

Hungary: Industry is on the rise

After a strong January, Hungarian industry pushed for more, posting an even stronger figure in February. This is a much needed improvement for several important reasons



Workers on an assembly line at an Audi factory in Hungary

5.9%

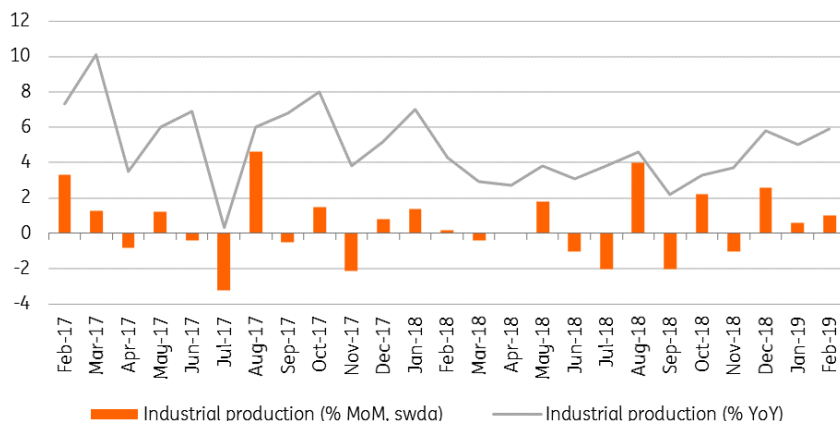
Hungary Industrial production (YoY, seasonally adjusted)

Consensus (5.1%) / Previous (5.0%)

Better than expected

A strong January and an even better February mark the first two months of Hungarian industry in 2019. After a down year in 2018, industry is back on track with an accelerating trend in production growth. An Audi strike here, German weakness there, the manufacturing is resilient, posting a 5.9% YoY growth based on seasonally adjusted data. This has been the strongest performance for 12 months.

Performance of Hungarian industry

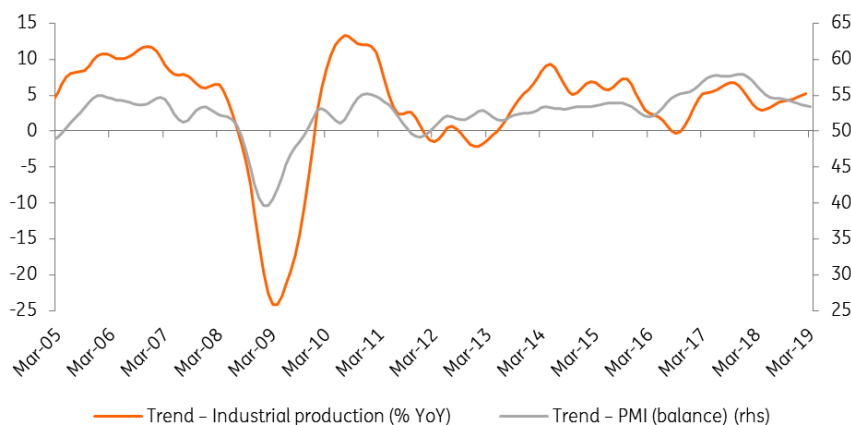


Source: HCSO

So what's happening? The Statistical Office has not yet revealed any details, but in its short commentary it highlighted that the most important (so the heavy-weight) manufacturing sectors are on fire. Both the car manufacturing and electronics industry posted figures showing significant acceleration in production. Meanwhile, the majority of the mid- and light-weight industries maintained their strong performance. Hopefully it can translate into better export activity too, which is much needed if Hungary wants to see an improvement in its current account balance which deteriorated quickly in 2018.

We really don't want to ruin the party, as the accelerating trend might continue, but the dark clouds are still present. As long as the ink has not dried on the trade agreement between the US and China, we can't take the leaders' optimistic messages on face value. We need more proof that the rebound in German industry is a real deal. Moreover, the manufacturing PMI figure has just headed south and there is now a decoupling between the trend of PMI and industrial production. Anyhow, the strong performance in the first two months could be a good sign, so we see Hungarian industry growing by 5% YoY on average in 2019; call it a tamed optimism.

Manufacturing PMI and industrial production trends



Source: Bloomberg, ING

When it comes to the big picture, the strong January-February in both the industry and retail sectors suggests Hungary will entertain a high GDP growth figure yet again in 1Q19. We see GDP growth at 4.6% YoY with risks skewed on the upside.

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