, overall wage growth was higher – 10.7 percent – due to the composition effect of the downsizing of the public works program. **Real wage** was up 7.1 percent, ***net real wage disbursements*** grew by 7.8 percent, a moderate deceleration compared to the respective numbers of 2018 (8.3 and 9.6 percent).

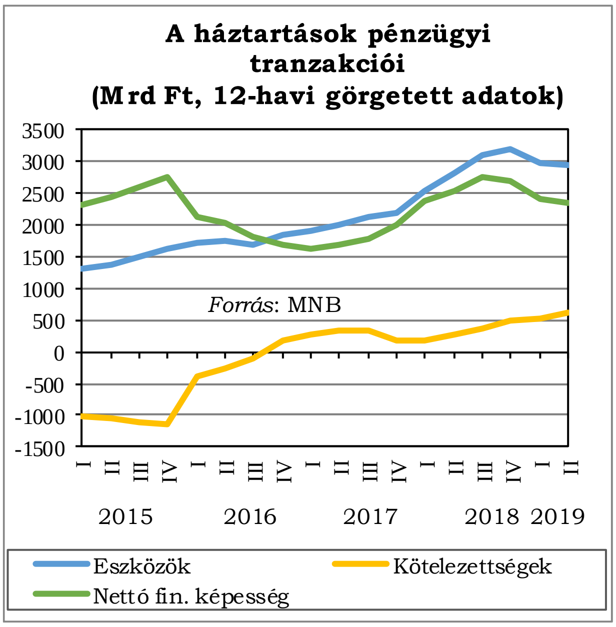
Still, it seems that the deceleration of wage growth will be far less pronounced in 2019 than previously expected. **Nominal wages are likely to rise at a rate of about 10.5 percent, resulting in a real wage growth of 6.9 percent.** The latter implies a slowdown

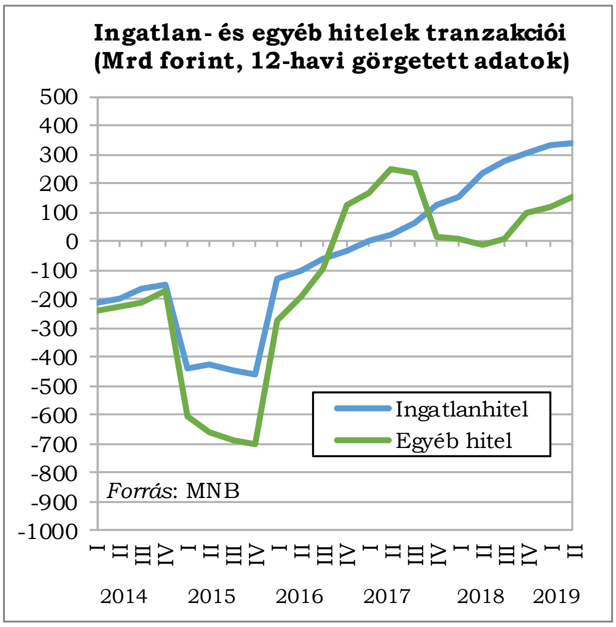




of the growth of real wage disbursements of roughly 1 percentage point compared to 2018.

While the growth of real wage disbursements decelerated in the first quarter by more than 3 percentage points compared to the first quarter of the last year, ***household consumption expenditures*** remained strong: the 4.8 percent growth rate was hardly lower than one year earlier. Probably consumption expenditures grew a similar rate in the third quarter as well, or even may have slightly accelerated, while the year-on-year





deceleration of real wage disbursements was much less pronounced in July-August. Consumption is supported, beside real wage growth, by the upturn in household borrowing as well. Private consumption expenditures may grow by around 5 percent in 2019 while the actual consumption of households may expand at a rate slightly above 4.5 percent.

The ***net financial savings*** of households continued to decline in the second and third quarters. In the third quarter, this was accompanied by a strong *increase* in gross savings – a reflection of frenzied purchase of the new, relatively high-interest rate retail bonds ('MÁK+') – yet, the households' net financial capacity slipped further, due to an acceleration in the expansion of net borrowing. The latter was a result of the explosion of consumption lending under the aegis of the so-called infant expecting loan scheme.

There is not yet data about the structure of net borrowing in the third quarter – the second quarter saw a marked deceleration of cumulative growth of houseing loans while the expansion of other loans gained some momentum which probably got new boost in the third quarter from the infant expecting loans mentioned above.

The four-quarter cumulative saving rate, after reaching peak level in Q3 2018 (6.2 percent of GDP) fell to 5.2 percent in the second quarter of 2019 and to 5 percen in Q3. This downward trend is expected to continue in the last quarter as consumption – and consumption borrowing – will continue to rise.

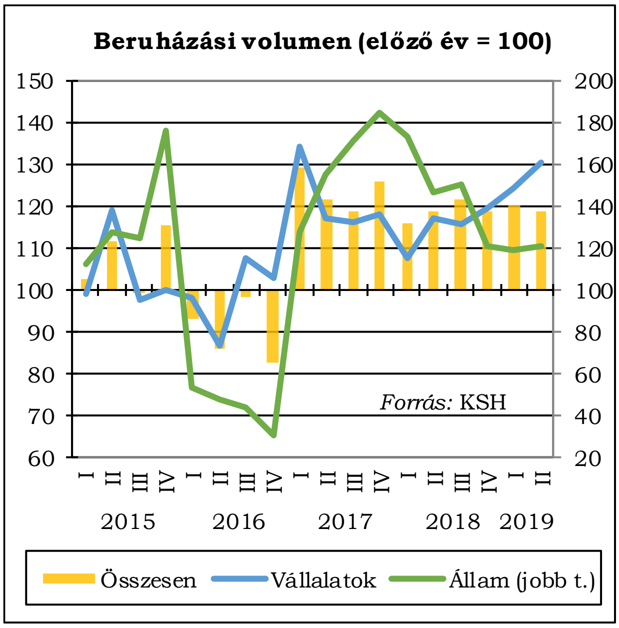
Beruházások

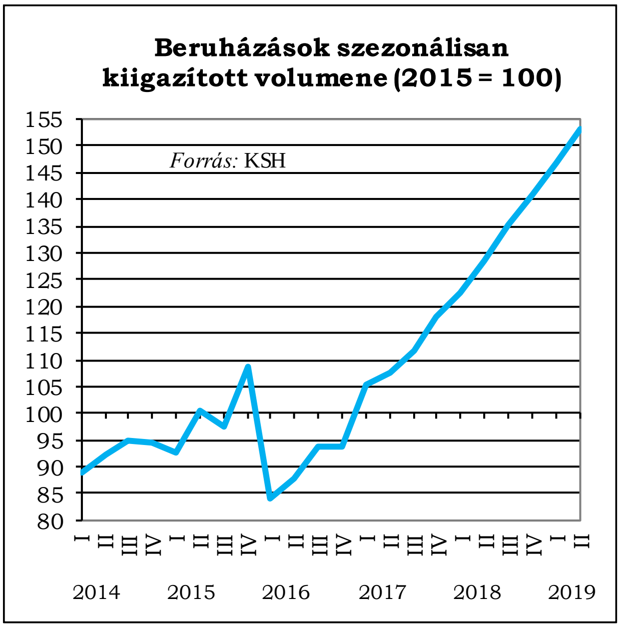
Real investments were up 18 percent in the second quarter, a slight deceleration from the 20.1 percent (a recently revised number) in the first quarter. Like in the first quarter – but unlike in 2018 – not public investments but investments by medium-sized and large firms were the leading force behind investment growth. The latter expanded at a spectacular rate of 30.7 percent, an acceleration from the first-quarter growth rate (24.1 percent).

