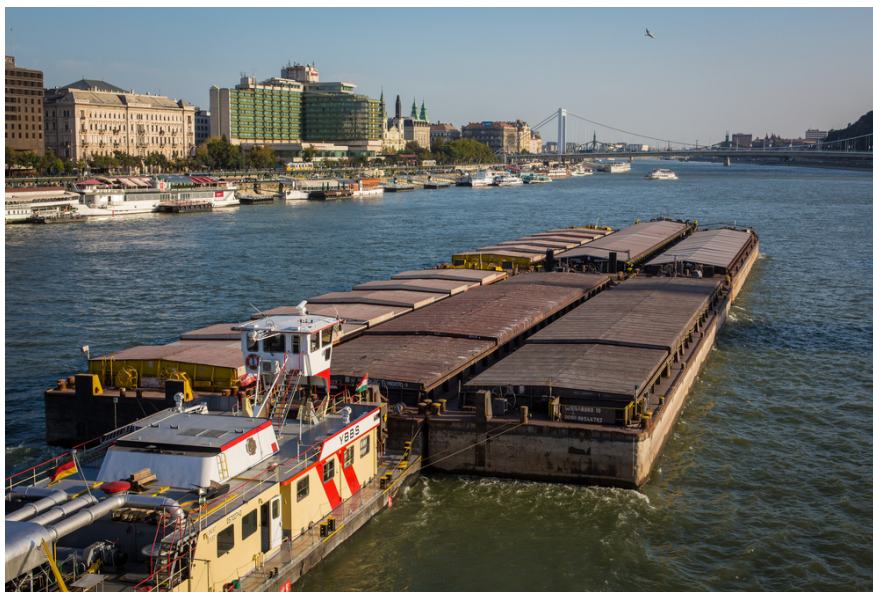


Hungary: Industry awakens from summer lull

Strong industrial production helps case for acceleration of 3Q17 GDP growth



Industrial production surprised on the upside after a rather disappointing June and July. It seems the summer has ended a bit earlier than usual in 2017. The YoY index showed a 6.8% increase (consensus: 2.9% YoY), while production volume soared in MoM terms too, posting a 5.5% swda growth rate.

The monthly performance has been one of the best in the past 10 years.

The HCSO hasn't shared any details on the data. However, statistician Ildiko Miko confirmed in a commentary, that the automotive industry picked up significantly, boosting the supplier sectors too. Moreover, the electronic industry also shifted into a higher gear. However, it doesn't provide any answers on the unusual volatility in the summer months. According to our view, the usual summer holiday and shutdown period has shifted from August to July and since this is a relatively

new phenomenon, statistical adjustments have not yet been able to cope with this change.

We believe that capacity constraints, which could be the strongest barrier to growth for industry, are still there, but as business confidence and PMI suggests, production is expected to increase in the remainder of the year. The recent data from the German industry are also good signs and indicate that the Hungarian industry could reach a 6% YoY increase on average in 2017.

As regards the overall economic activity, after the strong August figures both in the retail sector and industry, our call of an accelerating GDP growth in 3Q17 doesn't seem to be in danger.

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