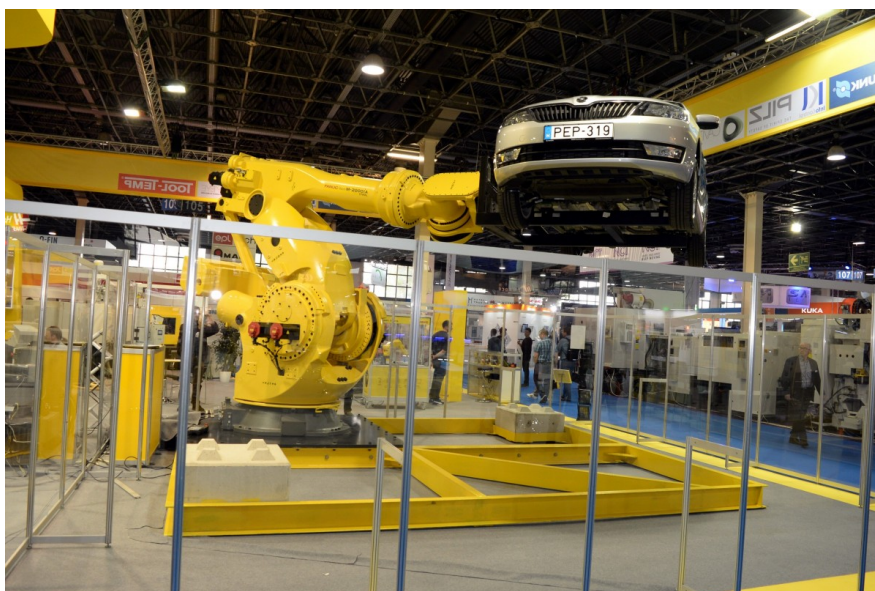


Hungary: Industry's output remains close to last year's level

Déjà vu. Like we saw in August, the retail sector let us down while industry surprised on the upside in September. The volume of output remains close to last year's level thanks mainly to car manufacturing and electronics



An industrial robot machine in action at an exhibition in Hungary

-1.0%

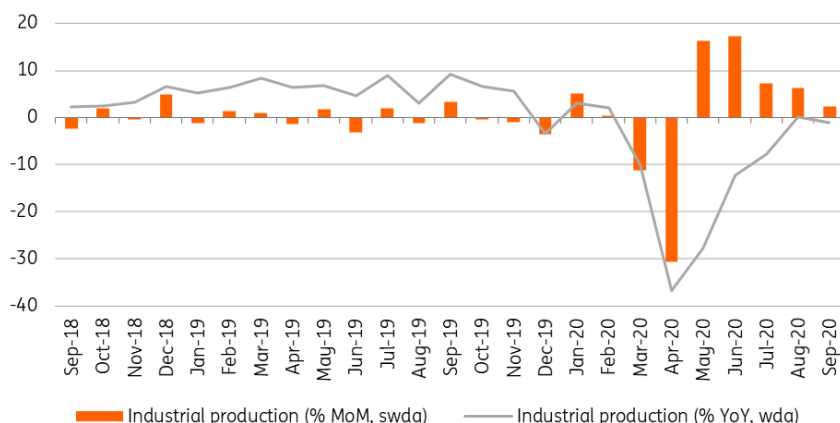
Industrial production (YoY, wda)

Consensus -3.2% / Previous -0.2%

Better than expected

Despite the global uncertainty, it seems that industry is in very good shape. Unlike the retail sector, industrial production has surprised on the upside for two months in a row. On a monthly basis, industrial production rose by 2.3%. With this performance, output volume based on calendar-adjusted data is only down by 1.0% year-on-year in September. This doesn't mean that we are out of the woods yet, but it offers a silver lining.

Performance of Hungarian industry

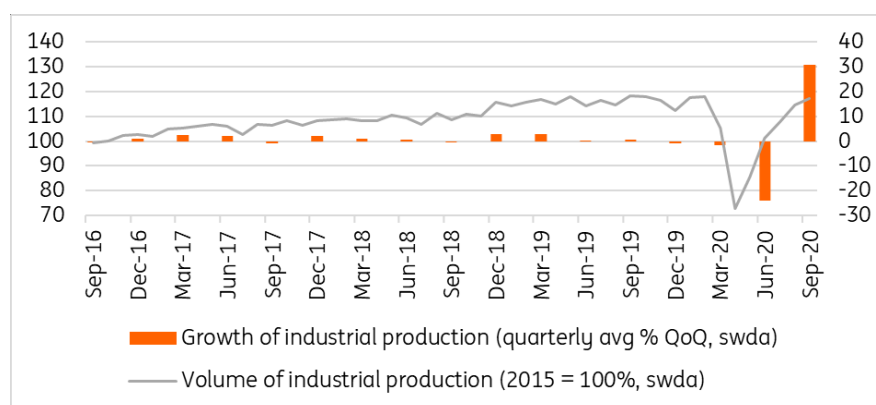


Source: HCSO, ING

The main sectors fared well, with car manufacturing, electronics and food industries - the three main sectors in Hungary - showing significant growth. But all the other subsectors posted a drop in production volume. In our view, if supply chain disruptions can be avoided in the most important sectors (mainly car and electronics), industry and thus export activity will be the main driver of growth. After depressing retail sales data, industry could become the economy's saviour, helping to avert a double dip in the fourth quarter, as in Germany.

The 31% quarter-on-quarter growth in industry in 3Q20 supports our call for a record high, double-digit QoQ GDP growth rate in the July-September period. Although this is just a mechanical rebound after the spring stoppage in industry resulted in an extremely low base.

Industrial output volume and quarterly performance



Source: HCSO, ING

Looking forward, there are some concerns. The latest order levels are encouraging so until the end of the year, industry will be fine, supporting the recovery. But with the second wave of Covid hitting the global economy, supply chain disruptions could become more frequent again, derailing the local recovery. On top of that, the second wave will impact external demand too, affecting industry in 2021. Long story short: the situation remains fragile.

Author

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.