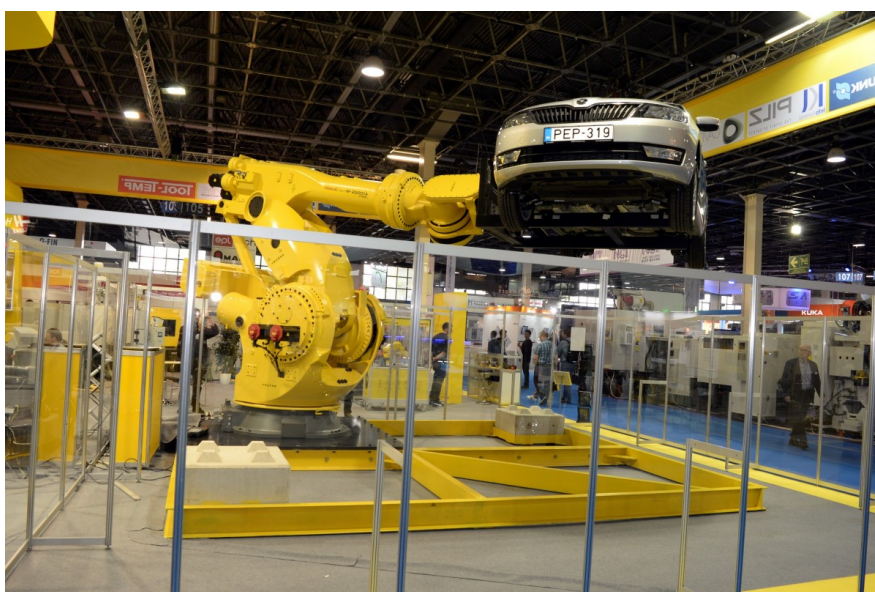


## Hungary: Industry's winning streak ends

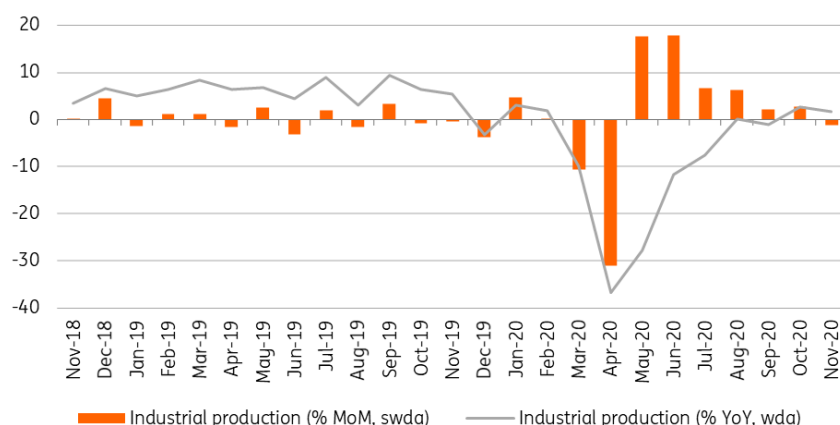
After six months of constant growth, industrial production dropped on a monthly basis in November. Despite the winter shutdowns, we still see industry remaining a positive contributor in the fourth quarter



An industrial robot machine in action at an exhibition in Hungary

Every winning streak comes to an end eventually. Just ask Tom Brady, who lost the Super Bowl after 18 games and 18 wins (including playoffs) in 2007. In Hungary, a very different game has been playing out, of course, but the result is similarly disappointing. After six months of continuous growth, industrial production shrank by 1.2% month-on-month (seasonally and working-day adjusted) in November. However, if we check the performance over a year, we don't see a big issue: the volume of production is up by 3.6% year-on-year, helped by the favourable calendar effect. In all, despite a weak month, industry still remains a bright spot in the Hungarian economy.