Still, public investments grew strongly as well – by almost 21 percent – in the second quarter, due to health and social sector investments, flood prevention development, and sport and cultural investment projects. As for **business sector**, *manufacturing investments* accelerated to near 30 percent, especially due to various chemical firms and electrical equipment manufacturers that are suppliers of the automotive industry. Also, information and communication investments rebounded, after several quarters of steep fall. Real estate investments were up 19 percent, despite the apparent stagnation of dwelling construction – due to investments in commercial and industrial facilities – and agricultural and construction investments also remained strong.

Investments in some of the industries that are at least partially dominated by state-linked firms (transport, water and sewage) posted dynamic investment growth while energy sector investments fell in the second quarter, after steep growthin the first. Investment in these areas is in great part depends on EU development funds, the utilization of which probably reached its peak in the first half of this year, at least in these state-related sectors. According to the NBH, the contribution of these „quasi-fiscal" investments to overall investment growth already decreased compared to 2018.

In the *private* business sector investment growth was unusually strong in the second quarter, as exemplified by roaring manufacturing investments. According to the NBH, *household* investments also did well, even though this is not really reflected in the numbers provided by the CSO or in the data on housing construction, which is somewhat puzzling.





In any case, the volume of investments was up 19.3 percent an outstanding in comparison with the other EU member states. **We expect an annual growth rate around 15 percent for 2019 as a whole**, which implies that the deceleration in the second half of the year will not be drastic. EU funds are likely to contribute to investment growth in the remaining part of the year, and private business investments – fueled by high capacity utilization, labor shortage and the still available substantial development support co-funded by the EU.

Külkereskedelem

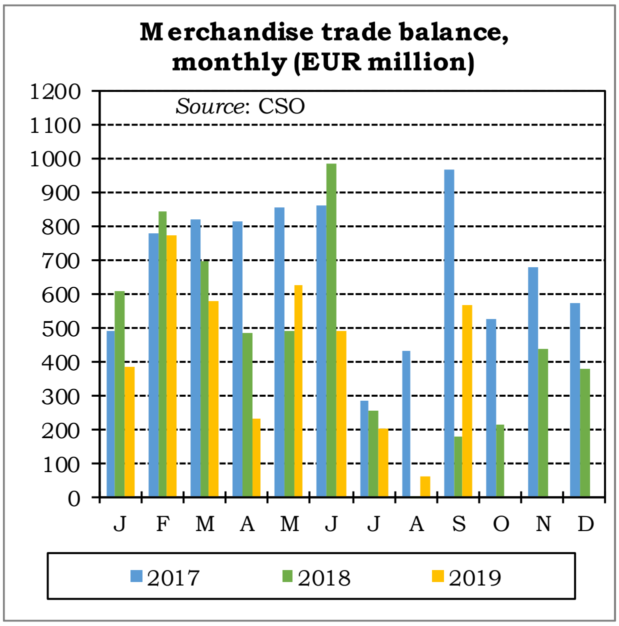
According to the external trade statistics, only a small degree of improvement in external trade trends can be observed in 2019 so far. While in 2018 the real export growth rate fell short of the real import growth rate by 2.1 percentage points, in the first eight months the negative difference was 1.7 percentage points. On the other hand, the gap – as the preliminary September data suggests – closed in August-September, which implies a **relatively good net export position in the third quarter**.

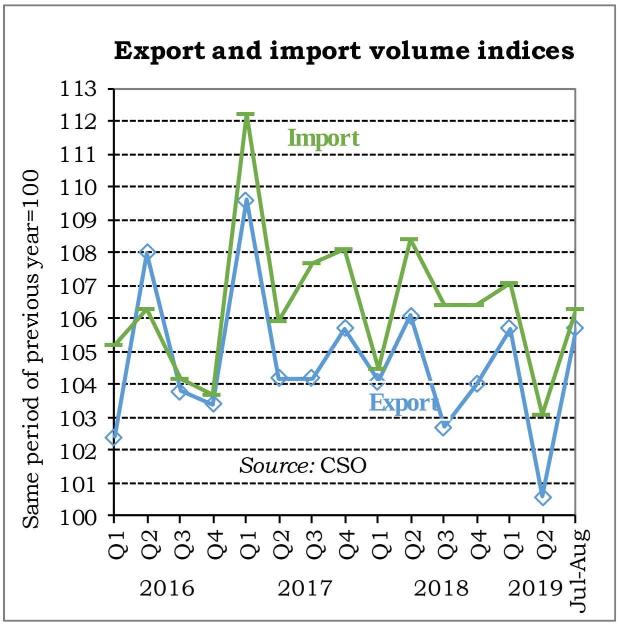
The euro-denominated **fiscal surplus amounted to EUR 3.9 billion** in January-September, a decrease of about 13 percentage points from the same period in the previous year. This is predominantly a result of volume changes: the earlier deterioration in the terms of trade gradually melted by August.

In the first eight months, the volume of import was up 5.4 percent, a moderate slowdown compared to the 6.4 in 2018. This is consistent with the moderate deceleration in final domestic use, according to the GDP statistics, compared to 2018. Within the year, import growth lost momentum in the second quarter but rebounded afterwards.

At the same time, **export** grew by a meagre 3.7 percent in January-August (although it probably accelerated to above 4 percent in January-September). This is primarily due to the stagnation of the export of *manufactured products*, and secondarily due to the steep slowdown in the growth of food export. Again, export rebounded after the near-stagnation in the second quarter

We do not expect drastic change during the rest of the year: while the negative gap between export and import growth closed in August-September, it will probably open up again afterwards, even though not drastically, since export growth will weaken somewhat after the unusually strong third quarter. Import is likely to grow at annual average rate of 5-6 percent, while export is about to expand by 4-5 percent in 2019. After the relatively good net export numbers in August and September, the annual external trade surplus **is expected to remain above EUR 4 billion**. In the next year, import will decelerate further as investment growth slows down considerably. On the other hand, the unfavorable external conditions are expected to hit export as well, leading to a degree of further decline in the trade surplus.





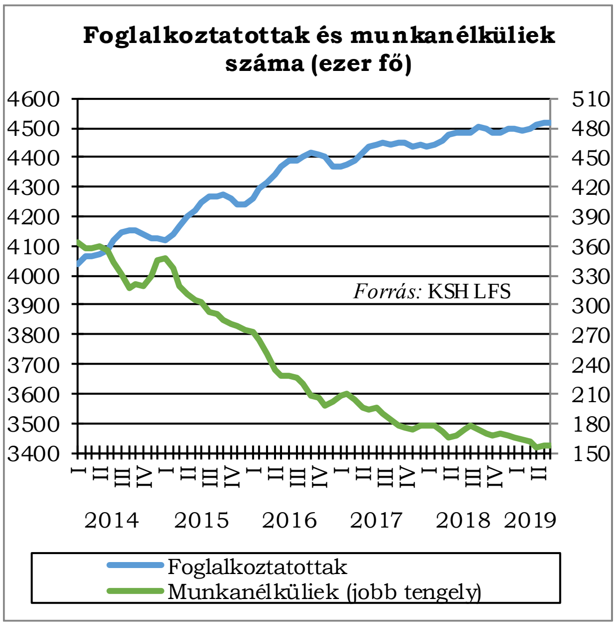
2.2.Foglalkoztatottság, munkanélküliség

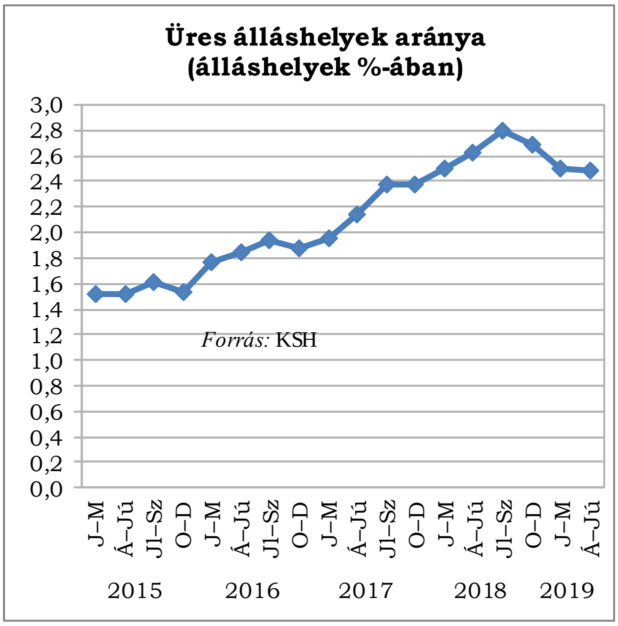
According to the LFS survey, the number of employed continues to grow at a slow pace: the third-quarter growth rate was 0.8, the same as in the second quarter. What is more, the number of employed *not including public workers* rose only by 1.4 percent a shart deceleration from the rates seen earlier, usually above 2 percent. The pace of growth is somewhat lower if only the full-time employed are counted.

