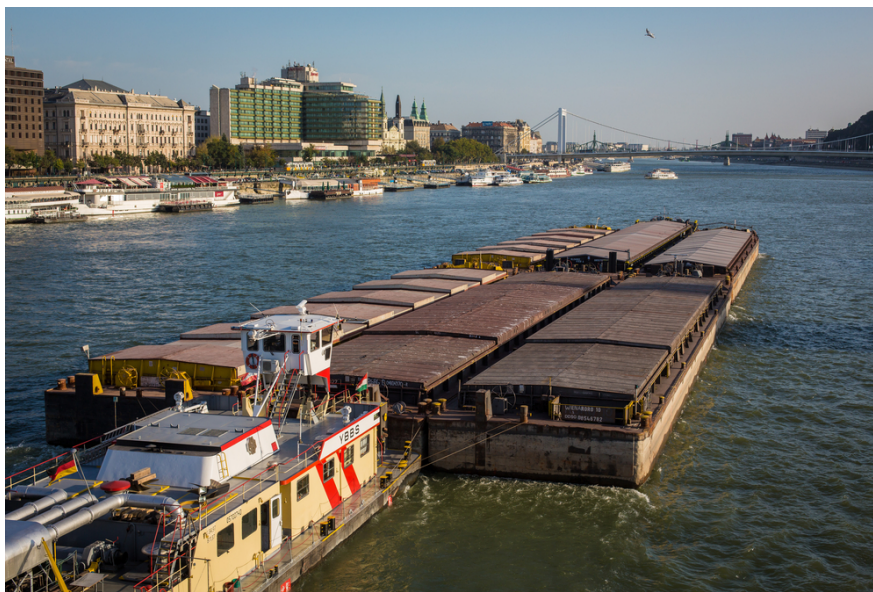


Hungary: Industrial production picks up

We expected Hungarian industrial production to pick up, showing a correction in August... but it has nothing to do with car manufacturing

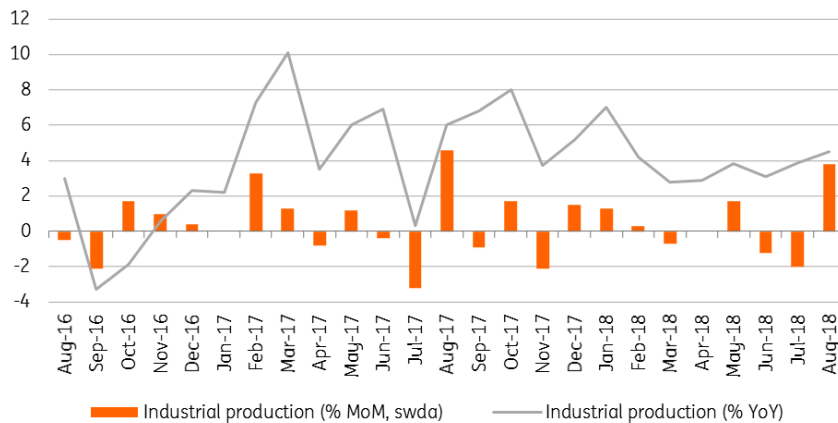


4.5% Industrial production (YoY)
Consensus (3.5%) / Previous (3.9%)

Better than expected

Hungarian industrial production – based on working-day adjusted data – grew by 4.5% YoY in August, roughly matching ING's expectations. After the favourable retail sector data, the economy posted another solid figure in the third quarter. Considering the 3.8% MoM growth, it has been the best in 2018, so far. However, the outstanding monthly performance could be mainly explained by seasonal effects.

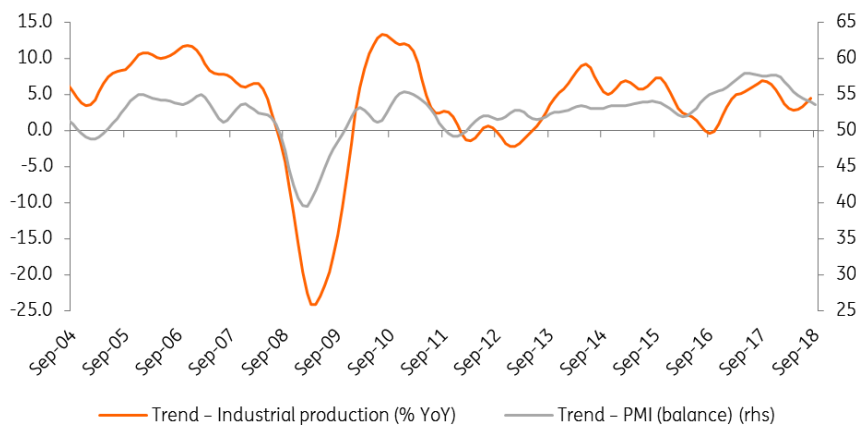
Hungarian industrial production (%)



Source: HCSO

Looking at the details, the structure of expansion has hardly changed. As the Statistical Office highlighted in its comment, the electronics industry posted robust growth, while the food industry was also a solid contributor. On the other hand, the car industry (which has the highest weight within industrial production) pulled back the whole sector with its decreasing output. A possible explanation could be the reduced production due to the VW Group's missing type approvals. It also seems that the production of Audi's electronic motors, which has just begun, could not counterweigh the moderation in other areas.

Trends of manufacturing PMI and industrial production



Source: Bloomberg, ING

Looking at the challenges that lie ahead for car manufacturing, combined with the decrease in the manufacturing PMI, all suggest a rather cloudy outlook as far as the near future of the industry is concerned. When it comes to 2018 as a whole, industry needs to regain its strength in the remainder of the year to have a fair shot of reaching our forecast of 4% average 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>.