Car manufacturing helps Hungary’s industry to bounce back

Following the June summer holidays, Hungary's industrial sector returned to work in July with a performance not seen since early 2017

Source: Shutterstock

8.7%

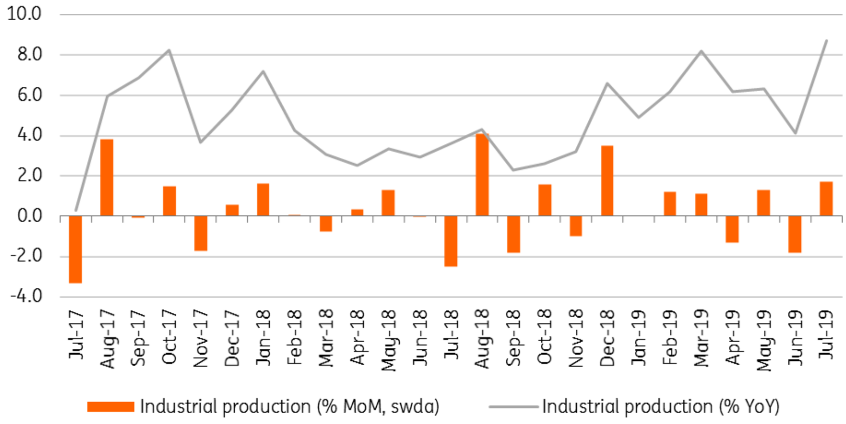
Better than expected

Industrial production (YoY, working day adjusted)

Consensus 5.9% / Previous 4.1%

Hungary and Germany are no longer walking hand in hand. After disappointing German industrial production data, Hungarian industry flexed its muscles posting a 1.7% calendar and seasonally adjusted monthly increase. This equated to 8.7% annual growth in volume of production - a rate not seen since early 2017. According to preliminary data, the surprisingly strong industrial performance is due to car manufacturing, while other important sectors saw below-average growth rates.

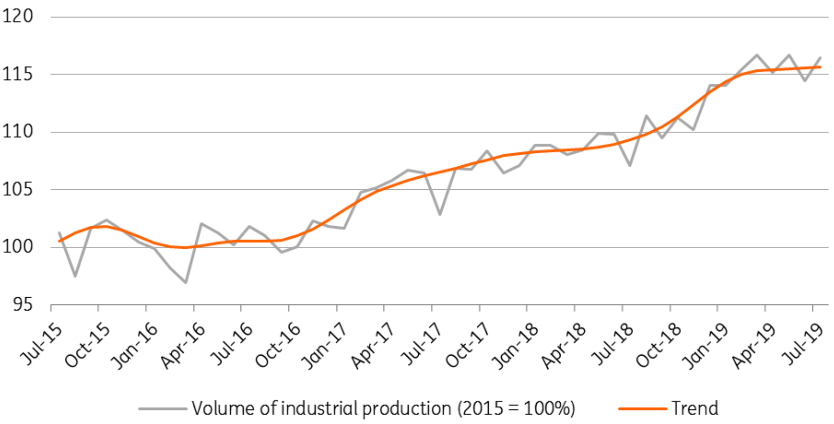
Performance of Hungarian industry



Source: HCSO

To put today's data into context, the recent jump is just a continuation of the roller coaster that started in March. Poor performance followed by good performance, so although volatility is high, the level of industrial production seems to have plateaued over the past six months.

Volume index of industrial production



Source: HCSO, ING

We forecast some mild improvement in the trend for the remainder of the year because the stock of orders was still roughly 3% higher in 1H19 than a year ago.

In addition, the PMI figures and business confidence indicators have remained in expansion territory, despite a continued decrease towards breakeven point. Against this backdrop, we expect industrial production to increase by 5-6% for the remainder of the year but to worsen in 2020 as global woes will surely kick in.

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