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Hungary's retail sales and industry data paints gloomy picture

The incoming industrial and retail data for August was mixed once again. Hopes that the industrial downturn was ending have been dashed, but retail sales may provide some hope for the future. Still, economic growth in the third quarter looks set to be moderate



The Hungarian Central Statistical Office (HCSO) has released figures on retail sales and industrial production for August. These figures now provide a better indication of the expected economic performance in the third quarter, which can be labelled as moderate.

Unlike the previous month, industrial output declined in August, while retail sales surprised with faster growth. There's still no sign of a turning point in industry, which remains on a downward path. Retail sales, meanwhile, continue their sawtooth pattern, with August marking a clear step forward.

-4.6%

Industrial production (YoY, wda)

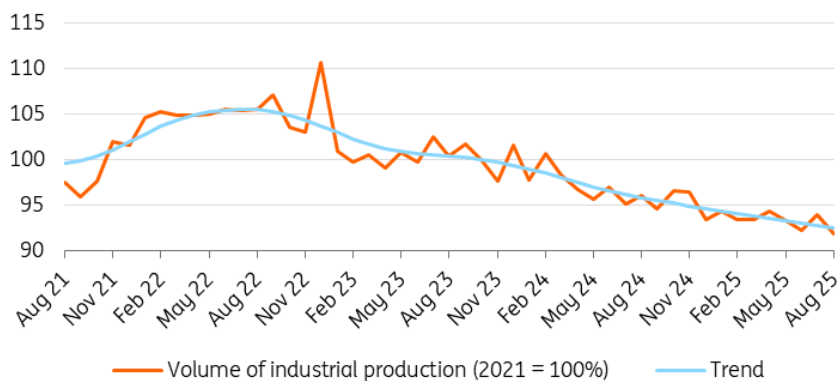
ING estimate: -3.3% / Previous: - 1.0%

Industry once again on downward trajectory

Following the positive surprise in July, a negative correction was seen in Hungarian industry, which is hardly surprising given that summer shutdowns are typical in August. What was surprising was the extent of the decline, with industrial production volume falling by 2.3% compared to the previous month. At the same time, the year-on-year index, adjusted for working days, shows a drop of 4.6%. Perhaps even more telling is the development of the fixed-base index. Because the decline in August outweighed the growth seen in July, the indicator - measured against the average monthly performance of 2021 - has fallen to a new low of 8.2%.

Examining longer-term trends, it is clear that industrial performance is still declining, and our earlier hopes that industrial output would stabilise even at a low level have been dashed. Furthermore, the latest [German industrial order data](#) suggests that order books are empty, which hardly bodes well for the short-term future of the domestic economy.

Volume of industrial production

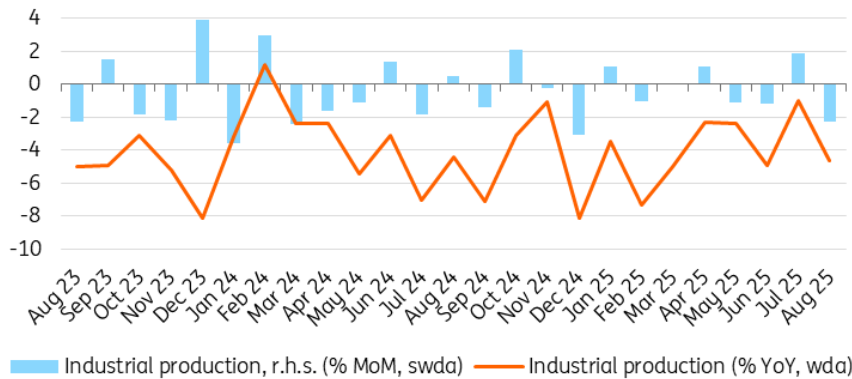


Source: HCSO, ING

We still have to wait for the detailed data, but according to preliminary figures from the HCSO, production declined in all sub-sectors except one. The exception was the electronics industry, while output in vehicle manufacturing fell significantly. This was probably due to the prolonged summer shutdowns, which were caused by low-capacity utilisation.

However, even though German industrial orders are not at all encouraging, various confidence indices seem to suggest a potential turnaround. Unfortunately, based on the current trend, it is more likely that these improving indicators are due to wishful thinking and a short-term rebound following the summer shutdowns. There are still no clear, lasting signs of an improvement in the industrial outlook. Capacity utilisation remains low, with a significant proportion of companies citing a lack of demand as the main factor hindering growth. The apparent calm surrounding the tariff issue has not yet brought about any positive changes.

Performance of Hungarian industry



Source: HCSO, ING

Overall, the outlook for industrial companies that produce for export remains bleak, with no general upturn expected. At the European level, a global turnaround in the inventory cycle would be necessary to trigger a surge in demand for industrial goods. For now, we don't see any signs of this happening.

