

Snap | 8 April 2021

HUNGARY

Hungary: Industry rebounds as supply chain issues fade

Supply chain issues in car manufacturing is still a thing but at least producers were able to ramp up capacity utilisation in February. This translated into a significant rebound in production



A worker at an Audi factory in Győr, Hungary

3.9%

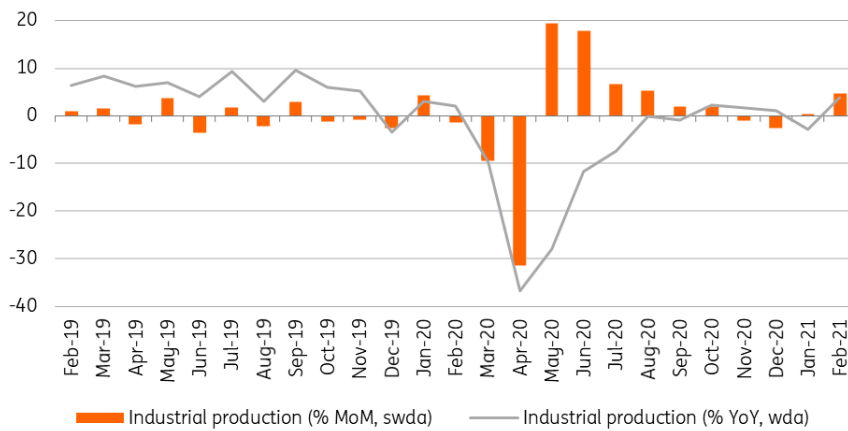
Industrial production, YoY

ING forecast 0.7% / Previous -2.8% (Working Day Adjusted)

Better than expected

Car manufacturing faced tough supply-side constraints in January as there was a shortage in semiconductors and chips. It translated into shutdowns and a reduction in shifts. The problem hasn't been fully resolved yet, but car producers were able to restart their operations, which translated into a significant month-on-month jump in output. Industrial production increased by 4.8% MoM in February 2021, outperforming all expectations. With that rebound, industry's output was up by 1.9% YoY and adjusting for working days, it is even better at 3.9% YoY.

Performance of Hungarian industry

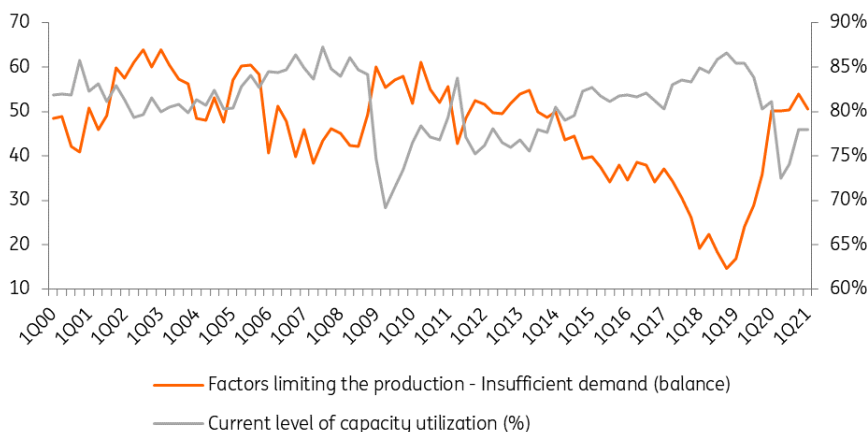


Source: HCSO, ING

So, this looks pretty good but it doesn't mean that Hungarian industry is out of the woods. As usual, the recent data release from the Statistical Office doesn't contain any detailed figures, just highlighting that almost all of the subsectors performed well.

As for car manufacturing, the statement points out that it is still showing a drop on a yearly basis. This means that car producers couldn't fully work out the supply side related disadvantages just in one month. This is also reflected in the current level of capacity utilisation, which remained flat in 1Q21 compared to the last quarter. This probably contains a significant drop in January and a rebound in February-March.

Capacity utilisation and factors limiting the production

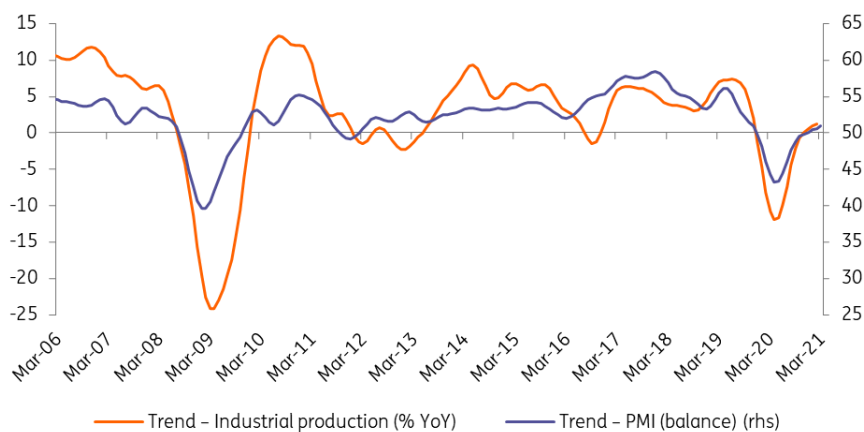


Source: Eurostat, ING

Looking forward, March probably was challenging for the manufacturers. Besides the still present supply-side issues, the Ever Given fiasco in the Suez Canal might also impact local

parts of the global supply chains. On top of all that, the full lockdown from March due to the third wave of Covid-19 could cause labour issues as schools and kindergartens are closed (and won't open until mid-April at the earliest). The second quarter is expected to bring a huge jump because of base effects and the PMI trend is also pointing north, suggesting further improvements in production.

Manufacturing PMI and industrial production trends



Source: HALPMI, HCSO, ING

During the first two months of 2021, industrial production dropped by 2.3% YoY and March is expected to be rather weak, we can easily see industry being a drag on growth during the first quarter or be neutral at best. This means we are facing a shrinking GDP figure again on a quarterly basis in the first quarter of this year. Afterwards, we see industry being one of the main force behind the rebound in GDP.

Author

Peter Virovacz

Chief 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.

THINK economic and financial analysis

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.