

## Hungary: Industry posts worst data sequence since 2017

Industrial production has dropped for two months in a row but we see this as a temporary hiccup mainly due to the volatility in car manufacturing



Workers on an assembly line at an Audi factory in Hungary

# 5.7%

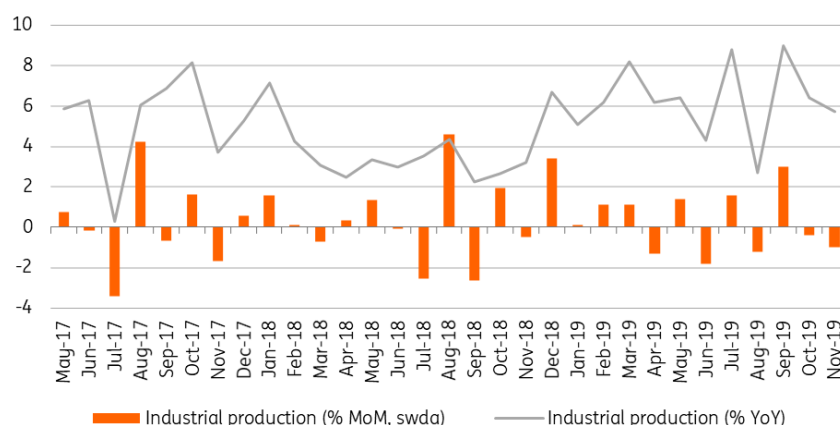
Industrial production (YoY, wda)

Consensus 7.8% / Previous 6.4%

Worse than expected

Hungarian industrial production broke its bad month-good month pattern and disappointed in the process. After a 0.4% month-on-month drop in October, the volume of industrial production fell again, this time by 1% on a monthly basis. The last time industry posted two consecutive monthly declines in production was in mid-2017. However, the 5.7% year-on-year performance is still close to the 6% year-to-date average, so it is far from a catastrophe. On the other hand, the significant slowdown in industry witnessed in the past three months raises questions about whether this is a new trend or not.

## Performance of Hungarian industry



Source: HCSO

According to the commentary released by the Statistical Office, car manufacturing slowed significantly, but other areas posted a good performance. The food industry recorded an above average rate while the electronics sector was also able to speed up production. Considering that manufacturers are still carrying out capacity enhancement measures and productivity improvements, FDI inflow is exceptionally high and the PMI reading is improving, we'd say this downward trend is just a temporary hiccup. But downside risks have clearly been mounting as the German industrial outlook is worsening (or at least not improving), while the stock of orders for Hungarian manufacturers is sinking and the business confidence indicator has dipped again.

Despite the gathering clouds and the mixed forward-looking indicators, we expect industry to continue to cope well with adversity in the short-term. However, after this data there is no doubt we will see a lower contribution to GDP growth in the fourth quarter of 2019, causing most of the expected slowdown. In 2020, industrial growth should slow from 6% to 4% on average, in our view, putting pressure on economic activity, which is still expected to remain close to but below 4%.

### Author

**Peter Virovacz**

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto: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](http://www.ing.com).