The *unemployment rate* stood at 3.5 percent in the third quarter (among the active population of 15-74 years), a very modest improvement from the 3.8 percent in the same quarter of the previous year. If *public workers are included* into the number of unemployed, however, this broad unemployment rate decreased from 6.7 percent in 2018 to 5.8 percent in the third quarter, a more substantial fall than in the case of official unemployment rate. This suggests that while the official unemployment numbers underestimate the prevalence of unemployment, they may also underestimate the present improvement in the unemployment situation.

In the meanwhile, the aggregate vacancy rate remained stable in the second quarter at 2.5 percent. In the business sector, the respective rate was 2.4 percent in the second quarter, and the absolute *number of vacancies decreased by 11 percent* on a year-on-year basis. At the same time, the vacancy rate reached a new record at 3 percent.

The slight moderation in the business sector can be seen as a hint that the cyclical upturn is getting past its peak, with a possible downturn on the horizon. On the other hand, it may indicate that the labor-saving investments begin to bear fruit. This may be the case in manufacturing where the decrease in the vacancy rate and the number of vacancies was relatively spectacular. In wholesale and retail trade and in transport, on the other hand, labor shortage seems to peak in 2019.





2.4. Fiskális, monetáris és pénzügyi folyamatok

2.4.1. Államháztartási folyamatok

A költségvetés helyzete 2019 első nyolc hónapjában

The cash flow deficit of the central subsystem was merely HUF 176 billion in the first five months of 2019. More specifically, the central budget deficit stood at HUF 253.4 billion, partly offset by surpluses of the social security funds and the extra-budgetary funds (HUF 25.5 billion and HUF 50.5 billion, respectively).

The deficit was kept low by the fact that revenues grew by a year-on-year 17 percent in January-May while expenditures actually were down 3 percent.

The steep growth in revenues was primarily due to the rise in the inflow of taxes on consumption and especially of payments by households. VAT revenues rose by 27 percent, excise tax revenues by 12 percent. Consumption growth only partially explains the two-digit rise of VAT revenues – after all, retail sales volume only grew by 5.9 percent in January-May, and even some VAT rate cut was introduced from January (in the case of ESL and UHT milk). Thus, the jump in VAT revenues reflects the success of the measures aiming at whitening the economy. Part of the rise in excise tax revenues is the result of a reclassification of energy tax as an excise tax from January 2019.

As for the payments by households, personal tax revenues rose by 10 percent, fee and duty revenues by 23 percent in January-May.

Revenues from the payments by economic units "only" grew by 14 percent but even this indicates that the annual inflow will surpass the yearly target substantially. Revenues from the simplified business tax (EVA) decreased but at the same time revenues from the itemized tax on minor taxpayers (KATA) and from tax on small corporations (KIVA) rose substantially. This is in line with the governments intentions to abolish EVA and to extend the scope of KATA and KIVA.

Central budget ***expenditures***, on the other hand, only grew by 2 percent in January-September. Expenditures on central budgetary institutions were up 6 percent, a reflection of growing public administration wages and the expenditures on the so-called family protection program. Expenditure of the health security fund grew at a similar pace, mostly driven by the double-digit growth rate of sick benefit payments and child-care allowance. On the other hand, net expenditures related to EU programs decreased significantly.

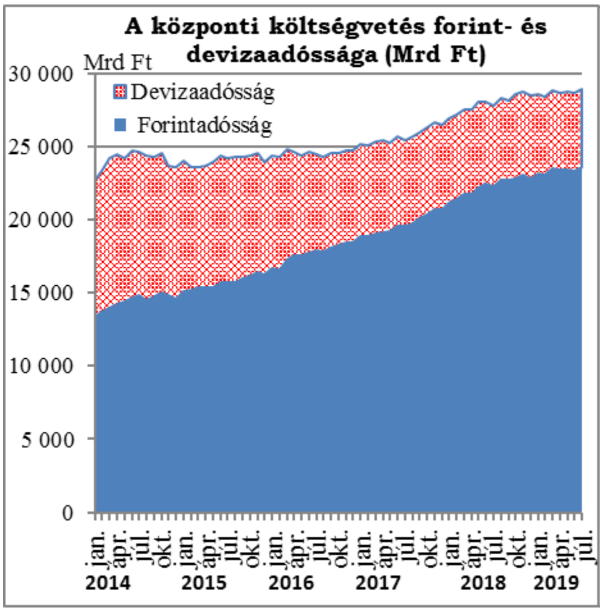
On the whole, the fiscal developments of the first nine months point to a yearly deficit lower than envisaged, but the family protection program and pension expenditures toward the end of the year may – to a degree – reverse the favorable trend.

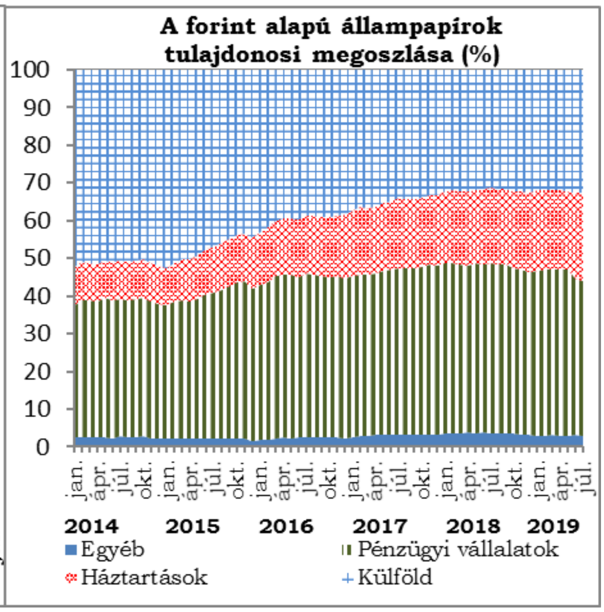
Az államadósság alakulása

The gross consolidated debt of the general government stood at 68.2 percent, including the debt of the Eximbank (1.7 percent). Roughly 70 percent of the rise in the nominal value of debt was due to transactions, the rest came from revaluations.

While fiscal policy points toward a further gradual reduction of debt-to-GDP rate, the weakening of the forint may thwart this reduction. Even though the share of FX denominated debt within overall debt is now below 20 percent, a five-percent depreciation can push up the debt-to-GDP ratio by more than a half percentage point. Net government debt was 54.9 percent of GDP at the end of June.

Within forint denominated debt, the share of retail debt continued to grow and reached 24.6 percent by the end of September. At the same time, the share of financial





corporation decreased to 40.3 percent, while the share of foreigners remained stable around 32 percent. The role of households is especially important in financing papers with up to 1-year maturity: even after some decrease, their share was as high as 63 percent in September, while their share in securities with longer maturity rose above 23 percent.

