

Hungary: Industry performs well

Industry caused a positive surprise yet again. This, combined with the strong 3Q GDP and recent retail sector readings, paints a positive picture.



7.6%

Industrial production (YoY)

Consensus: 6.7% / Previous: 8.1%

Better than expected

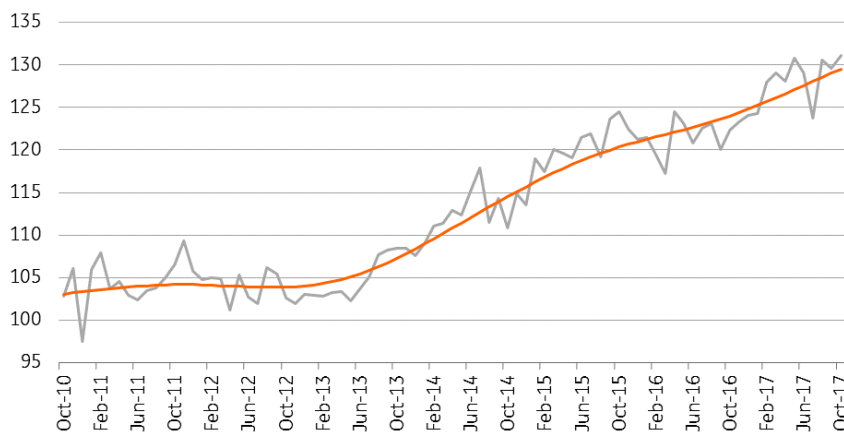
Industrial production surprised again on the upside, posting a 7.6% year-on-year growth in October, the second best performance in 2017 so far. This is the second reading after yesterday's retail sector data, showing encouraging signs of further strengthening in economic activity in 4Q17.

The HCSO hasn't shared any details on the data and without any commentary we can only guess at the main drivers behind the growth. Based on the data in previous months, we surmise that the growth was rather widespread and not just driven by the automotive industry. However, such a strong performance is more-or-less impossible without at least an average to good growth in the

car industry. On the other hand, we see electronics, food and chemicals contributing significantly to production growth in October.

Industrial output heading upwards

(2010=100%, swda)



Source: HCSO, ING

When it comes to the overall economic activity, the picture is rosy.

As regards the short-term outlook, we see further strengthening of industrial production - based on the latest soft indicators such as Hungarian and German PMI data or the confidence indicators in the sector. Moreover, the stock of orders is higher compared to the same period of last year, adding to the story of further good performance. Hungarian industrial output could reach a 6% YoY increase on average in 2017. However, the main question remains the labour shortage and its possible negative effect on capacity utilisation going into 2018.

Both industry and the retail sector posted strong growth in October and the recent 0.3ppt upward revision in 3Q17 GDP growth also shows positive underlying momentum. Against this backdrop, we see further strengthening of economic activity in 4Q17.

Author

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information

purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.