

# Hungary Business Forecast Report Q2 2014

<https://marketpublishers.com/r/HCB92293DE5EN.html>

Date: January 2014

Pages: 53

Price: US\$ 1,195.00 (Single User License)

ID: HCB92293DE5EN

## Abstracts

### Core Views

The Hungarian economy will continue on a slow path of economic recovery in 2014, with the major contributions to growth coming from net exports and private consumption. Exports are set to rise as the German economy is boosted by rising consumption, which in turn will boost demand for goods made in Hungary such as autos and electricals. Hungarian consumption will rise on the back of low inflation, rising nominal wages and low interest rates. As a result we forecast real GDP growth of 1.7% and 1.9% in 2014 and 2015 respectively.

The governing centre-right Fidesz Party government, led by Prime Minister Viktor Orban, is set to retain power in Hungary's general election, due in April or May. Fidesz commands a significant lead over the main opposition Socialist Party in all national opinion polls, even if a potential centre-left electoral alliance is formed. However, Fidesz is likely to lose its supermajority in the National Assembly, meaning that it will have to rely on opposition support if it seeks to amend the constitution.

Hungary's central bank will hike rates to 3.50% by end-2014 from 3.00% in January, as consumer price inflation rises on the back of increasing demand-pull pressures, and the effect of state-mandated energy price cuts wearing off. As a result we forecast consumer price inflation to rise to 3.0% year-on-year (y-o-y) by end-2014 and 3.6% y-o-y by end-2015.

### Major Forecast Changes

Hungary is unlikely to re-enter the EU's Excessive Deficit Procedure (EDP) in 2014 or 2015, with the government placing significant political capital on the country successfully leaving the EDP in July 2013. As a result we have revised down our

forecast for the budget deficit to 3.0% and 3.1% in 2014 and 2015 respectively, from 3.1% and 3.3% previously.

### **Key Risks To Outlook**

We currently forecast the forint to appreciate over the course of 2014 and into 2015, with our projections for the currency to average HUF285.00/EUR and HUF280.00/EUR respectively. However, with interest rates currently at a record low (3.00% in January) and the government's anti-business rhetoric scaring away investors we could see the currency remain around the HUF300.00/EUR level, or even depreciate further if the business environment does not show signs of improvement.

The leadership of the Hungarian central bank is largely made up of Fidesz party appointees. If the government deems it politically expedient, or if the economic recovery grinds to a halt, we could see rates remain around record lows.

## Contents

Executive Summary  
Core Views  
Major Forecast Changes  
Key Risks To Outlook

### **CHAPTER 1: POLITICAL OUTLOOK**

SWOT Analysis

BMI Political Risk Ratings

Domestic Politics

Fidesz Unlikely To Hold Onto Supermajority

Prime Minister Viktor Orban's Fidesz Party is placed to win Hungary's Spring 2014 general election. However, Fidesz is likely to lose its supermajority in parliament due to lower support than in 2010 and alterations to the electoral system, denying the party the ability to alter the constitution without cross-party support.

Table: Political Overview Table

Long-Term Political Outlook

Western Convergence Story Will Continue

Our core view is for Hungary to continue to converge both economically and politically with Western Europe over the next decade. The country will face substantial challenges, including the continuing presence of far-right politics, sustained poor relations between ethnic Hungarian and minority groups as well as rising fiscal pressures from an ageing population.

### **CHAPTER 2: ECONOMIC OUTLOOK**

SWOT Analysis

BMI Economic Risk Ratings

Economic Activity

Recovery To Gain Traction

Strong net exports and rising fixed investment will continue to bolster Hungary's economic recovery during the course of 2014 and 2015, with positive PMI readings and improving consumer confidence pointing towards economic acceleration. However, we do highlight that a poor business environment and a continued decline in house prices could slow the pace of improvement.

