

## Hungarian industry stumbles on supply-side issues

The extremely high year-on-year reading for Hungarian industrial production says more about the severity of last year's dip rather than the performance of the domestic industry now



# -3.2%

## Industrial production (MoM)

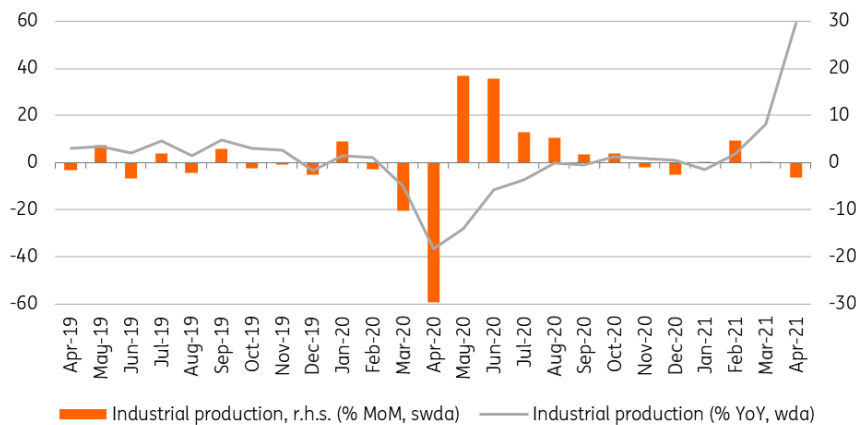
ING forecast 2.3% / Previous 0.1%

Worse than expected

April brought an extremely rare and high annual growth rate for the Hungarian industry.

The 58.8% year-on-year increase says much more about how significant the industrial production shutdown was during the peak of the pandemic last year than how strong the performance of domestic industry is now. This is especially true given the significant monthly decline in industrial output volume by 3.2%, which is a serious negative surprise, as there were widespread expectations of further growth from the industry in April.

## Performance of Hungarian industry



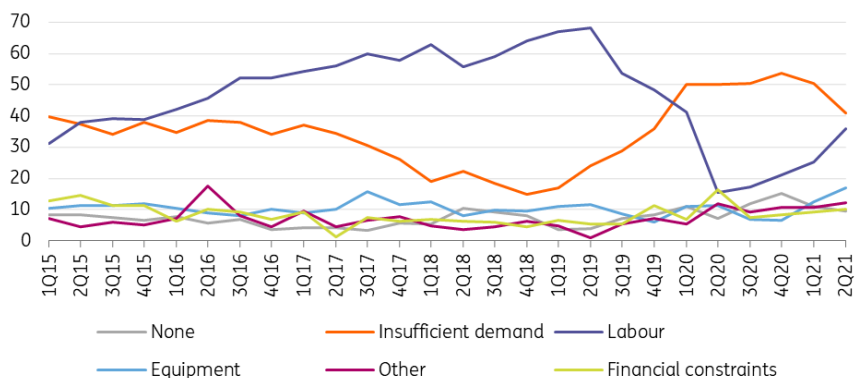
Source: HCSO, ING

It appears that the Ever Given accident in the Suez canal at the end of March intensified supply chains pressure which became apparent on the production lines only in April. The German industrial data published today also surprised negatively, so it seems that the weak domestic performance is driven by global processes, not by Hungarian specifics.

Based on the Eurostat survey related to factors limiting the production in industry, we can say that supply-side issues are gaining more ground.

Material and/or equipment shortages is now the third most important limiting factor from being the last one just two quarters ago. When it comes to supply-side issues, there is another glaring issue, which is labour shortage. Although, significantly less of an issue than the highs seen in 2019, but in the coming months, we expect it to become a primary cause for concern. In the meantime, with the global economy rebounding, demand related limitations are easing.

## Factors limiting the industrial production - Hungary

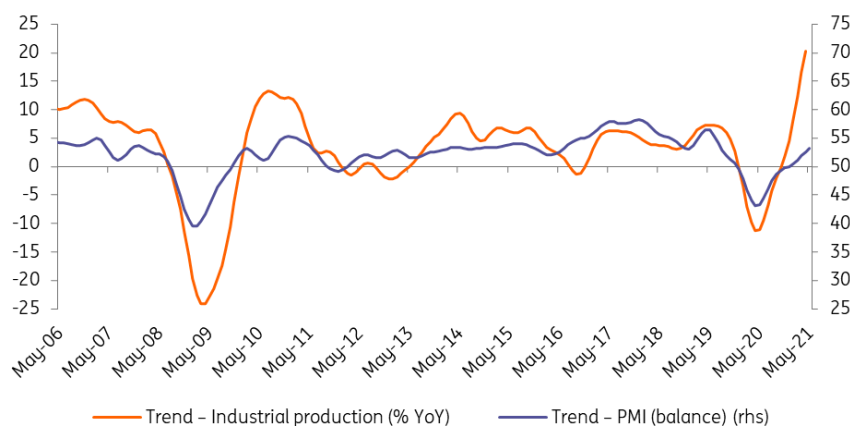


Source: Eurostat

Unfortunately, the Statistical Office didn't share too many details for April industrial production.

The press release highlights that almost all of the subsectors provided support to the extremely high year-on-year performance. However, it doesn't say anything about the drop in monthly performance and the driver of it. We suspect that such a downturn may be due primarily to the weakening of key sectors, automotive and electronics.

## Manufacturing PMI and industrial production trends



Source: HALPIM, HCSO, ING

Looking forward, these sectors will be affected by supply shortages, which makes the future highly unpredictable.

But based on the latest PMI figures, we can expect a sustained but moderate growth on a monthly basis, although high volatility is to be expected. Given, that industrial output was almost 14% higher in the first four months than a year earlier, we expect to see double-digit growth in the Hungarian industry for this year as a whole.

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