

## Hungary: Summer shutdowns slow industrial recovery

After the impressive rebound in May-June, the pace of recovery slowed significantly in July. Manufacturers shut down factories for maintenance, and this will also impact the August performance



Workers on an assembly line at an Audi factory in Hungary

# -7.7%

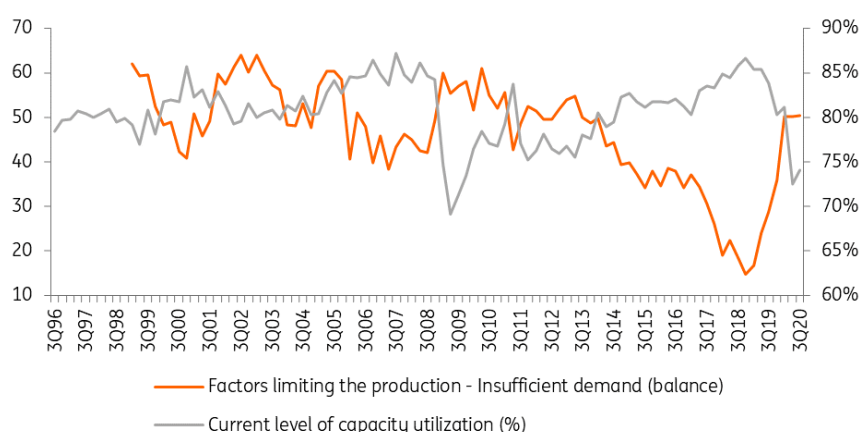
Industrial production (YoY, wda)

Consensus -7.7% / Previous -12.2%

As expected

Industry continued to rebound after reaching a nadir in April but after the double-digit month-on-month growth in May and June (16.2% and 17.2%, respectively), the latest data showed a significant slowdown in July, with industrial production rising by 7.2% MoM. This also means that production is still lagging by roughly 8% compared to a year ago. Still, the recovery continues and there is major potential for a further rebound in the sector over the coming months, especially with capacity utilisation sitting at only 74.1%.

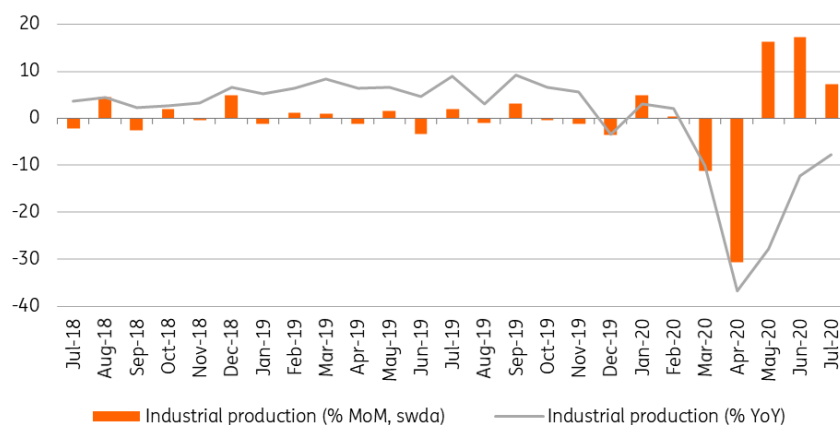
## Capacity utilisation and factors limiting production



Source: Eurostat, ING

In contrast to the slowdown in the retail sector in July, part of the sluggish performance in industry came from temporary factors. Although there is still disruption in supply chains, production and stock replenishment are ongoing. However, some important manufacturers (and related suppliers) decided to shut down factories for the usual summer maintenance. This mainly affected car manufacturing, so it hardly comes as a surprise that, based on the limited information shared by the Statistical Office, the car industry registered a significant drop in production in July.

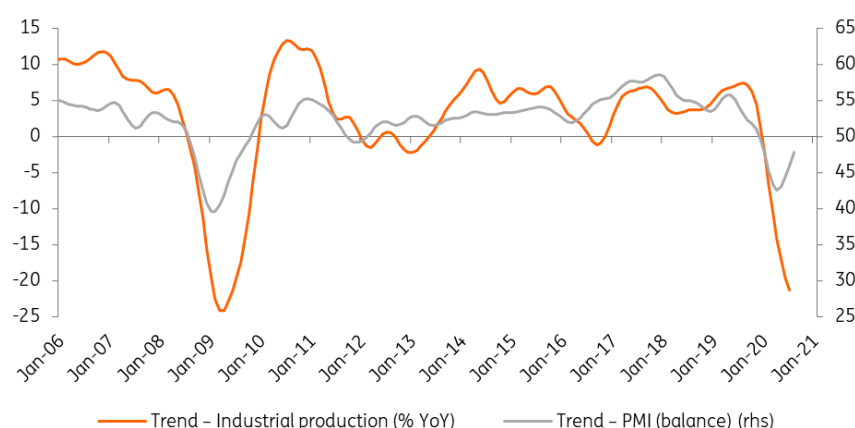
## Performance of Hungarian industry



Source: HCSO, ING

August is unlikely to bring much more dynamic growth; in fact a further slowdown is on the cards, as some companies implemented summer shutdowns last month rather than in July. The biggest question mark is what will happen in the autumn. The possibility of a rolling sequence of limited lockdowns in Europe as Covid cases rise again will impact supply chains once more. The extent of this, however, is unknown.

## Manufacturing PMI and industrial production trends



Source: Bloomberg, ING

There are at least some positives. Order book levels are encouraging (+0.1% YoY in 1H20), and the latest manufacturing PMI data surprised on the upside, showing an upward trend. So in a best case scenario, industry could roughly close the gap between now and the pre-crisis production levels by the end of 2020.

### 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>.