

## Hungary: Disturbance in industrial production

A significant slowdown in Hungarian industry performance shows nothing should be taken for granted



# 4.1%

## Industrial production (YoY)

Consensus (4.3%) / Previous (6.7%)

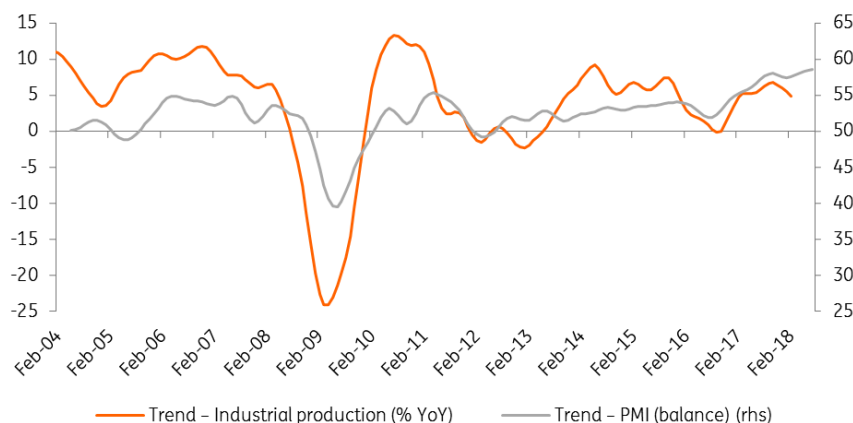
Worse than expected

Industrial production came in at 4.1% YoY, a continuation of a decelerating trend started in early 2017. Firstly, it shows that industry has its own ups and downs, especially in the wake of the strong January reading. On the other hand, industry posted a historically high MoM increase in Feb-17, so the high base has a lot to do with the recent downturn. Amidst higher volatility, industrial production increased by 5.4% YoY in the first two months of 2018, slightly better than in the previous year.

As the HCSO's [Statistics Office] press release hasn't shared any detailed data, we could only guess

what the main drivers behind the slowdown are. As we pointed out, base effect may have an important role in this, especially in manufacture of coke and refined petroleum products and in the manufacture of machinery and equipment. We see an average performance in electronics and car manufacturing, which is unable to counterbalance the previous factors.

## Industrial production decouples from PMI trend - a glitch or a new trend?



Source: HCSO, ING

### The future looks rather bright

As new capacity slowly but surely starts producing, we expect an acceleration in the growth of industrial production. Latest business surveys – like PMI – are supporting our view.

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