

## Hungary: Industry soars on car making

Industry returned from its summer break to put in the best performance since 2015. Car, car parts and electronic appliance producers are supporting the sector



Workers on an assembly line at an Audi factory in Hungary

# 9%

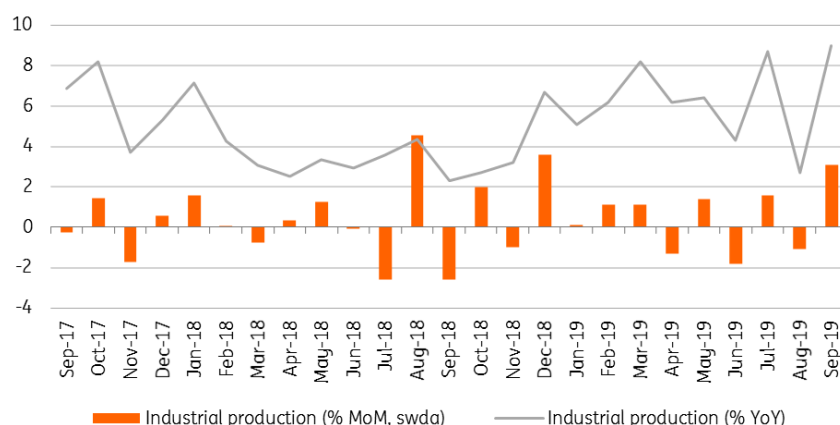
## Industrial production (YoY wda)

Consensus 5.4% / Previous 2.7%

Better than expected

The rollercoaster continues in industry and even adrenaline junkies must be finding it hard to ride this one out. After last month's huge drop, the sector not only rebounded, but posted a 3.1% month-on-month (seasonally adjusted) increase, translating into a 9% year-on-year (working-day adjusted) rise in the volume of production. This is the best performance since late 2015, defying suggestions that Hungary could fall off a cliff because of the eurozone's industrial woes. Local industry is still well shielded.

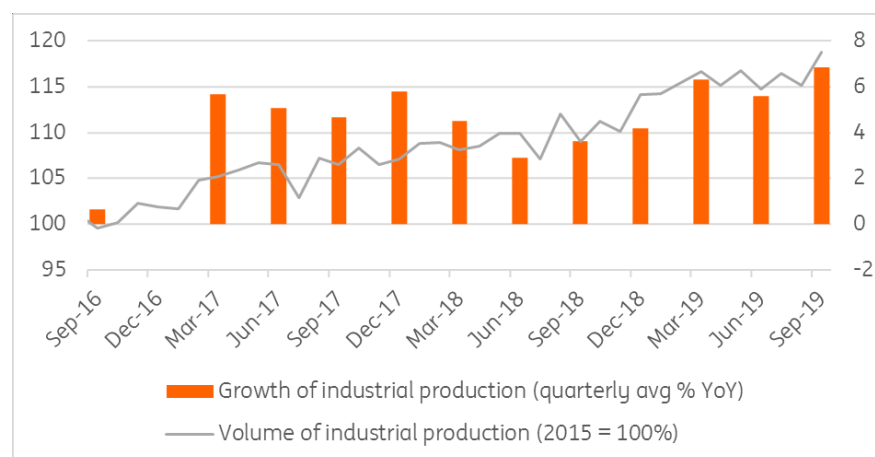
## Performance of Hungarian industry



Source: HCSO, ING

The upbeat performance was more than enough to move the level of production away from the plateau which we've previously seen as a ceiling for this year. It seems car makers were able to ramp up production after the summer shutdowns. According to commentary released by the Statistical Office, the "automotive segment picked up significantly", while the computer, electronics and optical equipment sector also rose more than average. These two sectors have the biggest weight in Hungary's industrial sector.

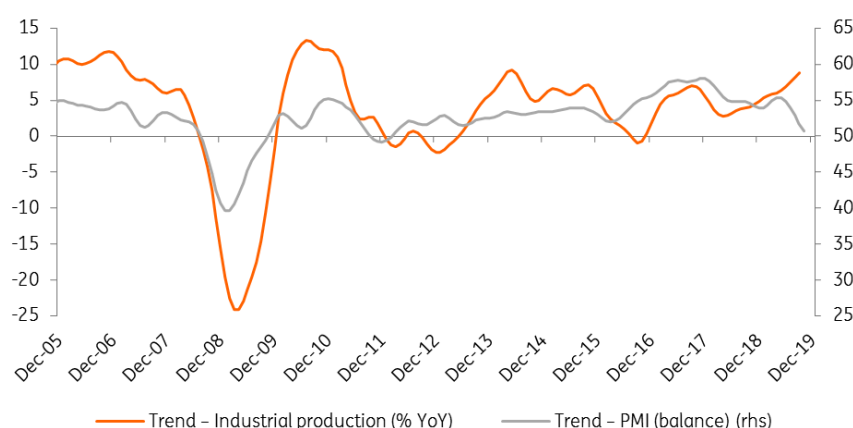
## Production level and quarterly performance of industry



Source: HCSO, ING

The 3Q performance of industry, combined with surprisingly strong growth in the retail sector, suggests that we'll see strong GDP data for this period. It would not be a shock to see growth of close to 5% year-on-year in 3Q19. However, the main question is whether this upward trend in industry will continue to support growth despite the downward trend in the PMI. We think the recent decoupling is temporary, as industrial production is now mainly driven by one sector (car manufacturing) where production is quite concentrated and supported by one-off factors.

## Manufacturing PMI and industrial production trends



Source: Bloomberg, ING

### Author

**Peter Virovacz**

Senior Economist, Hungary

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

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