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Fresh data signals possible upturn in Hungarian economy

October's retail sales and industry data surprised on the positive side, signalling better times ahead. Of course, this isn't quite in the category of Christmas miracles, but it is encouraging

Source: Shutterstock

The Hungarian Central Statistical Office (HCSO) has released figures on retail sales and industrial production for October. As this is the first hard data to emerge from the fourth quarter, it could have a significant impact on the coming months. While not a big surprise, it was certainly a positive one on both fronts.

Regarding the outlook for Hungarian GDP in the fourth quarter, the latest retail and industrial data are favourable, which is something we have not been able to say for a long time. This means that there is still hope that the average annual economic growth rate will be around 0.5%. Of course, this is only small consolation, but achieving GDP growth of more than 2% in 2026 will require a strong final quarter.

-2.7%

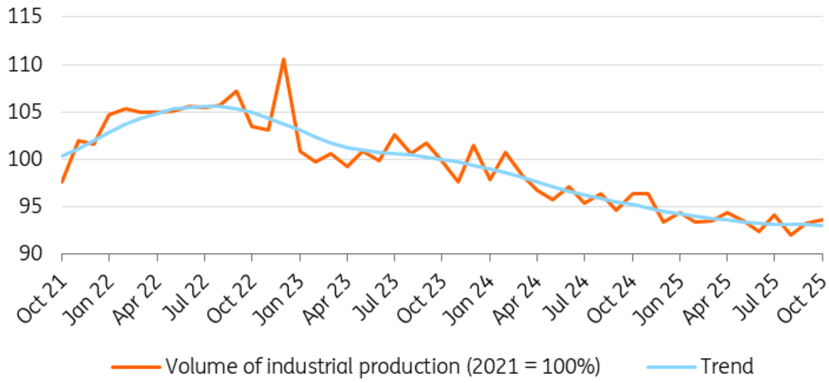
Industrial production (YoY, wda)

ING estimate: -5.4% / Previous: -1.5%

Hungarian industry shows positive momentum

This is the first time since the spring that Hungary's industry has seen production volumes grow on a monthly basis for two consecutive months. Based on this, we can safely say that this is a pretty positive development. In October, production volumes exceeded the previous month's figure by 0.5%. At the same time, the year-on-year index shows a decline of just 2.7%. Although the fixed-base index has been crawling upwards for two months now, we cannot report dramatic improvement. Nevertheless, it is becoming increasingly likely that industrial output has stabilised, albeit at a low level. This level is currently 6.4% below the 2021 average. According to recent news reports, production began at the BMW plant in Debrecen in autumn, which may have contributed to the more favourable October results.

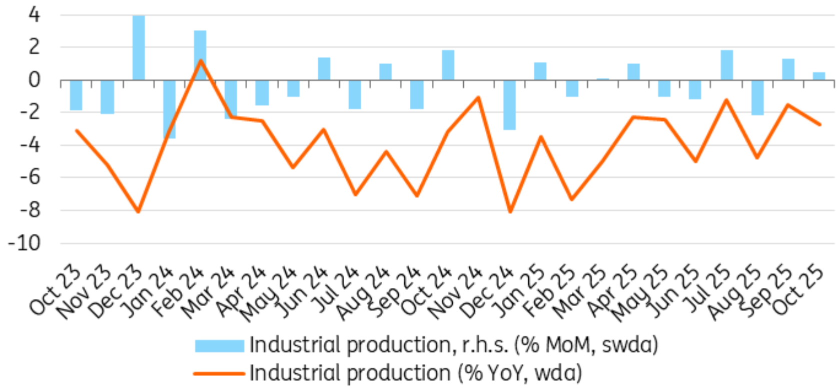
Volume of industrial production



Source: HCSO, ING

Although detailed data is still pending, preliminary figures from the HCSO suggest that production declined in most sub-sectors. The electronics industry remains the only real green shoot. Meanwhile, output declined in vehicle and electrical equipment manufacturing. In the former, the ramp-up of new manufacturing capacity may bring about change, but this is unlikely to be significant in the short term. Furthermore, increasing production capacity takes time, so it is unrealistic to expect production to reach close to its maximum theoretical capacity in the short term.

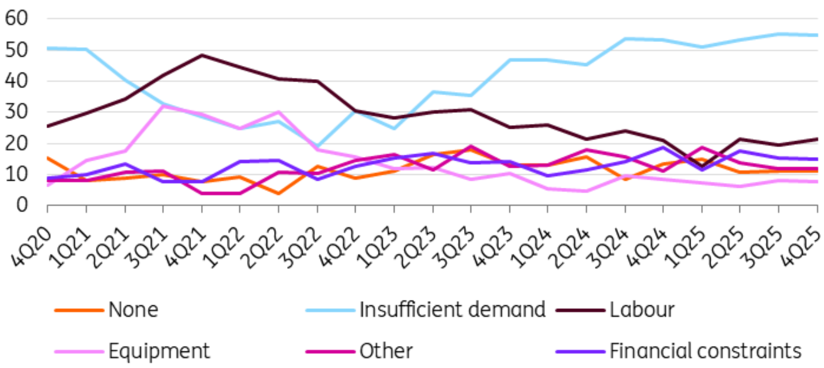
Performance of Hungarian industry



Source: HCSO, ING

There has been no significant change in the big picture. Although various confidence indices have improved for the most part in recent months, any optimism based on this may be fragile. Capacity utilisation has not increased significantly (75.1% in the fourth quarter, +0.6ppt year-on-year), and most companies still report a lack of demand and orders. Although German industrial orders have expanded for two consecutive months, this follows a prolonged period of contraction. Meanwhile, serious political risks are looming in Germany and there is a possibility that the Merz government and the coalition could fall in the near future due to the planned pension reform debates. This would be extremely bad news for those expecting a turnaround in German investment sentiment, and thus in the economy as a whole, as prolonged uncertainty would take control once again.