A 2020. évi költségvetési tervezet

In July, the Parliament adopted the 2020 budget, with only minor changes compared to the originally submitted budget bill. The envisaged deficit-to-GDP rate – 1 percent – means a fiscal correction of more than half percentage point. Moreover, the budget envisages a doubling of the budgetary reserve, to 1 percent of GDP.

The increased reserve may well come handy in the course of the year, considering the substantial risks on the revenue side. Although the recent years saw a very dynamic growth of VAT revenues – even when the expansion of consumption is taken into account – the 2020 VAT revenue target is very optimistic. This is partly explained by the fact that the government expects an economic growth of 4 percent, while the Kopint-Tárki predicts a less buoyant pace of 3.2 percent, and this difference is reflected in the respective projections regarding private consumption growth, as well. It is more difficult to assess whether the expenditure targets can be met since the expenditure outcomes are massively affected by the unpredictable discretionary spending decisions of the government.

According to the plan, the generous growth of nominal GDP will make it possible to improve the fiscal balance and at the same time to reduce taxes and increase expenditures. The most important tax reduction measures are: the continuation of the reduction of employers' social contribution, a sharp reduction of the VAT rate of tourist accommodation, and the elimination of PIT obligation of mothers with at least four children. As for the expenditure side, some measures („infant expecting loan", the introduction of family allowance scheme for villages, or the car purchase support for large families) already appear in the 2019 budget, but other measures (financing summer camping of secondary school students abroad, for example) will only affect the 2020 budget. The only countermeasures to keep the deficit a bay are: the raise of excise tax on tobacco products and the extension of the tourism development contribution (payable by food service providers).

The budget plan envisages a 9 percent growth in total consolidated cash flow revenue, while the expenditure growth target is 6 percent. The latter suggests a slight decrease in the expenditure-to-GDP ratio, to 43.5 percent. A steep decrease in cash-flow deficit is envisaged, as the actual inflow of EU funds is expected to get much closer to the advance payments on EU-cofinanced projects made by the government. This does not affect the accrual-based fiscal balance, however.

The 2020 budget plan is compliant with the 3 percent fiscal rule of the EU on the one hand, and with the prescription to reduce the debt-to-GDP ratio on the other. As for the preventive arm of EU rules, the prescription about the structural deficit not exceeding 1 percent of GDP is not met, but this rule can be waived if the structural deficit decreases by 0.75 percentage point. This latter rule may be met in 2020, although uncertainties exist in this regard.

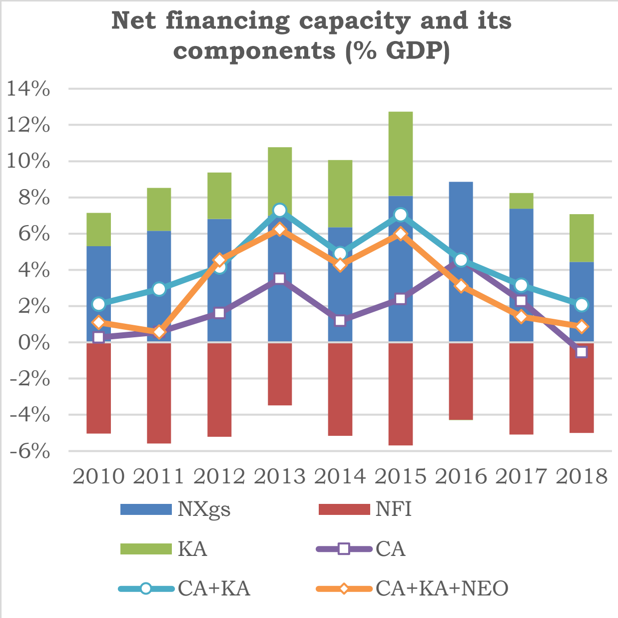
The government plans to reduce the gross debt to 66.7 percent by the end of 2020, from an envisaged 69.2 percent at the end of this year. This target is in jeopardy due to the weakening forint: at the time of adopting the budget bill, the forint stood at 325 EUR/HUF, as opposed to much weaker exchange rate (mostly above 330 EUR/HUF) in the recent months.

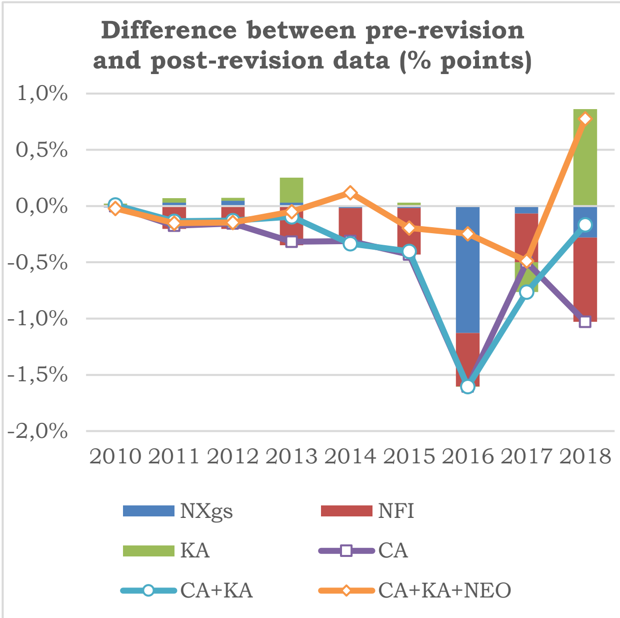
2.4.2. A fizetési mérleg és a külföldi kötelezettségállomány alakulása

Since the NBH simultaneously published the balance of payments data on the second quarter of 2019 and the revised data on the previous years, we will discuss both the recent developments and the revisions.

The revision is worth noting because when we say that the seasonally adjusted current account deficit in the first two quarters of 2019 – around 1 percent of GDP – is only a minor deterioration compared to the previous year, this statement is true only for the revised numbers: before the revision, the year 2018 was believed to record a current account surplus.

The current account deficit in the first half of 2019 – and, as we now know, in 2018 – is a result of the balance of goods turning into a deficit – this is a novelty, unlike the balance of incomes that has been traditionally negative. The aggregate deficit of these two items is larger than the surplus of services trade, another traditional feature. The *net financing capacity* calculated from „above" – that is, the consolidated current and capital account – has a positive but decreasing surplus (1.5 percent of GDP in the second quarter). On the other hand, the seasonally adjusted financial balance account has been steadily negative since the third quarter of 2018.





Source: Calculation based on NBH-data

Codes: NXgs: net export of goods and services; NFI: net foreign incomes; KA: capital account; CA: current account (CA=NXgs+NFI); CA+KA: combined current and capital account balance (the so-called external financing capacity calculated from above); CA+KA+NEO: financial account balance (the so-called external financing capacity calculated from below, of which NEO is 'net errors and omissions')

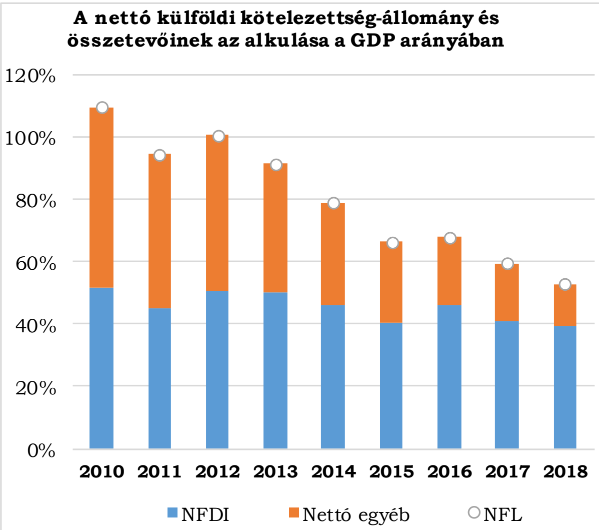
In the first half of 2019, net FDI inflow was significant nearly EUR 1.2 billion. This, however, was offset by negative revaluations, hence the ratio of net FDI stock to GDP decreased by 1.5 percentage points between mid-2018 and mid-2019. On the other hand, the net external debt rate decreased as well, 53.6 percent of GDP, by the end of the second quarter of 2019.