Table: ECONOMIC ACTIVITY

Monetary Policy

### Rate Hikes Likely On Recovery In Consumption

Hungary's central bank will hike rates to 3.50% by end-2014, as consumer price inflation rises on the back of increasing demand-pull pressures, and the effect of state-mandated energy price cuts wearing off. As a result we forecast consumer price inflation to rise to 3.0% y-o-y by end-2014 and 3.6% y-o-y by end-2015.

Table: MONETARY POLICY

### Fiscal Policy

#### Deficit To Remain In Check Following EDP Exit

Hungary is unlikely to re-enter the EU's Excessive Deficit Procedure (EDP) in 2014 or 2015, with the government placing significant political capital on the country successfully leaving the EDP in July 2013. As a result we have revised down our forecast for the budget deficit to 3.0% and 3.1% in 2014 and 2015 respectively, from 3.1% and 3.3% previously.

Table: FISCAL POLICY

### FX Forecast

#### HUF: Trade Provides Support, But Risks Remain On Rates

Table: BMI Hungary Currency Forecast

### Banking

#### FX Loans Plan Threatens Nascent Recovery

Hungarian banks remain in a state of uncertainty as a result of plans to convert FX loans into forints, engendering substantial losses for both domestic and foreign-owned lenders. Recent data shows that the contraction in total assets has slowed, but we remain cautious towards calling for a sustained recovery, with NPLs at record highs and profitability likely to fall.

## CHAPTER 3: 10-YEAR FORECAST

### The Hungarian Economy to 2023

#### Western European Economic Convergence To Continue

We continue to hold a reasonably sanguine view on Hungary's real economic convergence prospects with Western Europe over the long term. Economic reforms should help lift productivity and growth over the coming years. However, with the sustainability of the eurozone project in question as a result of the recent intensification of the sovereign debt crisis, Hungary's adoption of the common currency over our forecast period remains in serious doubt.

Table: Long-Term Macroeconomic Forecasts

## CHAPTER 4: BUSINESS ENVIRONMENT

SWOT Analysis

BMI Business Environment Risk Ratings

Business Environment Outlook

Institutions

Table: BMI BUSINESS AND OPERATION RISK RATINGS

TABLE : BMI LEGAL FRAMEWORK RATING

Table: LABOUR FORCE QUALITY

Infrastructure

TABLE : EMERGING EUROPE – ANNUAL FDI INFLOWS

TABLE : TRADE AND INVESTMENT RATINGS

Market Orientation

Operational Risk

Table: Top Export Destinations , 2004-2011

BMI Industry View

## **CHAPTER 5: KEY SECTORS**

Table: Autos Production, 2010-2017

Table: Autos Sales, 2010-2017

Table: Food Consumption Indicators – Historical Data & Forecasts, 2010-2017

BMI Industry View

Table: Alcoholic Drinks Volume/Value Sales – Historical Data & Forecasts, 2010-2017

Other Key Sectors

Table: Oil & Gas Sector Key Indicators

Table: Pharma Sector Key Indicators

Table: Infrastructure Sector Key Indicators

Table: Defence & Security Sector Key Indicators

Table: Telecoms Sector Key Indicators

Table: Freight Key Indicators

## **CHAPTER 6: BMI GLOBAL ASSUMPTIONS**

Global Outlook

Momentum To Continue In H114

Table: Global Assumptions

Table: Developed States, Real GDP Growth, %

Table: BMI VERSUS BLOOMBERG CONSENSUS REAL GDP GROWTH FORECASTS, %

Table: Emerging Markets, Real GDP Growth, %

## I would like to order

Product name: Hungary Business Forecast Report Q2 2014

Product link: <https://marketpublishers.com/r/HCB92293DE5EN.html>

Price: US\$ 1,195.00 (Single User License / Electronic Delivery)

If you want to order Corporate License or Hard Copy, please, contact our Customer Service:

[info@marketpublishers.com](mailto:info@marketpublishers.com)

## Payment

To pay by Credit Card (Visa, MasterCard, American Express, PayPal), please, click button on product page <https://marketpublishers.com/r/HCB92293DE5EN.html>