## Performance of Hungarian industry

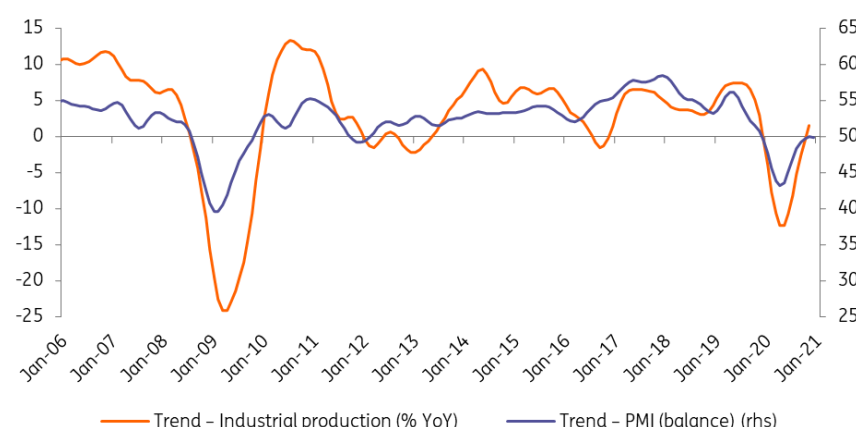


Source: HCSO, ING

Although the recent data release by the Statistical Office didn't contain any detailed figures, the press release highlighted that car manufacturing and electronics were able to grow, while the majority of other industries posted a drop in production volumes. This pattern has remained unchanged for the past four months. Against this backdrop, we expect the detailed data to show weakening growth in car and electronics manufacturing.

Last year, we had a similar pattern with production dropping in November and showing an even stronger reduction in December. It seems there is a new seasonality in the making. Based on this, the weaker performance in the 11th month of the year is not an earth-shattering surprise. On the other hand, the manufacturing PMI has remained in expansion territory for three months in a row. The apparent contradiction can be explained by the fact that big corporates have an outsized weighting in that index and the most important sectors are still showing growth.

## Manufacturing PMI and industrial production trends

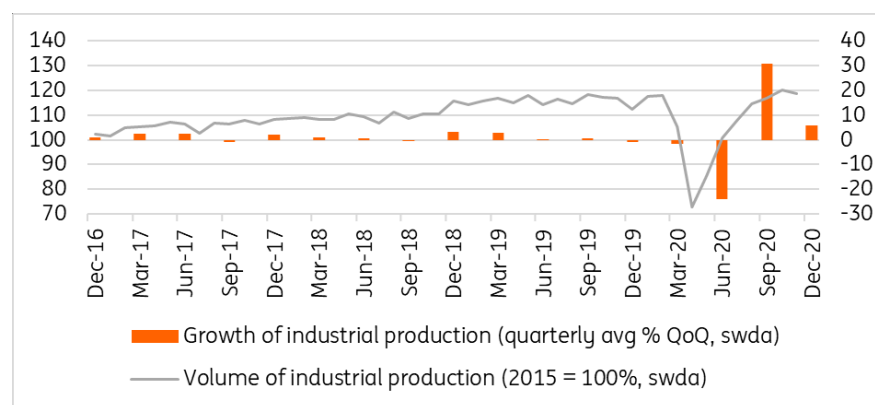


Source: HALPIM, HCSO, ING

The biggest question mark for 2020 remains to what extent production was pushed back by the usual winter maintenance period in industry. While some manufacturers made shorter shutdowns

than usual, some large manufacturers, such as Mercedes-Benz shut down production for a month from mid-December. We continue to see GDP shrinking on a quarterly basis in the fourth quarter, expecting a so-called double-dip in growth. Despite the overall good performance of industry expected in 4Q20 (year-on-year expansion holds up), the vulnerability of the service sector remains a major brake on economic activity.

## Production level and quarterly performance of industry



Source: HCSO, ING

Remark: 4Q20 data contains only October and November

## Author

**Peter Virovacz**

Senior Economist, Hungary

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