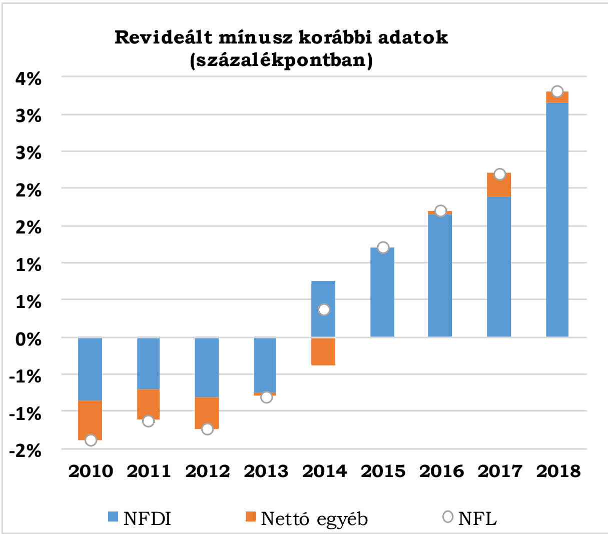
The effect of the data revisions is shown in the right-hand charts, above and below. Above are the changes in the recorded flows, below are the changes in the recorded stocks. While the left-hand charts show the revised GDP ratios of the indicators, the right-hand charts show the changes in these rations, presented in percentage points.

Until 2015, the effects of the revision is not significant (the deficit of net incomes became somewhat higher), but they were substantial in 2016 and 2018. In 2016, the GDP ratio of net export surplus was reduced sharply, while in 2018 there is a jump in the GDP ratio of accrued EU funds as a result of the revisiono. Also the current account surplus got smaller from 2016 and turned into deficit in 2018.

Another noteworthy consequence of the revisions is that the respective values of external financing capacity calculated from above and from below got much closer after the revisions, mostly revisions of items within the current and capital account (financing capacity calculated from below). This is instructive: although usually the balance of real economic transactions, incomes and transfers – that is, the financing capacity calculated from above – is deemed the basic indicator of external financing capacity, apparently the financial account items are better indicators and predictors of the main trends.

The chart below shows the revised stocks of foreign liabilities and its components (net FDI and other liabilities) as percentage of GDP and (the right-hand chart) the effect of





revisions on these components in percentage points.

Codes: NFDI, Net other and NFL: respectively, net FDI, net other liabilities and total net external liabilities

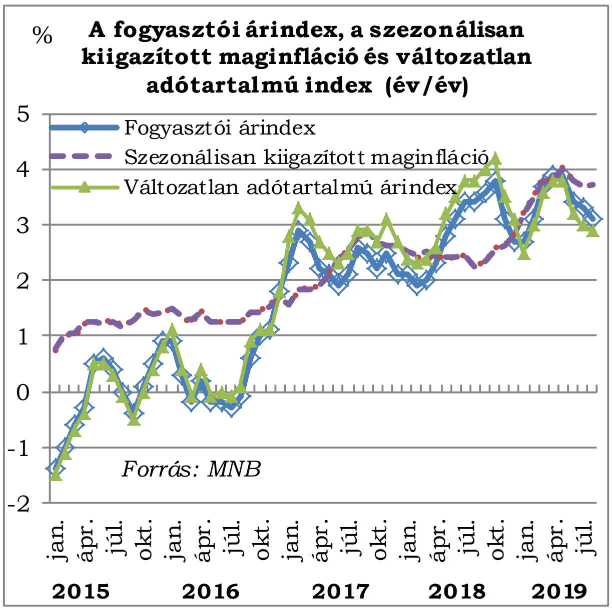
Due to the revision, the net FDI stock (as a % of GDP) rose in every year since 2014. This means that the downward trend remained (see the left-hand chart), but also substantially flattened out. The revisions are mostly linked to the reinvested earnings: that is, the same item that contributed to the less favorable current account, through the larger net income deficits.

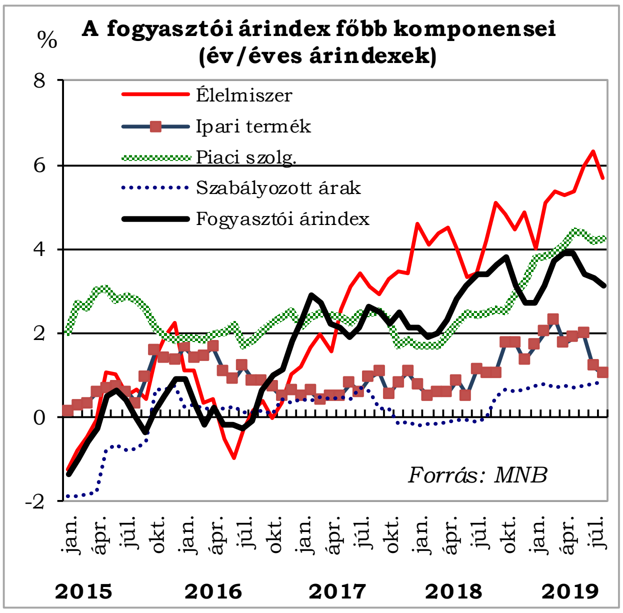
2.4.3. Infláció

In the first ten months of 2019, inflation was 3.3 percent while, harmonized inflation (HICP) stood at 3.5 percent. The latter means that Hungary has the second highest inflation rate (behind Romania) – in 2018, it was only the third highest.

Inflation in the EU28 is on a decline: from the 1.9 percent in 2018, it decreased to 1.6 percent in January-October 2019. Based on the Maastricht rules, at present the maximum rate of inflation is 2.1 percent for any country that wants to join the euro area. The Hungarian rate is substantial higher. Beside Hungary, Romania, Bulgaria and even the Czech Republic fails the threshold as well, among the non-eurozone members. Yet it should be noted that **A MAGYAR INFLÁCIÓNÁL CSAK A ROMÁN MÉG MAGASABB????**

The monthly inflation rates has been fluctuating in both directions, without a clear trend, during 2019, and the external impulses are contradictory as well. On the one hand, oil prices fluctuate aimlessly – the attack against the Saudi oil fields had only a temporary effect. On the other hand, the global economic trends and financial market





developments point toward slightly decreasing inflationary pressures.

As for the domestic factors, steep wage growth and strong consumer demand poses an upward inflationary risk. This risk, however, has only materialized in the case of a couple of services. In any case, inflation stood at 2.9 percent in October, well below the rate one year earlier and also below the January-October average rate.

On the other hand, *core inflation* (3.7 percent in the first ten months) is still above the headline rate, which suggests that inflation is not about to subside any soon. By contrast, *constant tax inflation* trails headline inflation since the inflationary effect of the drastically raised excise tax rate on tobacco products overwrote the deflationary effect of the VAT rate cut on ESL and UHL milk.

Alcohol and tobacco prices keep growing at the highest pace (8 percent), due to the excise tax raise mentioned above. The tax hike will continue in 2020, causing further inflationary pressure.

Food prices also rise at an above-average pace (5.3 percent). While milk prices slipped, due to the VAT rate cut, potato and fresh vegetable prices soared at an outstanding pace. But flour prices also grew by almost 10 percent in January-October, as wheat producers had duly warned. Food prices are expected to continue to rise substantially during 2020.

