

Hungary: Industrial rollercoaster continues

Another month, another surprise for industry. But this time it's disappointing, as the low number of working days, combined with summer shutdowns, caused a monthly drop in production



Workers on an assembly line at an Audi factory in Hungary

2.7%

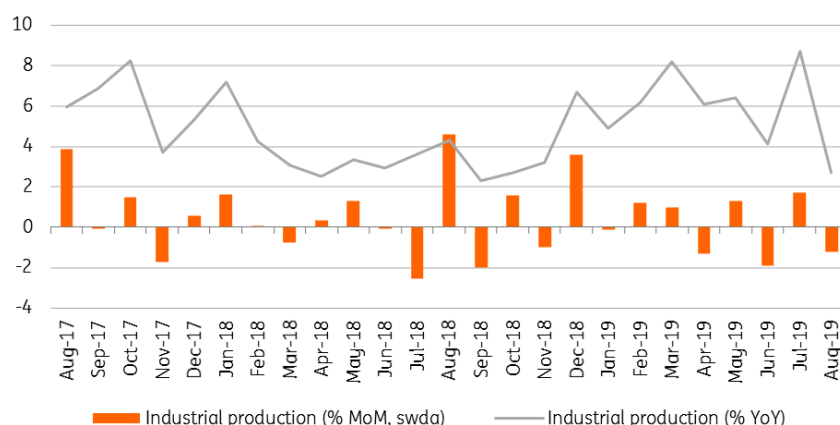
Industrial production (YoY, wda)

Consensus 4.9% / Previous 8.7%

Worse than expected

Hungarian industry is really into this rollercoaster thing, with monthly performance flipping between growth and contraction. In August, industrial production dropped by 1.2% on a monthly basis, according to the seasonal and calendar adjusted data released by the Statistical Office. It's hardly surprising then that year-on-year growth decelerated to 2.7%, posting the worst performance since autumn 2018.

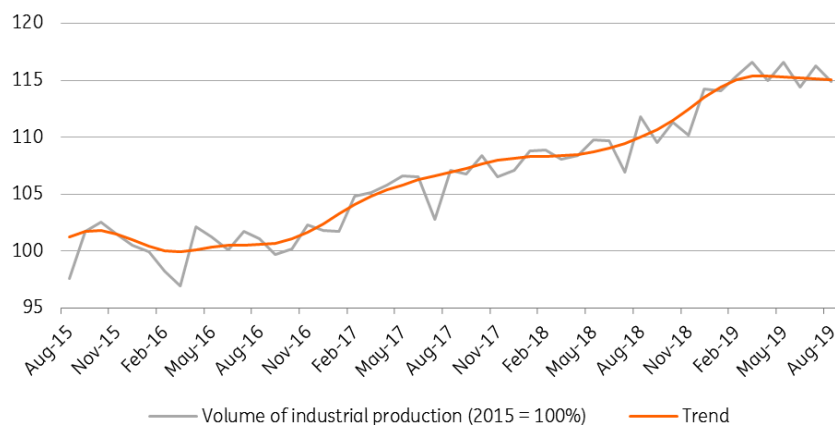
Performance of Hungarian industry



Source: HCSO

The disappointing performance doesn't necessarily reflect underlying weakness. The number of working days was unusually low (only 20), providing a good opportunity to schedule the summer shutdowns for this month, especially in the automotive industry. If we really want to understand the underlying story, we need to check the level of total production. This suggests that performance has peaked, though it is not in freefall.

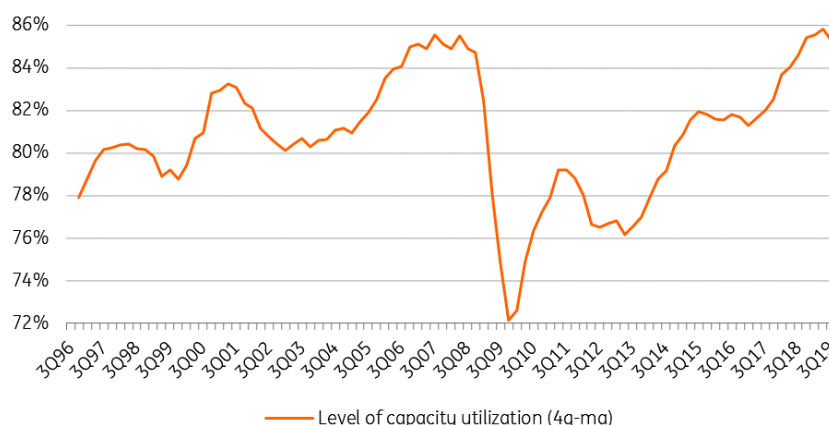
Volume index of industrial production (2015 = 100%)



Source: HCSO, ING

The main business confidence indicators, including the manufacturing PMI, are all pointing towards a slowdown. Capacity utilisation seems to have peaked in 2Q19, so this also suggests a mild deceleration in industrial activity. We see the rollercoaster ride continuing in the remainder of the year with an overall good outcome by year-end: our call is for 5% YoY growth in industry in 2019 as a whole, one of the strongest among all EU member states.

Level of capacity utilisation



Source: Eurostat, ING

Author

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

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