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PANORAMA

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OVERVIEW OF HUNGARY

Corporates: on the starting block for sustainable growth?

COFACE ECONOMIC PUBLICATIONS

by Grzegorz Sielewicz,
Coface Economist based in Warsaw, Poland



Hungary is performing well, considering the context of struggling economies globally. Admittedly, since enjoying the podium position for growth among the CEE nations in 2014, Hungary has registered a slowdown, but with 2.9% in 2015 and 2.2% for this year (forecast by Coface), it is still benefitting from a moderately growing economy. Support from the EU budget will not boost Hungarian growth as much as it did in the previous two years – but

with the acceleration of uptake of new EU funds, the positive effects will return next year. 2016 growth will be close to its potential (estimated at 2.5% by the National Bank of Hungary¹), driven by private consumption, in turn strengthened by falling unemployment, higher disposable incomes, the public welfare programme and the resolution of problems surrounding foreign-currency mortgage loans. These all create opportunities for higher turnover for the retail sector, which is already benefitting from growing retail

sales. The sector risk assessment provided in this Panorama shows that impacts are not only stemming from the country's internal environment and business conditions but also from developments in foreign markets. This is the case for the metals sector, which is suffering from the negative effects of low international commodity prices, in contrast with the transport sector. The automotive sector has benefitted from increasing demand in its core markets.

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¹<http://mtva.hu/hu/hungary-matters>