

Hungary: Industry slips on Easter effect

After four months of buoyant growth, industrial production shrank on a monthly basis. But don't worry, it's just seasonal



Workers on an assembly line at an Audi factory in Hungary

6%

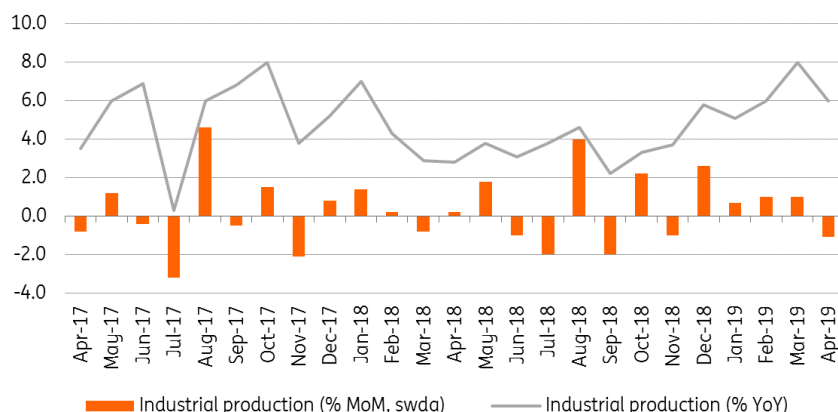
Industrial production (YoY, calendar adjusted)

Consensus (8.4%) / Previous (8.0%)

Lower than expected

The April industrial output data fell 1.1% month-on-month on a calendar adjusted basis. However, on an annual basis and adjusted for working days, growth of 6% is still really strong, and well above last year's average. Also, when we take into account the fact that the data beat expectations in March, it seems this is not a big problem after all. In our view, the volatility in March and April was mostly caused by the Easter effect so the drop doesn't imply a loss of momentum and we expect the strong growth seen in the first quarter to continue.

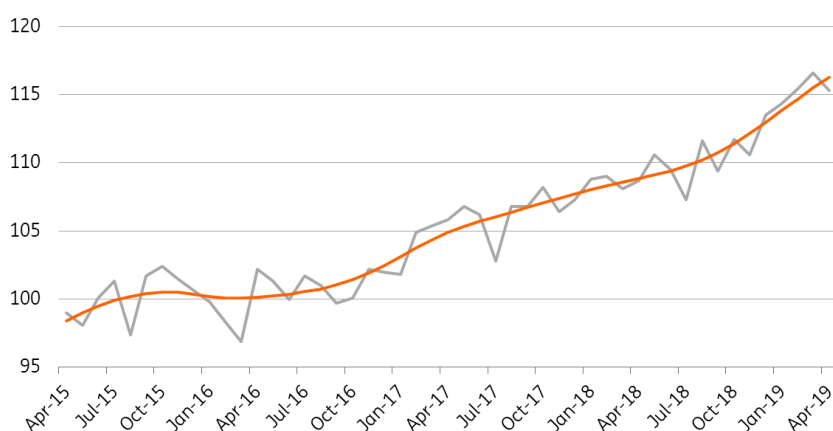
Performance of Hungarian industry



Source: HCSO

The weaker-than-expected performance in April came mainly from the subsectors that are most heavily weighted in the data. The car industry decelerated and production in electronics actually declined. These areas are particularly affected by the number of working days so the Easter effect had a strong impact and the May measure should be much better.

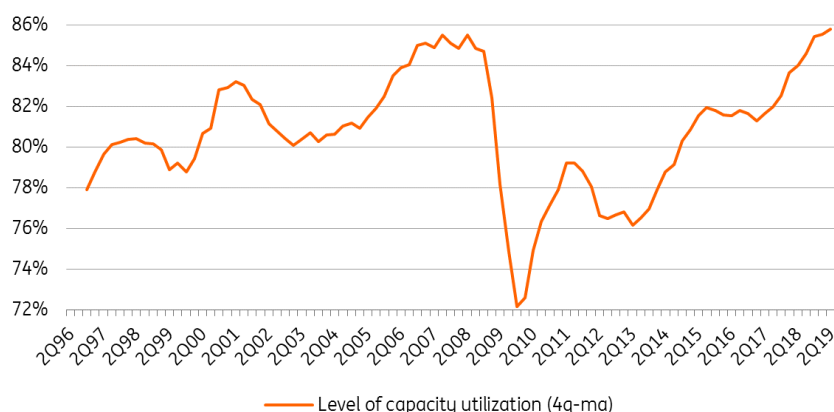
Volume index of industrial production (2015 = 100%)



Source: HCSO, ING

All things considered, we think the 6% YoY growth pace is more than sustainable throughout the year. The record-high level of capacity utilisation also bodes well for industry looking forward. However, negative risks affecting overall demand for industrial products could remain significant. The escalating trade war and the slowdown in the eurozone pose a constant threat for the performance of industry and the economy overall. In terms of the big picture, the strong figures from industry suggest decent GDP growth in 2Q19.

Level of capacity utilisation



Source: Eurostat, ING

Author

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

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