Factors limiting production in Hungarian industry (% of respondents)



Source: Eurostat, ING

Overall, the outlook for companies which produce for export remains gloomy and uncertain, with no general upturn anticipated. We are still waiting for a global turnaround in the inventory cycle to stimulate demand for industrial goods. However, there are currently no signs of this happening.

3.1%

Volume of retail sales (YoY, wda)

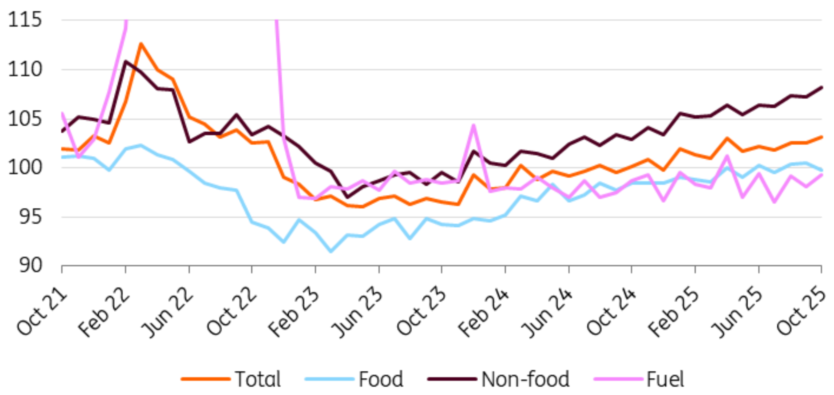
ING estimate: 3.1% / Previous: 3.0%

Hungarian retail signals a better quarter may be ahead

As expected, the performance of the Hungarian retail sector has continued to fluctuate. According to recent data released by HCSO, turnover volume increased by 0.5% month-on-month in October, following the stagnation seen in the previous month. Speaking of annual data, this represents a 3.1% YoY increase adjusted for calendar effects, which is only slightly higher than the performance seen in the previous month. The latest data was broadly in line with market expectations. Based on this, we can hope that economic performance in the fourth quarter will be better than in the rest of the year so far.

Examining longer-term trends, retail sales volume in October 2025 was 3.2% higher than the monthly average for 2021, marking the best performance in years. Additionally, the fluctuating yet consistent growth in the sector continues to provide cause for optimism regarding the fourth quarter.

Retail sales volume in detail (2021 = 100%)

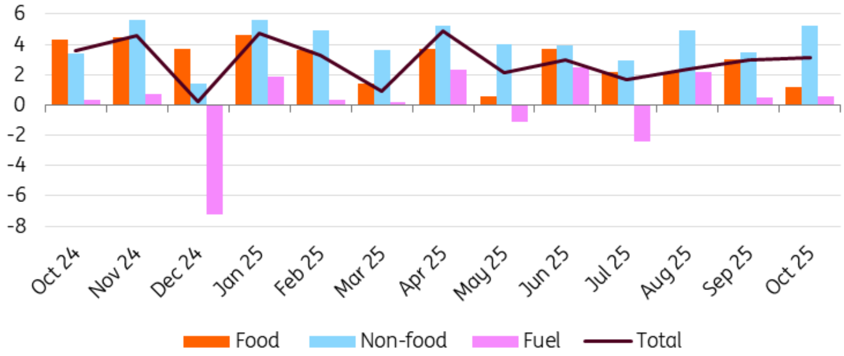


Source: HCSO, ING

Diving into the details, the significant monthly decline in food store sales is somewhat surprising. In theory, this could be explained by the long weekend, but seasonally and calendar-adjusted data should account for this factor. Additionally, pensioners have already received and spent some of their HUF 30,000 food vouchers. So, the weak performance here is puzzling.

By contrast, sales of industrial goods, clothing and computer equipment rose sharply. This is an interesting phenomenon because, in recent years, households have typically held back on purchases at this time of year in anticipation of the 'Black Friday' sales in November. One possible explanation for this is the significant retail bond payments, as September saw a chunky maturity, like seen at the beginning of the year. In other words, it is quite possible that households did not reinvest this extra income (or at least not all of it) but rather spent it. Overall, the non-food store segment performed well, with no sub-sector showing a significant monthly decline. Fuel sales, meanwhile, increased significantly in October thanks to falling prices.

Breakdown of retail sales (% YoY, wda)



Source: HCSO, ING

Overall, therefore, the performance of the Hungarian retail sector in October was good, but not outstanding. For now, it can be said that the government measures that have come into effect so far have not significantly boosted consumption yet. There is no doubt that more significant measures will come into effect in the final months of the year which will start to push the statistics upwards. Meanwhile, the expected payouts of government securities to retail bondholders are likely to be rather low in the final quarter, so no further impetus can be expected from that source.

However, a more lasting improvement in confidence and consumption may emerge towards the end of this year and into next year. Nevertheless, if this upturn in demand fails to materialise, it could pose a serious problem, as consumption is currently the only factor capable of pulling the Hungarian economy out of the doldrums and even that is losing momentum. If this engine were to stall, achieving GDP growth of 0.5% and 2.3% forecast by us for this year and next would be highly challenging.

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