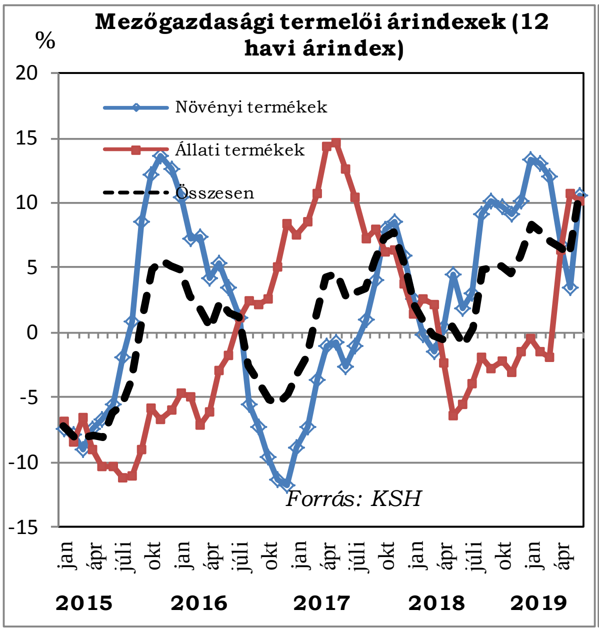
Clothing and footware prices were up 1.2 percent, *consumer durable* prices decreased by 0.2 percent in January-October. The latter is somewhat surprising, considering the steep growth of household consumption. The volume of retail trade of non-food products rose by 8.7 percent in the first three quarters. Durable prices are apparently kept under check by abundant retail supply, the growing variety of retail channels (for example, the spread of online purchase), in short: by intense competition.

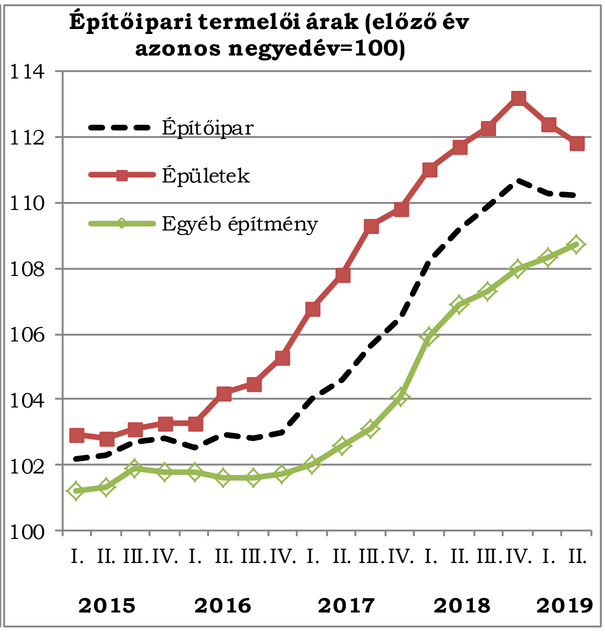
Fuel and power prices were up 1.1 percent in January-October, with a slightly downward slant.

The price index of *market services* climbed to 4.3 percent in January-October from the 2.3 percent in 2018, a reflection of steep wage growth in the labor-intensive service sector. *Regulated prices*, on the other hand, remained almost stagnant. No significant trend change is expected for 2020.

Construction producer prices continue to rise at a spectacular pace (9.8 percent in the third quarter).

We expect an **inflation rate of 3.4 percent for both 2019 and 2020**, with some upward risk for 2020.





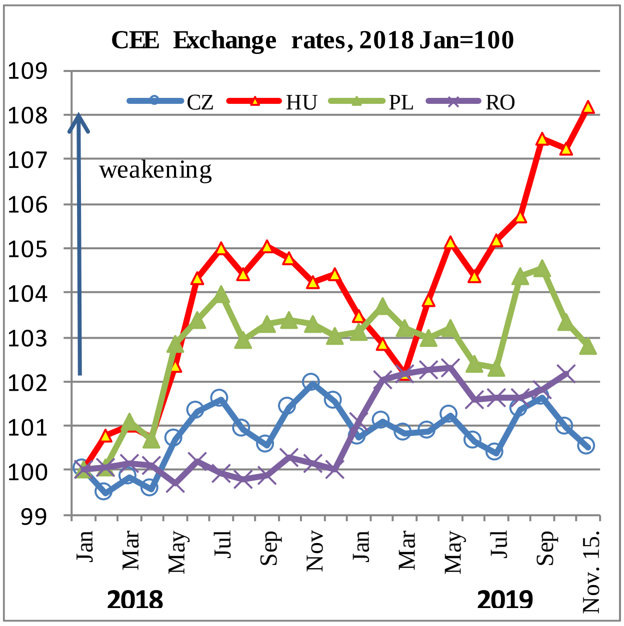
2.4.4. Pénz- és tőkepiaci folyamatok

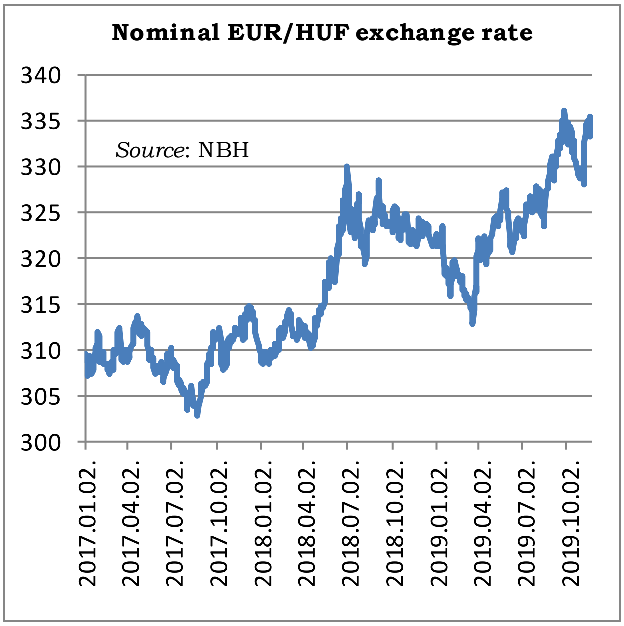
Árfolyam

Since early 2018, the forint went through two large weakening spells. The first one, in the first half of 2018, pushed the forint up to 225 EUR/HUF, a 5 percent depreciation compared to the start of that year. After a period of a mild and temporary appreciation, the second wave of weakening started in the spring of 2019, and it is not clearly over yet. As a result, the forint stood at around 335 EUR/HUF in mid-November, and it is hard to predict which direction the exchange rate will take in the coming months.

The exchange rate movements of the forint is clearly linked to the global financial market developments. Investors are becoming more averse to risk, especially vis-a-vis emerging economies. But this is not the whole explanation: after all, the other Eastern European currencies have not gone through similar depreciation periods. The weak forint is primarily due to domestic negative real interest rate. As we have seen in the previous section, Hungarian inflation is the highest in 2019 within the region. Yet, Hungarian monetary policy has avoided any measure akin to explicit monetary tightening on the grounds that inflation is still within the target band. But if inflation starts rising again, for example due to a rise in oil prices, the Monetary Council will be forced to raise interest rates to demonstrate its dedication to keep inflation in check.

During the last five months, only the Polish zloty weakened significantly, but that weakening was much less drastic than in the case of the forint. The Czech koruna hardly budged and the Romanian leu – although it depreciated markedly in early 2019 – remained stable afterwards, despite the high inflation rate. (Although in Romania interest rates are also higher than in Hungary, the real interest rate is negative in Romania, just as in Hungary).





