

Hungarian retail sales perform surprisingly well

Booming earnings, a year-end shopping frenzy and lower fuel prices are behind the surprisingly strong December retail performance



Shoppers in Budapest were out in force just before Christmas

6.2%

Retail sales (YoY)

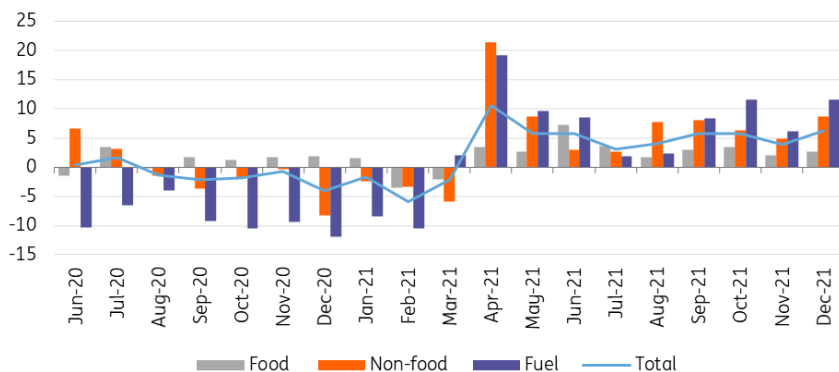
ING forecast 4.3% / Previous 3.8%

Better than expected

Retail sales caused a major disappointment in November, as people were facing the new reality of a new Covid wave, skyrocketing fuel prices and the less-than-expected sales 'events' related to Black Friday. In contrast with November, the last month of 2021 brought some reversal in every aspect.

Retail sales turnover volume was up by 6.2% YoY based on calendar adjusted data, showing a significant pick up from November. Retail sales volumes rose by 1% on a monthly basis, making the November numbers something of a blip.

Breakdown of retail sales (% YoY, wda)



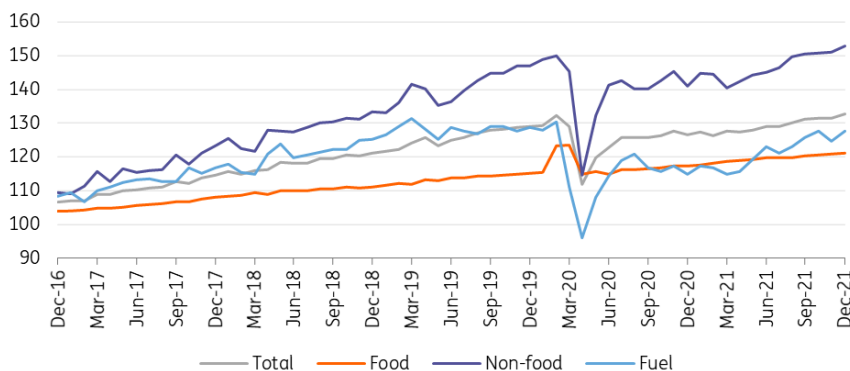
Source: HCSO, ING

The positive surprise is down to two main reasons. First, there is fuel retailing, where sales volume increased by 2.4% MoM. The government introduced a cap on retail fuel prices but it actually didn't kick in in December thanks to the drop in oil prices. With decreasing fuel prices, consumers were happy to fill up their gas tanks. This impact on lowering prices was stronger than we thought, but there is more. Despite the latest Covid wave, and in contrast with softening mobility, fuel retailers enjoyed booming demand.

Maybe this has something to do with the yet again double-digit wage growth in November, which deepened shoppers' pockets. So, customers were not only into fuel but were also rushing to non-food shops before the beginning of the holiday season. The volume of non-food retailing increased by roughly 1% on a monthly basis, showing an acceleration over the disappointing November performance. The year-on-year performance was elevated by the low base as a curfew and regulated shop openings were still in place a year ago.

Retail sales volume in detail

2015 = 100%



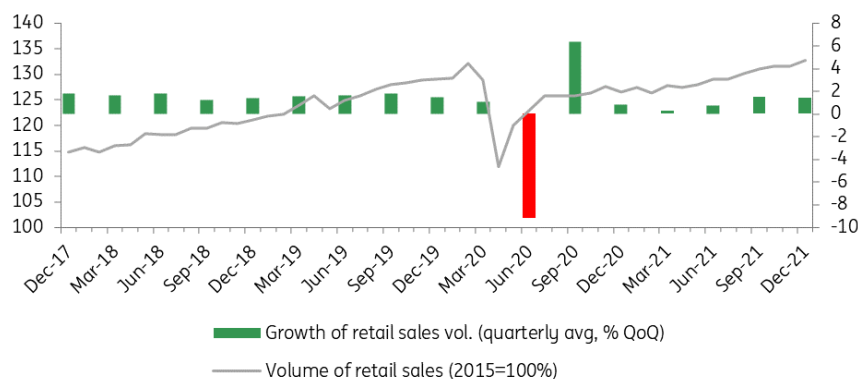
Source: HCSO, ING

We see upside risks to Q4 GDP growth

The fourth-quarter performance of the retail sector was quite mixed but actually was

salvaged by the strong December. With that, retail sales show another nice growth on a quarterly basis, which creates an upside risk around our 5.5-6.0% 4Q21 GDP growth call.

Production level and quarterly performance of retail sales



Source: HCSO, ING

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