

## 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%

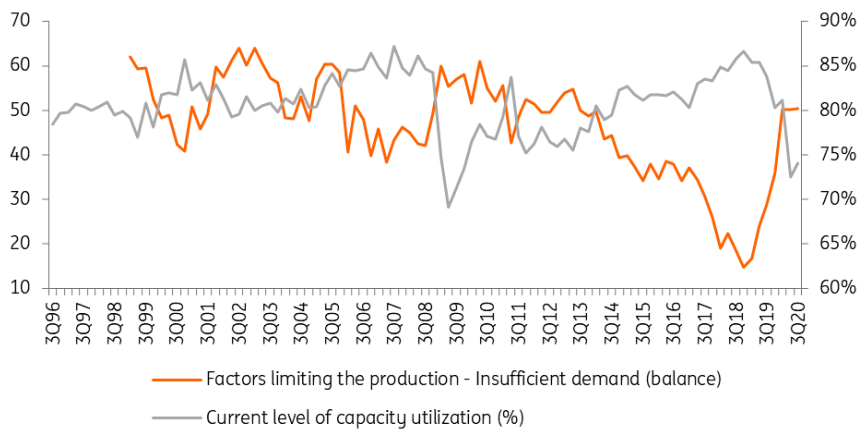
## Industrial production (YoY, wda)

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%.

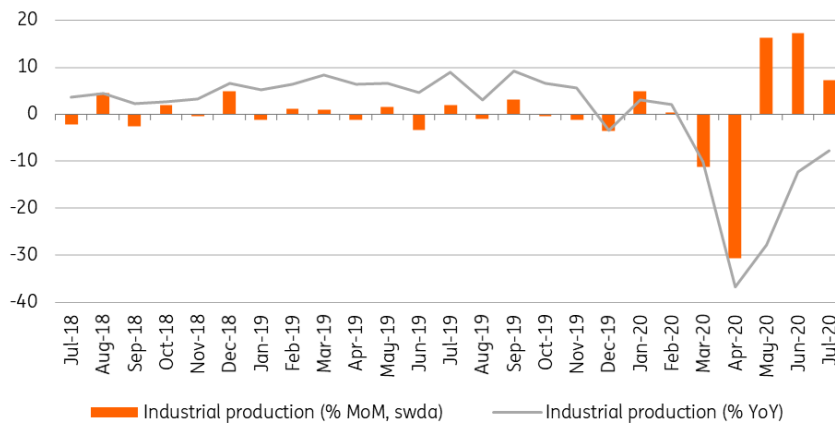
## Capacity utilisation and factors limiting production



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.

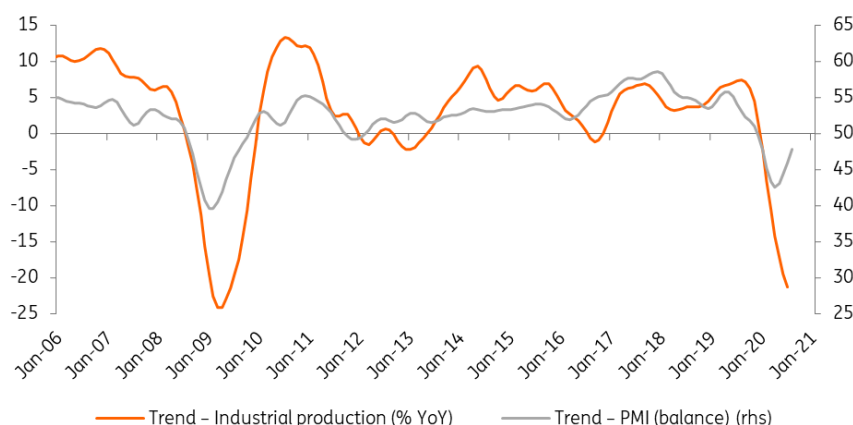
## Performance of Hungarian industry



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.

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