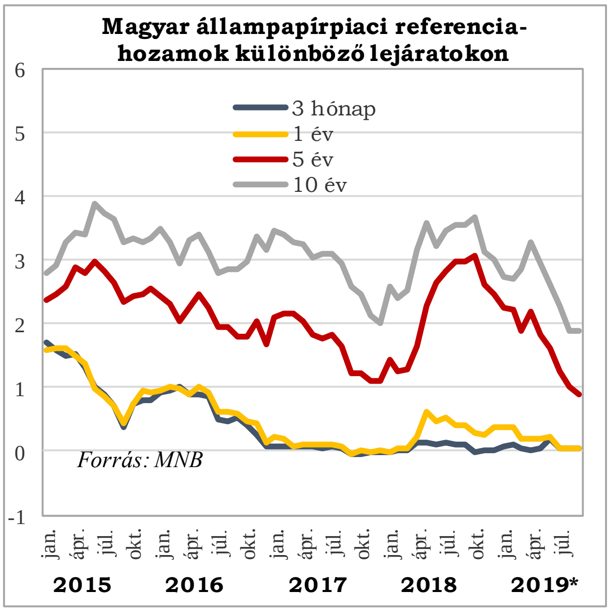
Állampapír-piaci hozamok

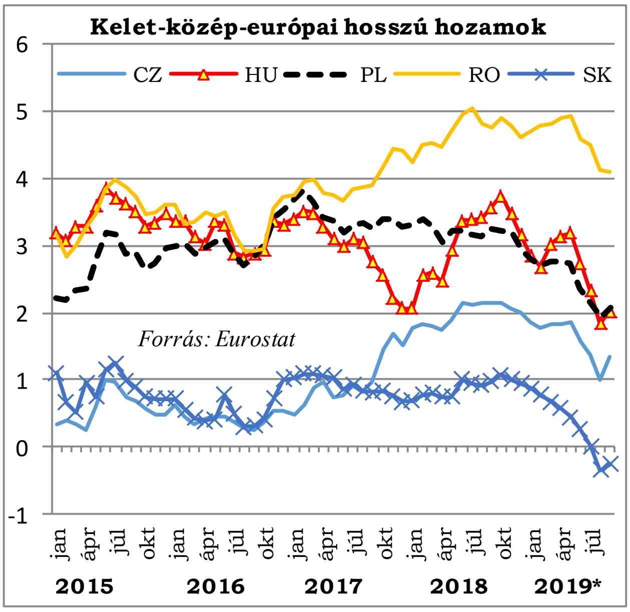
Between January and August 2019, both 5-year and 10-year yields declined substantially, with a final spectarular dive in August and a mild upward correction afterward. By mid-November, ten-year government yields were around 2 percent while five-year yields fluctuate around 1 percent. Short yields stayed around zero until October but slipped into negative territory in November.

After peaking at 0.62 percent, the one-year yield has been clearly on a declining trend, it became negative by the end of October. During the first half of November, six-month and three-month yields followed the one-year yield into negative territory.

The downward shift in August was not a specifically Hungarian phenomenon: the Czech ten-year yield fell to 1 percent by mid-August, with only a minimal upward correction afterwards. The Polish, Romanian, Slovakian long yield has been declining as well, and reached various low points: at the end of September, the Polish yield was around 2 percent, Romanian yield slightly above 4 percent. The Slovakian yield, on the other hand, was negative, clearly showing that Germany is not the only euro area member whose state debt investors are willing to finance even at negative yield.

The combination of decreasing government yields and weakening foring is a contradiction that cannot be sustained for very long. If the forint keeps weakening, government yield expectations are bound to rise too sooner or later.





2.4.5. Vállalati és lakossági hitelek és kamatok

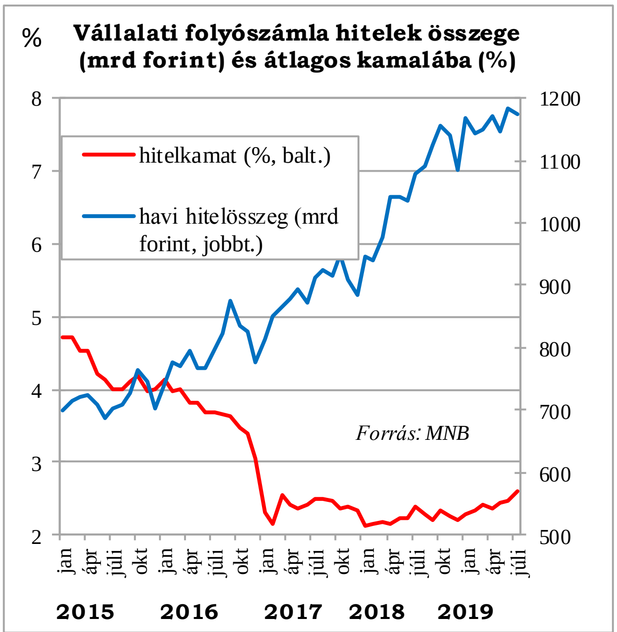
Vállalati hitelek

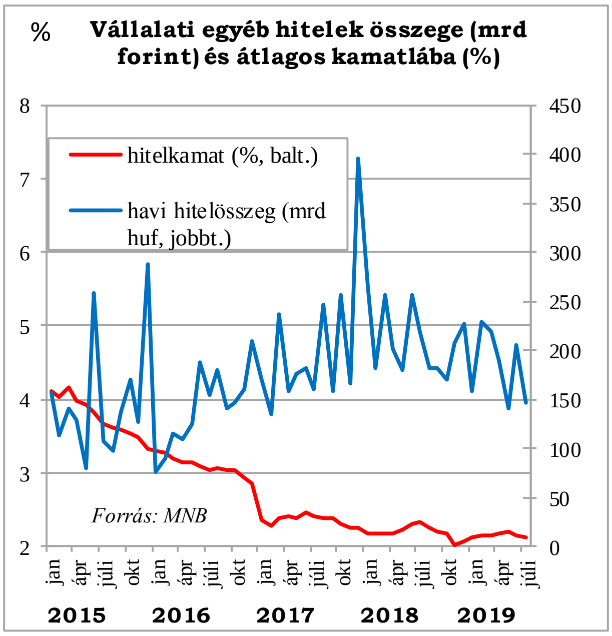
The rise in the monthly amount of new overdraft business loans decelerated somewhat in the recent months. After a four-year period of dynamic growth, the montly amount rose above HUF 1,100 billion, and it came near HUF 1,200 billion by September. In the case of other loans, however, the former rising trend did not just flattened by changed direction. After the monthly amount peaked at HUF 200-250 billion in mid-2018, it mostly fluctuated within the HUF 150-200 range in the second and third quarter of this year.

While the growth in new borrowing slowed down, the stock of business loans rose dynamically. The quarter-on-quarter growth in the stock of outstanding business loans was 5.6 percent in the second quarter the fastest rate since the global crisis, while the year-on-year growth rate was 16 percent – among the SMEs, 13 percent.

The new „Lending for Growth Fix" program, launched by the NBH in January 2019, probably contributed heavily to the expansion of the stock of loans. By October, HUF 321 billion was claimed from the total allocated sum of HUF 1000 billion. According to surveys, the actual interest rates of Lending for Growth loans for larger borrowers remained well below the maximum level stipulated by the central bank, 2.5 percent. Another program, the Bonds for Growth scheme, initiated in July, is designed for large enterprises, unlike the Funding for Growth program. As of now, 24 firms has obtained the credit rating required to participate in the Bonds for Growth scheme.

The interest rates of *overdraft loans* began to rise mildly in the recent months: the average interest rate slightly surpassed 2.5 percent during the second quarter, a level not seen since early 2017. The average interest rate of *other loans* continued to hover slightly above 2 percent – the interest rate of short-term loans is somewhat above 1 percent while the average interest rate of loans with longer maturity is typically between 2.6 and 2.7 percent.





