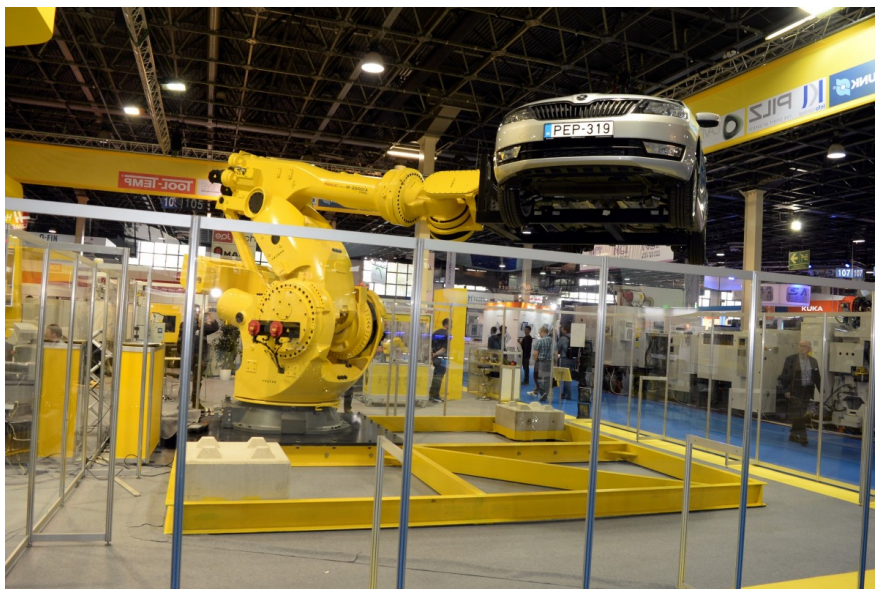


## Hungary: Industry rebounds, but not convincingly

After three months of shrinking, Hungary's industrial output rose again on a monthly basis, and it's good. However, we are not convinced that this upswing can be maintained



An industrial robot machine in action at an exhibition in Hungary

# 2.7%

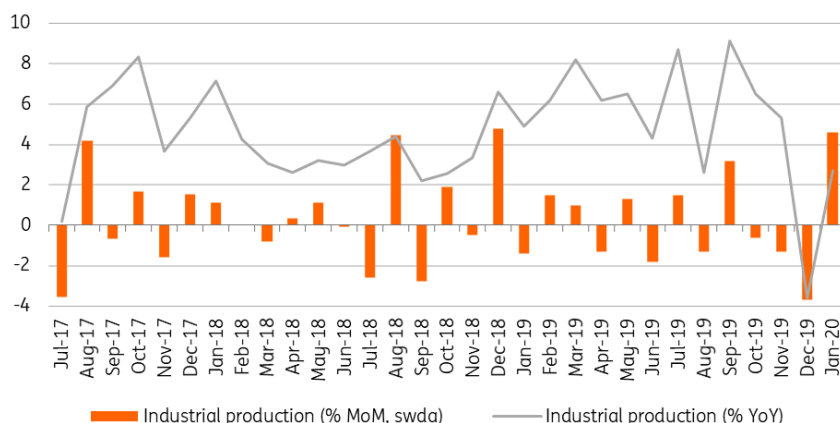
## Industrial production (YoY)

Consensus -0.9% / Previous -3.6%

Better than expected

Hungary's industry started 2020 with a positive surprise and it was very much needed after three months of bad performance. On a monthly basis, output rose by 4.6% ending a downward spiral. On the other hand, the 2.7% YoY reading is still one of the weakest in the past two to three years.

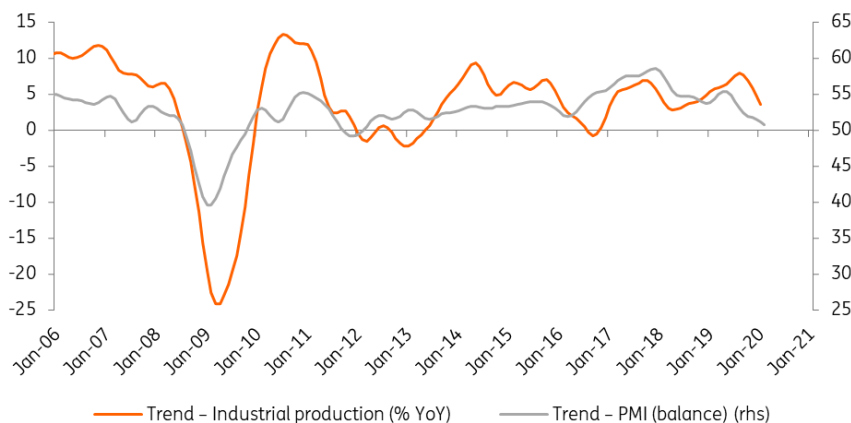
## Performance of Hungarian industry



Source: HCSO

An increase in January car manufacturing was a key driver, according to the Hungarian Central Statistical Office. But that's hardly much of a surprise after the usual year-end shutdowns. Other important sectors also had a strong month, with notable growth in the electronics and food industries. So, it seems that the rebound was widespread, but we expect the detailed data to show significant weakness in sectors such as metals and machinery which could be affected by the first wave of the coronavirus in China disrupting supply chains.

## Manufacturing PMI and industrial production trends



Source: Bloomberg, ING

We are not overly optimistic when it comes to February. Covid-19 has reached Europe disrupting more industrial supply chains. Soft indicators such as the PMI reading show that industry is on the verge of stagnation and the trend is clearly pointing downwards. Against this backdrop, we expect industry to show weakness in the coming months. However, as consumption is expected to hold on well, we see a negligible chance for the GDP to drop on a quarterly basis in 1Q20. However a marked slowdown could be the reality.

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