

# Hungarian industry shows no signs of a sustained recovery

We suspected that the June turnaround might be a blip. It looks like it was. Hungarian industrial production stagnated in July. The only positive is that at least we have avoided a major downward correction. The outlook remains bleak



Workers at a Suzuki car factory in Hungary

**-6.4%**

Industrial production (YoY, wda)

ING estimate: -4.9% / Previous: -3.7%

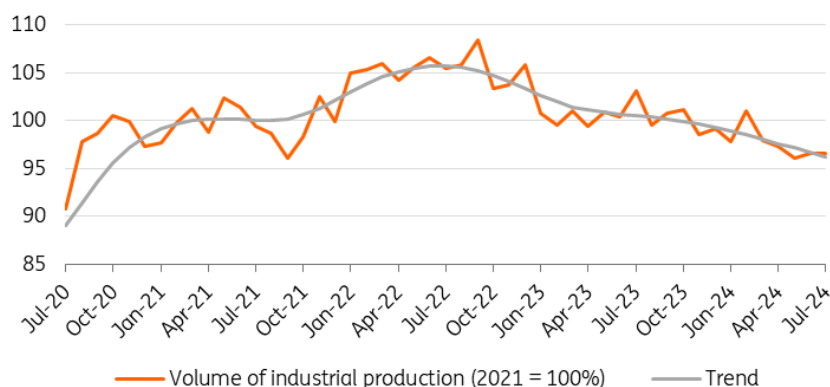
Worse than expected

After the positive surprise in June, Hungarian industry was not quite able to maintain the momentum in July. The latest data is not terrible, but it is not good either. On a monthly basis, industrial production adjusted for seasonal and calendar effects stagnated in July 2024. If anything, it is encouraging that, unlike in Germany, the previous month's rise was not followed by another significant negative correction.

As the base of the previous year was quite high, the calendar-adjusted figure in Hungary still shows a significant year-on-year decline of 6.4%. With two more working days in July this year, the raw data paints a much more positive picture than the actual performance.

So the overall picture is very mixed and rather disappointing. This is reinforced by the fact that industrial production is still 3.4% below the average monthly volume in 2021, and we are still quite close to the trough in 2021.

## Volume of industrial production



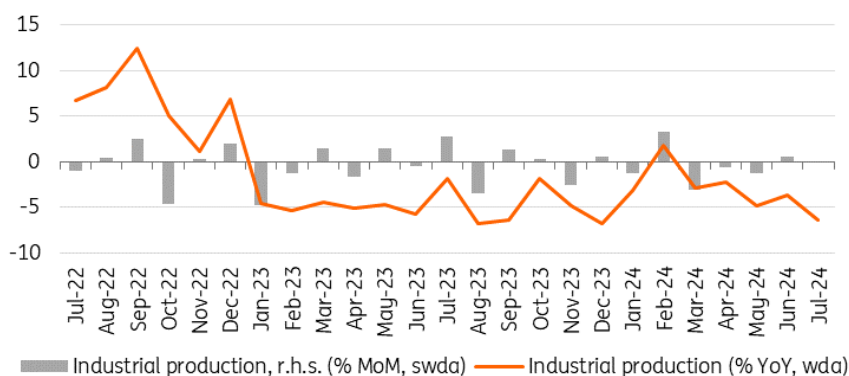
Source: HCSO, ING

Detailed data is yet to be published, but the preliminary release from the Hungarian Central Statistical Office (HCSO) shows a similar structure to what we have seen in recent months. Of the four main industrial sub-sectors, food is able to grow, while neither transport equipment (cars), electrical equipment (EV batteries), nor computer, electronic and optical products (electronics) segments are able to expand. But this is hardly surprising given global trends. Recent industry surveys and confidence indicators around the world continue to point to further weakening or, at best, stagnation. Of course, the reliability of these surveys remains highly questionable, but for now, anecdotal evidence does not really contradict this gloomy picture.

One piece of evidence is that Volkswagen is considering closing German plants for the first time in its 87-year history. This is clearly a red flag, as jobs at VW in Germany are supposed to be protected until 2029, but the company may now renege on this promise. Zooming out, [German industry](#) is still at a low point, and the July data was a very big negative surprise. German industrial production is still more than 10% below pre-pandemic levels.

Moreover, the expected loss of momentum in the US and Chinese economies and the tensions in international trade hardly point in the direction of a positive breakthrough for German or even euro-area industry. Further anecdotal evidence of [challenging times](#) ahead for the car industry is the recent [news from Volvo](#) that it is reversing its much-publicised plans to produce only electric vehicles by 2030 as a result of slowing demand.

## Performance of Hungarian industry

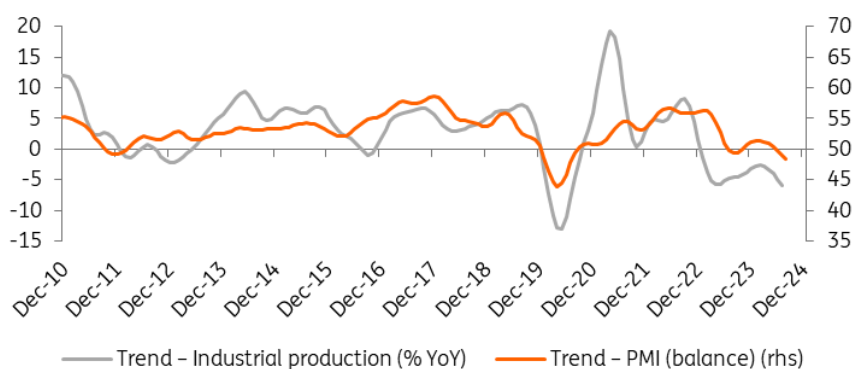


Source: HCSO, ING

It is, therefore, difficult to pin hopes for a short-term recovery in Hungarian industry on a revival in export demand. Global order books are dismally low and inventories of manufactured goods have barely come down from their peaks. It is no coincidence that recent surveys suggest that lack of demand is currently the biggest obstacle to growth for manufacturers.

In other words, only a turnaround in inventories and an improvement in consumer confidence can make a lasting difference and begin to restore order books. This means that the recovery in external demand will be a slow and gradual process. The outlook for sectors producing for the domestic market is not encouraging either. According to the latest data (June), domestic order books for the monitored manufacturing sectors were 5.5% lower than a year earlier. The export order book is almost 29% below last year's level. This may be behind the recent deterioration in the Hungarian manufacturing PMI.

## Manufacturing PMI and industrial production trends



Source: HALPIM, HCSO, ING

The combination of low domestic consumer confidence, a strong propensity to save and sluggish business investment also makes the outlook for the domestic market fragile. Towards the end of the year, however, domestic demand may improve to the extent that at least some industrial sectors will be able to grow sustainably. But this will not be enough to save the year. Hungarian industry as a whole could be a significant drag on GDP growth in 2024.

Turning to the shorter-term outlook, the July retail sales and industrial data do not yet give much cause for optimism about economic performance in the third quarter. It could well be that another negative surprise is in the offing, although we wouldn't go so far as to call for another technical recession just yet.

## Author

### Peter Virovacz

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto:peter.virovacz@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.