

Short note – Fixed Income Research – June 09, 2009

Hungary: 1Q09 GDP, April trade balance

GDP fell 6.7% y/y in 1Q09, trade surplus amounted to EUR 429.7mn in April

The CSO revised its flash GDP estimate of -6.4% y/y for 1Q09 down to -6.7% y/y. Taking the calendar effect into consideration, the economy dropped by 6.1% y/y in January-March. Compared to the previous quarter, GDP declined by 2.5%.

The breakdown of the supply-side figures showed deep recession in all sectors of the economy. The performance of industry dropped 17.6% y/y, within which the slump in processing industry was 20.5% y/y. The performance of services decreased to a lesser extent, by 3.2% y/y. Agriculture fell by 9.8% y/y, mainly due to high base figures.

As for the breakdown of the GDP figures (based on final use), households' final consumption was down 5.9% y/y, while investments fell by 6.9% y/y. Contrary to usual increases, seen in the previous quarters, there has been a cut (HUF 218bn) in inventories also in Hungary, as companies responded to uncertainties around economic prospects and tighter financing conditions. It did not come as a surprise that exports dropped by 18.6% y/y in the first quarter, in line with deteriorating external demand. The only positive thing was that the decline in imports (22% y/y) exceeded that of exports, thus the contribution of net exports to GDP was again positive.

The difference between the dynamics of export and imports has again been revealed in the April trade balance figures, as well. Trade surplus amounted to EUR 429.7mn in April, exceeding our expectation of only EUR 230mn. The reason is the same: falling domestic demand and poor export prospects lead to a serious decline in imports, as well. The ongoing recession plays a crucial role in the adjustment of the country's economic imbalances, suggesting large trade surplus and much lower C/A deficit for this year.

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