

Source: Atradius

Industry performance

Changes since September 2020 · Sources: Atradius, Oxford Economics

Agriculture



Remains Fair

In H1 of 2020, the sector was impacted by the consequences of the lockdown (e.g. transport and supply chain issues). Agriculture value added is forecast to increase 0.5% in 2021 after an estimated 1.5% contraction in 2020.

Automotive/Transport



Remains Bleak

Automotive value added is estimated to have declined by 12.5% in 2020. Automotive producers and suppliers have suffered from globally deteriorating sales for passenger cars and commercial vehicles. 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.

In H1 of 2020, transport was impacted by decreased traffic and lower demand for logistics due to the coronavirus-related lockdown. Transport value added is forecast grow 7% in 2021 after an estimated 8% contraction in 2020. The parcel logistic segment has recorded high demand, while sharp price increases are expected in the air transportation segment due to the high demand for coronavirus vaccines.

Chemicals/Pharmaceuticals



Remains Good

Chemicals and pharmaceuticals businesses generally show robust business financials, good payment records and low insolvency rates compared to other industries. Chemical businesses suffered from decreased demand from key buyer industries, and while a recovery is ongoing, the 2021 performance will remain below levels seen before the pandemic. Chemicals value added is forecast to increase by 6% in 2021 after an estimated 5% decrease in 2020. Pharmaceuticals value added is forecast to grow by 4.5% in 2021 due to higher health care expenses.

Construction/ Construction Materials



Remains Poor

In 2020 construction orders and output were impacted by the economic downturn, as GDP is estimated to have contracted 5.6%. In October 2020, construction output was 16% lower than in October 2019. Performance declined across all subsectors in last year. Operating margins are very tight, with increased credit risk mainly for smaller construction businesses. However, insolvencies have not yet increased, mainly due to a moratorium on loan repayments for businesses, introduced by the government in March 2020 and recently extended until July 2021. Business confidence has increased again, as the government announced measures to support housing construction and renovation. A VAT increase on new homes (27% instead of 5%) has been abolished. Construction value added is forecast to increase by more than 3% in 2021 after a 9% contraction in 2020.

Consumer Durables



Remains Poor

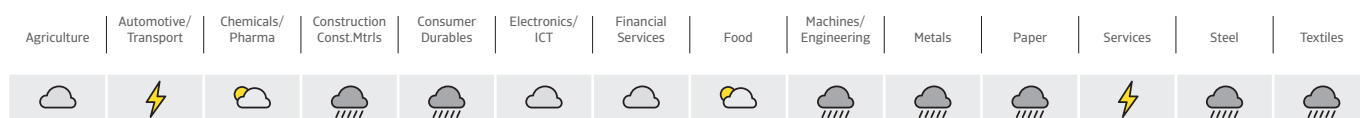
In 2020 private consumption of non-food consumer goods deteriorated due to the coronavirus impact, with many businesses temporarily closing during the lockdown. However, Black Friday and holiday season sales were robust. Retail value added is forecast to grow 2.5% in 2021 after an estimated 4.5% contraction in 2020. In Q4 of 2020, the number of retail insolvencies was low, and a sharp increase is not expected in 2021. However, the repercussions of the ongoing second wave of the pandemic remain a substantial downside risk.

Electronics/ICT



Remains Fair

Sales decreased in H1 of 2020 due to the temporary 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). Sales of ICT goods soared in Q4 of 2020, and value added is forecast to increase by 5.5% in 2021.



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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.

Food



Remains Good

In H1 of 2020, the sector was 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 3% in 2021 after growing 1.5% in 2020.

Machines/Engineering



Remains Poor

In 2020 investments of manufacturing businesses in machines and related items sharply deteriorated in Hungary and the rest of the EU. Engineering value added is estimated to have contracted by 8% in 2020, followed by a forecast rebound of about 4% in 2021. A substantial increase in insolvencies is not expected in H1 of 2021, mainly due to a moratorium on loan repayments for businesses (introduced by the government in March 2020 and recently extended until July 2021).

Metals



Remains Poor

In 2020 metal producers suffered due to deteriorating demand from key buyer sectors (automotive, construction and machines). Metals value added is estimated to have contracted 18% in 2020. Despite fiscal support, the situation remains challenging for those metal producers that already faced liquidity issues before the coronavirus outbreak. The issues stem from the fact that they are 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. Although demand for household stationery is currently increasing, a steady decline in paper demand is expected in the future due to digitalization (paperless offices and relapse of printed media).

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 estimated to have decreased by 55% year-on-year in 2020. Hotels and catering value added is estimated to have declined by almost 9% in 2020. In the affected service segments, a sharp increase in insolvencies has not yet materialized, mainly due to a moratorium on loan repayments for businesses (introduced by the government in March 2020 and recently extended until July 2021).

Steel



Remains Poor

In 2020 steel producers and traders suffered due to deteriorating demand from key buyer sectors (automotive, construction and machines). Steel value added is estimated to have contracted by more than 22% last year. While demand has rebounded since Q4 of 2020, a recovery back to pre-coronavirus levels is not expected in 2021.

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 lockdowns. Textile value added is estimated to have shrunk by 5.5% in 2020, with a modest 1% rebound forecast in 2021. However, a substantial increase in insolvencies has not yet materialized, mainly due to a moratorium on loan repayments for businesses (introduced by the government in March 2020 and recently extended until July 2021), which has resulted in companies holding more liquidity.