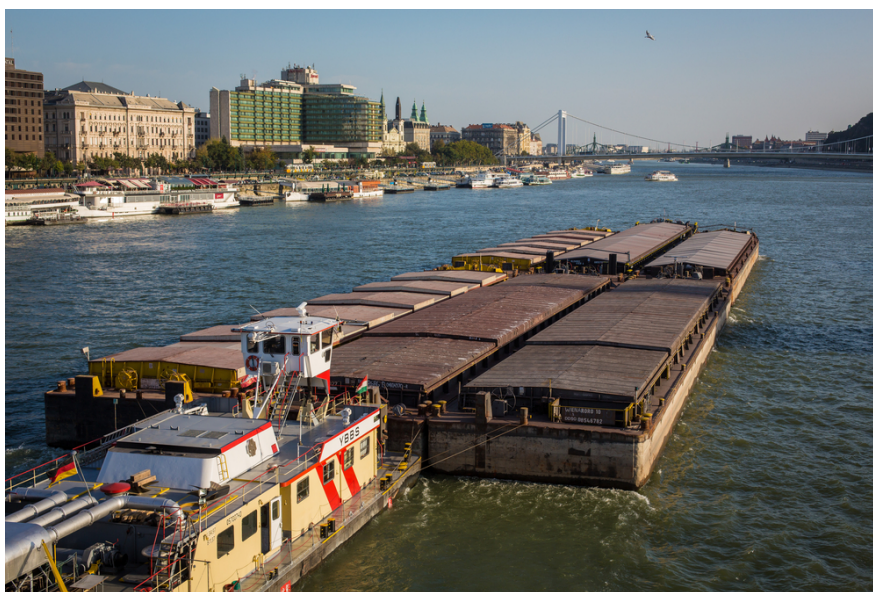


Hungary: an optimistic PMI picture

In spite of the dip in manufacturing PMI to 58.3, causing a mild surprise to market consensus, we still have an optimistic outlook



58.3

Manufacturing PMI

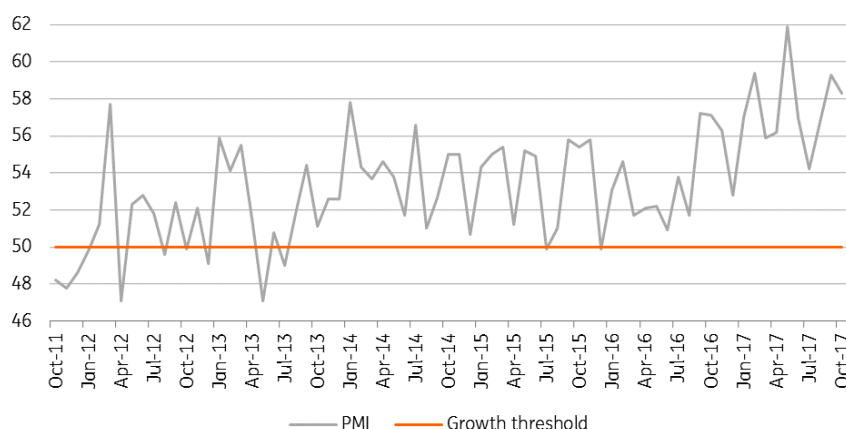
Consensus (57.5) / Previously (59.3)

Better than expected

The seasonally adjusted PMI for manufacturing dropped from 59.3 to 58.3 in October 2017, causing a mild upside surprise compared to market consensus which was 57.5. The recent reading suggests further sound growth for manufacturing in coming months, as it is well above the 50 threshold. Moreover, the index is still close to its all-time high, which it hit in May.

[Hungary: Industry awakens from summer lull](#)

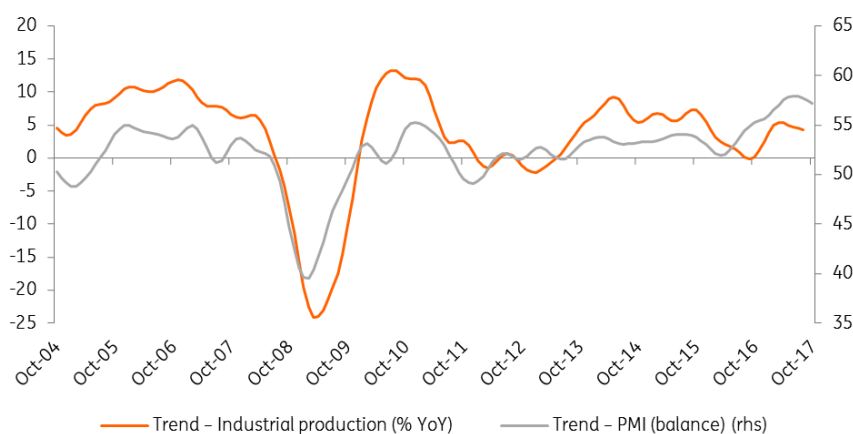
Hungarian manufacturing PMI remains elevated



Source: Bloomberg

The sub-indices show somewhat mixed signs in the sector, as the indices of production and inventories both, increased, suggesting even higher capacity utilisation. On the other hand, indices of new orders and employment declined but continue to point to expansion. As the labour shortage is one of the key issues in the Hungarian economy, the drop in the employment sub-index could signal a change, whereas corporates have started to look for help not in the labour market, but in the capital market to enhance production. However, to be sure of this conclusion, we need more evidence in coming months.

PMI and industrial production moves together



Source: Bloomberg, ING

Even though manufacturing is the positive surprise of the year, based on PMI and other confidence indicators, we still see room for further growth.

Author

Peter Virovacz

Senior Economist, Hungary

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>.