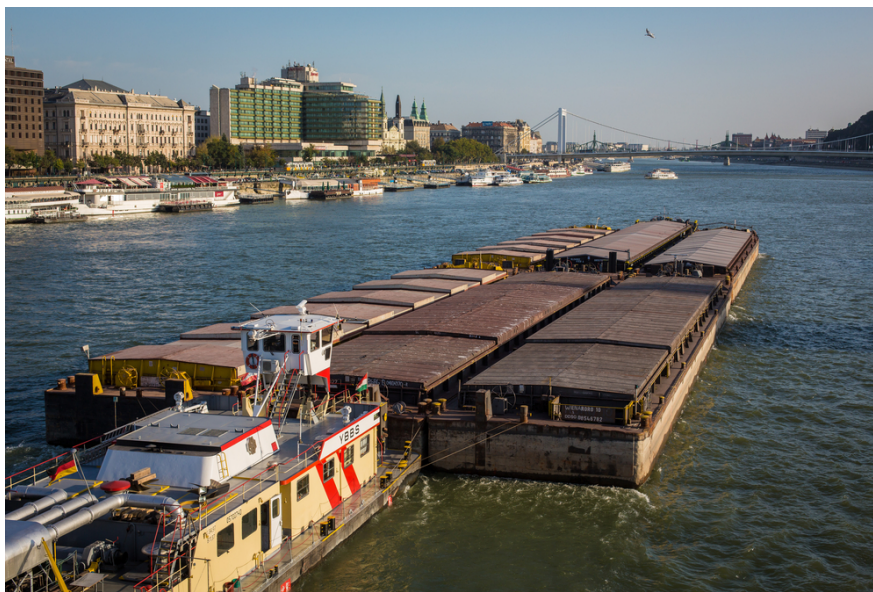


Hungary: an optimistic PMI picture

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

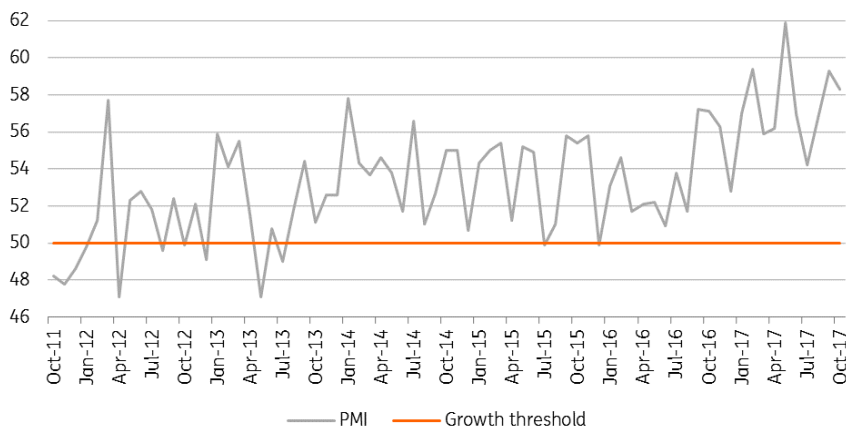
Consensus (57.5) / Previously (59.3)

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](#)

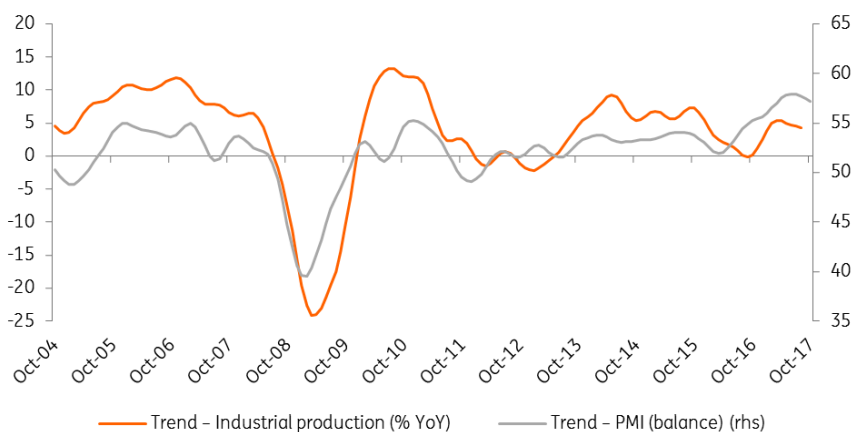
Hungarian manufacturing PMI remains elevated



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.

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