

Hungary: Industry's recovery continues

Despite the regular summer shutdowns, industry was able to maintain a strong pace of recovery. However, the second wave of Covid dampens the outlook



Workers on an assembly line at an Audi factory in Hungary

-0.2%

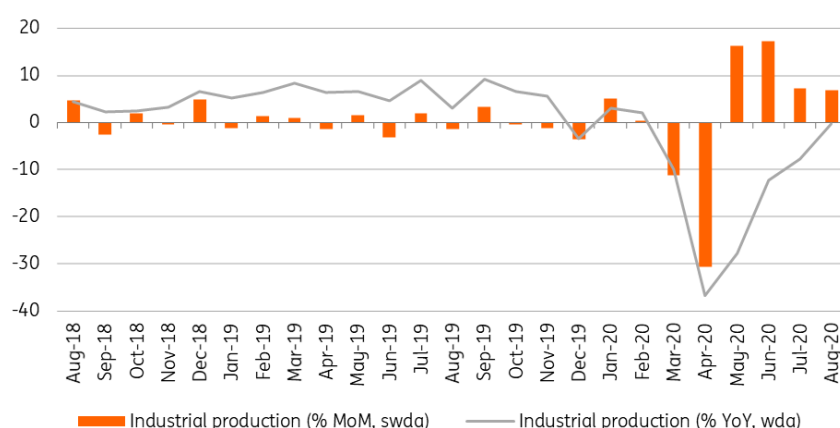
Industrial production (YoY, wda)

Consensus -3.1% / Previous -7.7%

Higher than expected

After the double-digit month-on-month growth rates seen in May and June (16.2% and 17.2%, respectively), industrial production moved down a gear in the past couple of months, rising by 7.3% and 6.8% MoM in July and August, respectively. But given the usual summer shutdowns, this is still a strong pace of recovery. With that performance, the level of industrial production is only down by 0.2% YoY (working-day adjusted) in August 2020. This means a 56% volume increase compared to the nadir of the crisis.

Performance of Hungarian industry

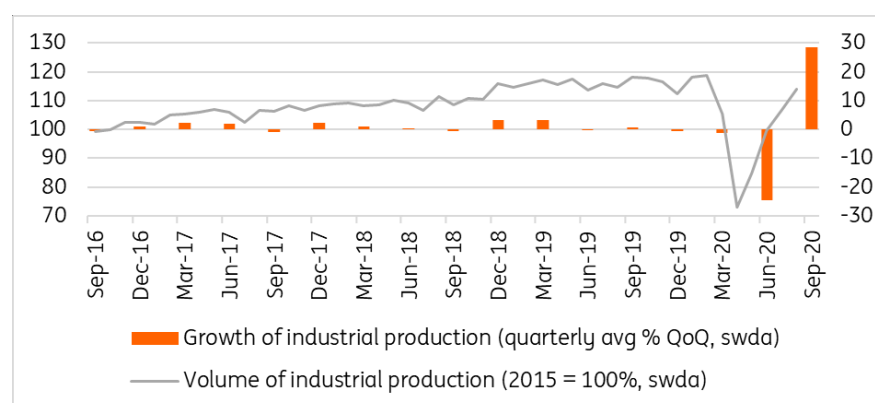


Source: HCSO, ING

The surprisingly strong industrial performance was driven by the main subsectors. According to the Statistical Office, the volume of production increased in car manufacturing, as well as in electronics and the food industry. In other subsectors, output levels were still down on a yearly basis.

Looking forward, the surprisingly strong summer provides a silver lining on several fronts. After yesterday's disappointing retail sales performance, industry might be able to push the economy to a double-digit quarter-on-quarter recovery. With such a strong performance, there is a real possibility, that industrial production will reach last year's production level by the autumn. Moreover, the latest developments in the order book level are also encouraging (+0.8% YoY by the end of July).

Industrial output volume and quarterly performance

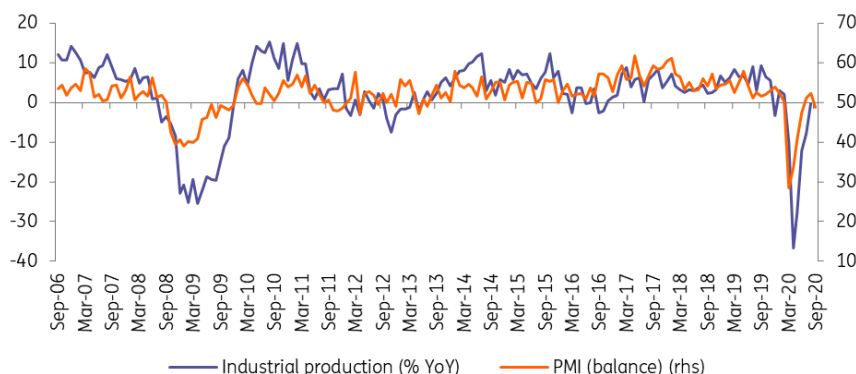


Source: HCSO, ING

The third quarter data contains only the July-August period.

However, despite all these positives, there are some clouds above. With the second wave of Covid hitting the economy, the latest manufacturing PMI surprised on the downside, dropping below 50 again. The business confidence index has remained flat at -15 for three months in a row. If Covid doesn't affect global supply chains again, then this is nothing more just a fading impact on

confidence, but with the number of cases and number of hotspots increasing locally, there is a real threat that the recovery will be derailed in the near future.



Source: HALPIM, HCSO, ING

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