Hungary

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). While agriculture value added is forecast to contract by 6% in 2020, the prospects for a quick rebound are good.

Automotive/Transport

Remains Bleak

Automotive value added is forecast to decline by 23% in 2020. Automotive producers and suppliers suffer from globally deteriorating sales for passenger cars and commercial vehicles, while transport has been impacted by decreased traffic and lower demand for logistics due to the coronavirus-related lockdown. Many suppliers are exposed to the German market, which already faced decreasing demand before the coronavirus outbreak. While many automotive businesses face increased liquidity issues, more investment is needed to cope with the shift away from combustion engines and towards e-mobility.

Transport value added is forecast to contract by more than 3% in 2020. While the parcel logistic segment has recorded high demand, forwarding agencies focused on cross-border transport (mainly to Western Europe) faced 20-30% less cargo freight.

Chemicals

Remains Good

Chemicals and pharmaceuticals businesses generally show robust business financials, good payment records and low insolvency rates compared to other industries. However, chemical businesses suffer from decreased demand from key buyer industries, with value added expected to shrink by more than 5% in 2020. Mainly affected is the petrochemicals segment, due to its dependence on the automotive manufacturing chain. Pharmaceuticals value added is forecast to grow by about 3% in 2020, due to higher health care expenses.

Construction/ Construction Materials

Remains Poor

In 2020 construction orders and output are impacted by the economic downturn expected in Hungary, as GDP is forecast to contract by more than 6% this year. Construction activity decreased 7.4% year-on-year in H1 of 2020. Construction value added is forecast to decline by more than 4% in 2020 after two years of subsequent growth. Operating margins are very tight, with increased credit risk mainly for smaller construction businesses. Larger players are expected to be less impacted due to government orders. While insolvencies have not yet increased, rising numbers cannot be ruled out in the coming months.

Consumer Durables

Remains Poor

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed as a result of the lockdown. Subdued consumer sentiment and sharply rising unemployment could hamper a strong rebound in the short-term. Retail value added is expected to shrink by more than 5% in 2020, and the payment behaviour has already deteriorated over the past couple of months.

Electronics/ICT

Up from Poor to Fair

Sales decreased in H1 of 2020 due to the temporarily closure of businesses following the lockdown. However, spending from businesses and employees on digital goods and services has increased (e.g. due to the rise of remote working). It is expected that state-related projects will provide some additional demand in the coming months. While ICT value added is expected to decrease 3% in 2020, a robust 8% rebound is expected in 2021.

Financial services

Remains Fair

The sector remains relatively robust. Interest rates in the Hungarian economy will remain low, as the Central Bank's monetary policy supports credit growth. Lending to the private sector will be driven by demand from manufacturing businesses and mortgages for private households.

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Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Food

Remains Good
The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). However, food demand is less impacted by the coronavirus pandemic than other industries, and value added is forecast to increase by 4% in 2020.

Machines/Engineering

Remains Poor
The investments of manufacturing businesses in machines and related items have sharply deteriorated in Hungary and the whole EU. Engineering value added is expected to contract by more than 8% in 2020. However, for the time being, a substantial increase in insolvencies is not expected.

Metals

Remains Poor
Metal producers suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines). Metals value added is forecast to contract by more than 14% in 2020, after a 0.1% decrease in 2019. The situation is particularly challenging for those metal producers which already faced liquidity issues before the coronavirus outbreak, lacking the financials strength and/or the capability for innovation required to adapt to changing market demand (e.g. the new equipment needed for the upcoming electric car production).

Paper

Remains Poor
Paper producers are impacted by less demand due to lockdown measures and the ongoing digitalization. Value added of the industry is expected to contract by more than 6% in 2020, and the number of businesses active in the industry is decreasing.

Services

Remains Bleak
Due to the comprehensive lockdown measures and the ongoing pandemic, many segments suffer heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Tourism arrivals are expected to decrease by 55% year-on-year in 2020, despite the gradual lifting of restrictions. Hotels and catering value added is forecast to decline by more than 11% in 2020. In the affected service segments, a sharp increase in business closures and insolvencies has not yet materialised, but cannot be excluded in the coming months.

Steel

Remains Poor
In 2019 steel demand from manufacturing already slowed down, while steel producers were affected by rising energy and production costs, and imports of cheaper Chinese steel continued. In 2020 steel producers and traders are suffering due to deteriorating demand from key buyer sectors (automotive, construction and machines). Steel production decreased 16.1% year-on-year in the first five months of 2020. After a 1.7% decrease in 2019, steel value added is forecast to contract by more than 17% this year. However, raw material prices are decreasing, which should lead to cheaper production costs once demand recovers. In 2021 steel value added is forecast to rebound 13%.

Textiles

Remains Poor
Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition, thin margins, lower sales, changes in customer behaviour and increased competition from new online retailers. The performance has further deteriorated due to low sales during the lockdown. Textile value added is expected to shrink by more than 6% in 2020, and business failures are expected to further increase.