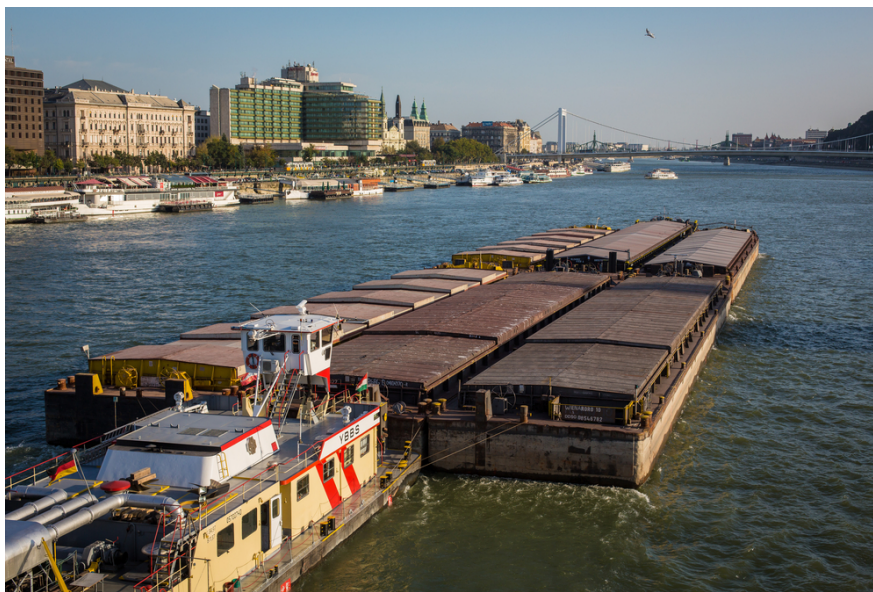


## Hungary: Industrial production picks up

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

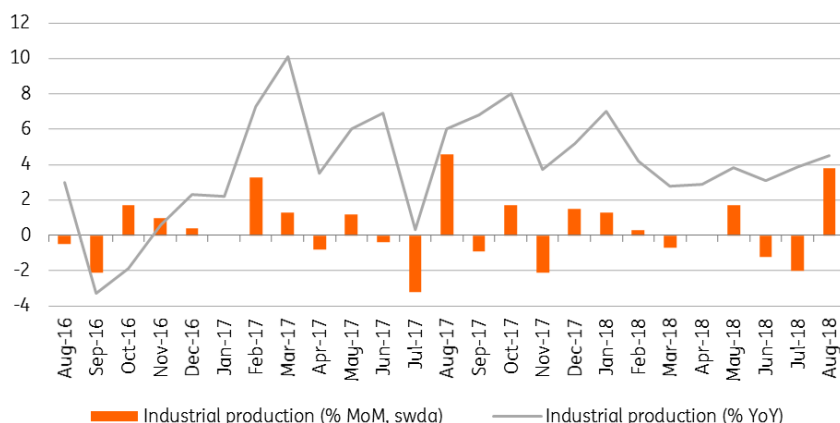


**4.5%** Industrial production (YoY)  
Consensus (3.5%) / Previous (3.9%)

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.

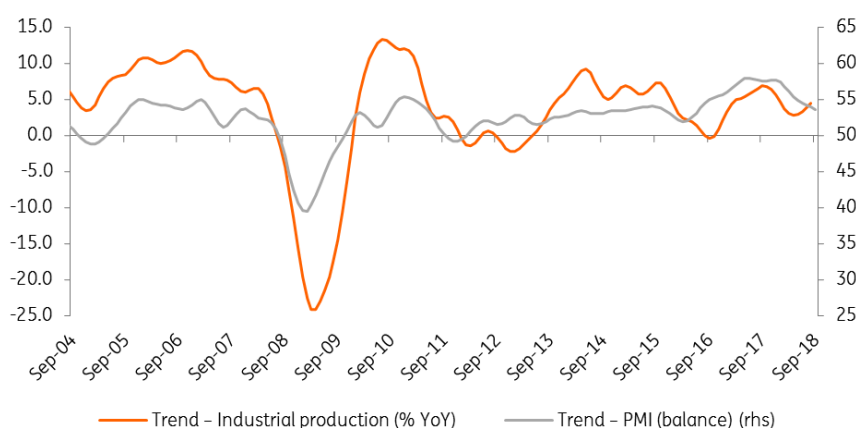
## Hungarian industrial production (%)



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.

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