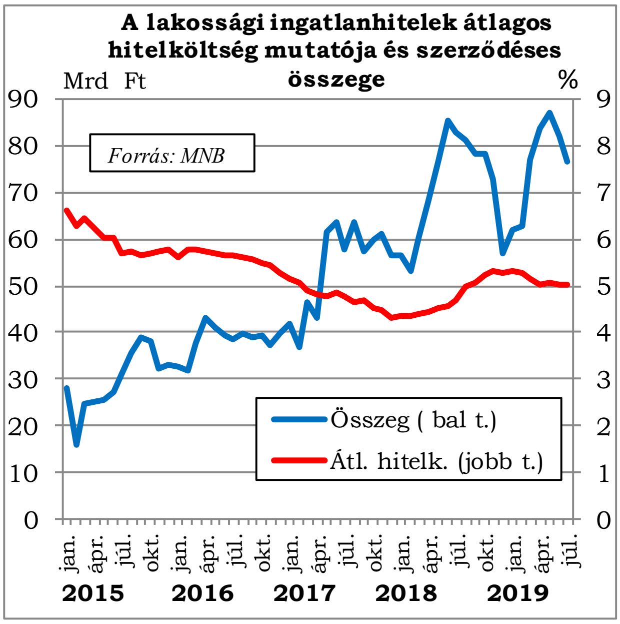
Háztartási hitelezés

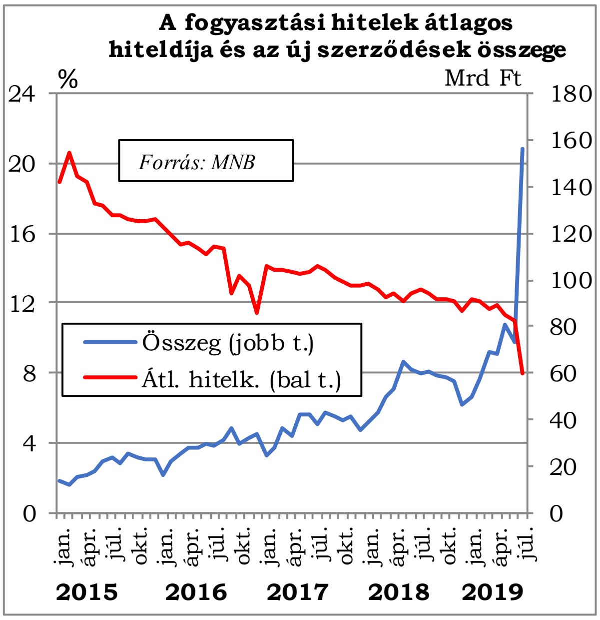
The former steady rising trend in forint-denominated *housing lending* apparently halted in the last quarter of 2018 – since then, the monthly amount of loans has fluctuated without direction, usually below HUF 81 billion. Among housing loans, ths share of loans for renovation or modernization, but about two-third of the monthly sum goes into loans for purchasing used dwellings.

The introduction of the „infant expecting" loan scheme brought about a dramatic change in *consumption lending*. While the monthly sums of new consumption loans were rising by 30-40 percent (year-on-year) even before July, the monthly sum immediately doubled in July (from HUF 73.5 billion in June to HUF 168.4 billion in July) and continued to rise steeply in the subsequent months. The new scheme changed the structure of consumption loans as well: the share of *personal loans*, formerly about 70 percent, now dipped below 40 percent. At the same time, the share of *loans for purchasing goods or other* rose to 60 percent from the earlier 20 percent.

The annualised APR of *housing loans* were just above 5 percent until the end of summer, but dipped below 5 percent in September. But the average APR of *consumption loans* dropped dramatically with the introduction of the „infant expecting loan", from 11 percent in June to 7.7 percent in July. The drop in the APR of *loans for purchase of goods and other* with rate fixation of 1-5 years was especially spectacular, from 12.5 to 5.5 percent.

The total stock of household loans grew by HUF 478 billion in the third quarter due to transactions, which is a huge increase, *several times the usual quarter-on-quarter growth seen in the previous year*. The reason is obviously the infant expecting loan scheme.





Gazdasági jelzőszámok 2011-2018-re, előrejelzés 2019-ra és 2020-ra (százalékos változás)

	2011	2012	2013	2014	2015	2016	2017	2018	2019*	2020*
GDP-AGGREGÁTUMOK ÉVES REÁLNÖVEKEDÉSE										
GDP összesen	1,8	-1,5	2,0	4,2	3,8	2,2	4,3	5,1	4,8	3,2
Belföldi felhasználás	-0,2	-3,0	2,0	5,3	2,4	1,7	5,2	7,3	5,7	3,7
Magánfogyasztás	0,6	-2,5	0,1	2,1	3,7	4,2	4,2	4,0	4,6	3,7
Közösségi fogyasztás	0,1	0,0	6,0	9,8	1,1	0,3	3,2	2,0	-1,3	0,0
Bruttó felhalmozás	-2,7	-6,0	6,1	12,8	-0,2	-4,1	9,0	18,3	11,0	5,0
ebből: állóeszköz-felhalmozás	-1,3	-3,0	9,8	12,3	4,8	-10,6	18,7	17,1	16,4	5,0
Export[a]	6,4	-1,7	4,1	9,2	7,4	3,8	6,9	4,3	4,9	4,3
Import[a]	4,3	-3,5	4,3	11,0	6,0	3,4	8,2	6,8	6,0	5,0
TERMELÉSI INDEXEK										
Mezőgazdasági kibocsátás (bruttó)	11,1	-10,0	12,5	11,4	-2,4	9,3	-5,2	3,6	-1,3	0,0
Ipari termelés	5,6	-1,8	1,1	7,7	7,4	0,9	4,6	3,6	5,5	4,3
Kiskereskedelmi forgalom volumene	0,2	-2,2	1,8	5,2	5,8	4,8	5,6	6,5	5,7	5,0
FOGLALKOZTATÁS, JÖVEDELMEK										
Foglalkoztatottak száma	0,7	1,8	1,7	5,3	2,7	3,4	1,6	1,1	0,9	0,5
Munkanélküliségi ráta (15-74 éves népesség)	11,0	11,0	10,2	7,7	6,8	5,1	4,2	3,7	3,4	3,2
Bruttó nominális keresetek	5,2	4,7	3,4	3,0	4,3	6,1	12,9	11,3	10,5	8,5
Nettó reálkeresetek[b]	2,4	-3,4	3,1	3,2	4,4	7,4	10,3	8,3	6,8	4,8
ÁRAK, ÁRFOLYAMOK, KAMATOK										
Fogyasztói árindex	3,9	5,7	1,7	-0,2	-0,1	0,4	2,4	2,8	3,3	3,3
Forint/euró árfolyam (éves átlag)	279	289	297	309	310	311	309	319	325	325
Dollár/euró árfolyam (éves átlag)	1,39	1,28	1,33	1,33	1,11	1,11	1,13	1,18	1,12	1,12
Rövidtávú kamatok (3 hó), időszak vége	7,55	5,33	2,86	1,43	0,80	0,06	-0,01	0,00	0,10	0,30
Hosszútávú kamatok (10 év), időszak vége	9,75	6,11	5,61	3,60	3,33	3,16	2,02	3,01	2,30	2,80
FIZETÉSI MÉRLEG										
Folyó fizetési és tőkemérleg a GDP %-ában	2,9	4,1	7,3	4,9	7,0	4,5	3,1	2,0	1,5	1,0
ÁLLAMHÁZTARTÁS										
Államháztartás egyenlege, a GDP%-ában	-5,4	-2,4	-2,6	-2,6	-2,0	-1,8	-2,4	-2,3	-1,5	-1,0
Bruttó államadósság, a GDP %-ában [c]	80,5	78,4	77,1	76,6	76,1	75,5	72,9	70,2	68,0	66,5

a A GDP-statisztika szerinti áru- és szolgáltatásexport és -import
b Nem veszi számításba a gyermekek utáni adókedvezmény hatását.
c Az államháztartás az Eximbankkal együtt
* A Kopint-Tárki előrejelzése
Forrás: KSH, MNB