2.4%

Volume of retail sales (YoY, wda)

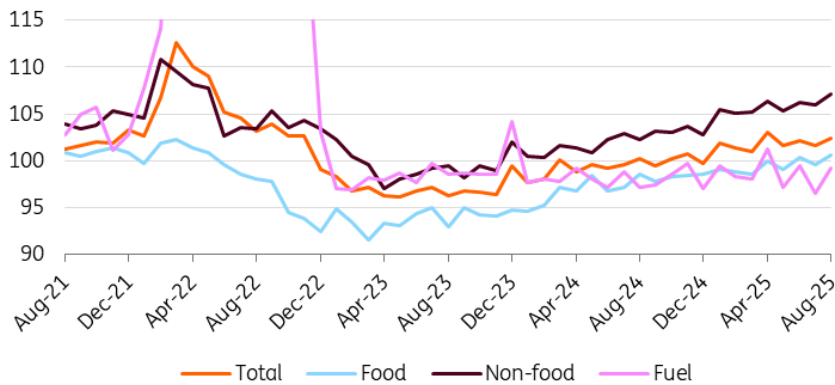
ING estimate: 1.7% / Previous: 1.7%

Retail data may indicate start of positive trend

After a weak performance in July, Hungarian retail sales recovered in August. According to the latest data from the HCSO, sales volume increased by 0.8% month-on-month, surpassing market expectations. This monthly growth translates into a yearly-based increase of 2.4% (adjusted for calendar effects).

Therefore, it remains true that retail sales volume has been growing steadily since the end of 2023, albeit with some fluctuations, when viewing the longer-term trend. However, the fixed-base index remains below this year's peak, which was recorded in April, and it has fluctuated within a range since then, which is a cause for concern. In August 2025, retail sales volume was 2.4% higher than the monthly average for 2021.

Retail sales volume in detail (2021 = 100%)

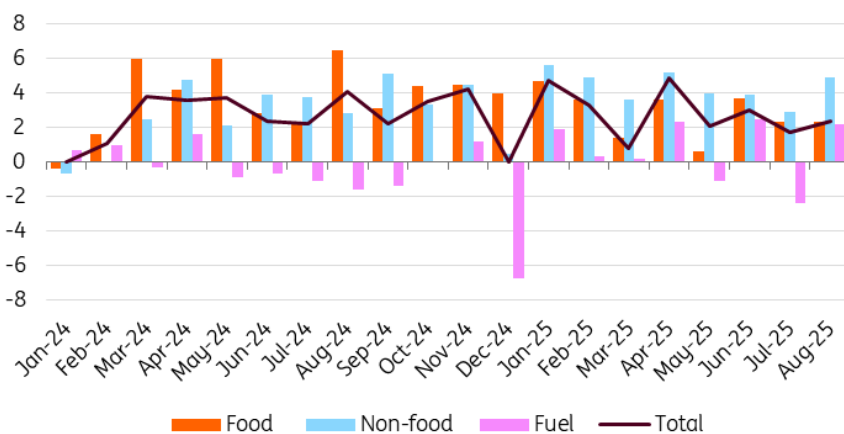


Source: HCSO, ING

Upon closer inspection, it was found that almost all sub-sectors experienced monthly growth in turnover. Sales in food stores increased by 1%, continuing the six-month stop-and-go cycle. Non-food retail saw an overall month-on-month increase of 1%, too. Within this segment, textile, clothing and footwear stores saw unusually high turnover growth. Seasonal promotions probably had a greater influence on shoppers in this area.

All other sub-sectors saw monthly growth of around 1-2%. The exceptions to this were medical products and sales of books and newspapers. In the case of the latter, we are witnessing a further significant decline, marking the ninth monthly decline over a span of a year. Last, but not least, fuel sales increased significantly in August, with a monthly rise of almost 3%.

Breakdown of retail sales (% YoY, wda)



Source: HCSO, ING

Overall, therefore, the performance of the retail sector in August was generally good, but not outstanding. This is despite some government measures already impacting the financial situation of households. However, there is no doubt that more impactful government measures will drive the statistics higher in the coming months. At the same time, consumer confidence showed a significant improvement last month but remains relatively low and continues to dampen spending appetite.

Nevertheless, a more sustained improvement in both confidence and consumption may emerge towards the end of the year. If this upturn in demand fails to materialise, it could pose a serious problem for the real economy, as consumption is currently the only engine capable of driving Hungary's recovery. Without this growth, it will be difficult to achieve our forecast of 0.7% GDP growth for this year.

In terms of the Hungarian GDP outlook for the third quarter, yesterday's retail data and today's industrial data are rather unfavourable. Last month, we wrote that another disappointing month would pose a significant obstacle to the Hungarian economy achieving 1–2% annual growth in the second half of this year. Unfortunately, the latest set of data increasingly points in this direction, and both sectors would need to perform well in September for us to be confident of achieving more dynamic quarterly economic growth.

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