

Hungarian retail sales soar in March – but strong performance is likely to be an anomaly

Growth in the retail sector was even stronger in March than it was after Hungary's Covid lockdown was lifted last May



A significant jump in households' disposable income has contributed to the growth in retail sales

16.2%

Retail sales (YoY)

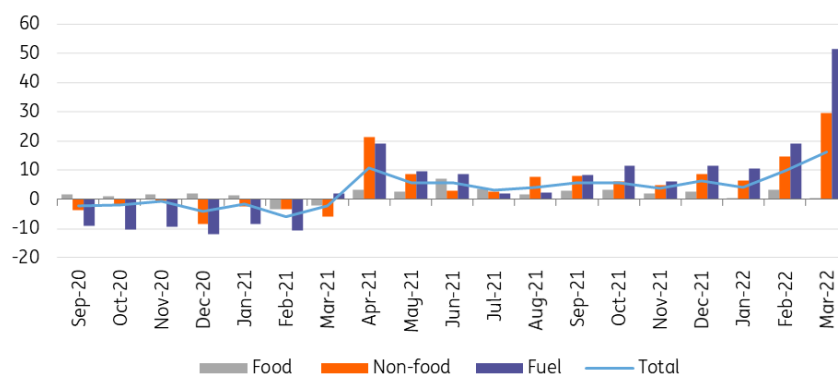
ING forecast 9.7% / Previous 9.8%

Better than expected

Hungarian retail sales rose remarkably in March 2022. The growth of turnover adjusted for calendar effects came in at 16.2% year-on-year. This double-digit growth is partly due to last year's low base, but the 7.3% increase on a monthly basis indicates that this is more than just a base effect. In fact, the month-on-month growth rate in March 2022 was even higher than the monthly increase we saw in May 2020, after the full Covid-lockdown was lifted.

To understand the factors driving this extraordinary performance, we need to examine the details. Food retailing stagnated in March, so neither the Ukrainian war nor the February government transfers had a significant effect on this sub-sector. We can't say the same for non-food retail turnover, however.

Breakdown of retail sales (% YoY, wda)



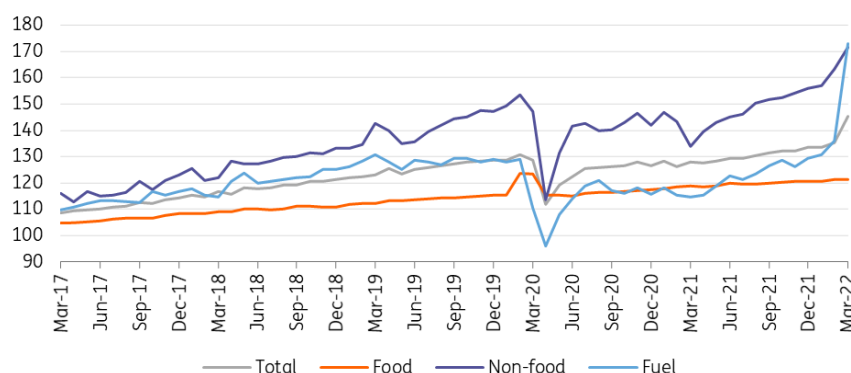
Source: HCSO, ING

The Statistical Office registered a more than 5% monthly increase in the non-food sector, which culminated in an almost 30% higher volume of sales on a yearly basis. Sales volumes rose fourfold in textiles, clothing, and footwear shops, threefold in second-hand goods shops, by 75% year-on-year in furniture and electrical goods stores, and by 59% year-on-year in books, computer equipment and other specialised stores.

So, what is behind this extreme growth? Well, the effects are very difficult to identify, but there could be two main factors. On the one hand, Hungarian households provided significant support to Ukrainian refugees, buying all sorts of goods (clothes, blankets, nappies, toiletries, etc.) which may have boosted consumption. On the other hand, rising inflation may have motivated shoppers to bring forward their planned consumption, especially when it comes to more expensive products (furniture, electronics, etc.) And of course, all of this was made possible by the significant jump in the disposable income of households due to rising wages, bonuses and one-off payments, and personal income tax (PIT) refunds, to name a few.

[Hungarian labour market remains a stronghold for growth](#)

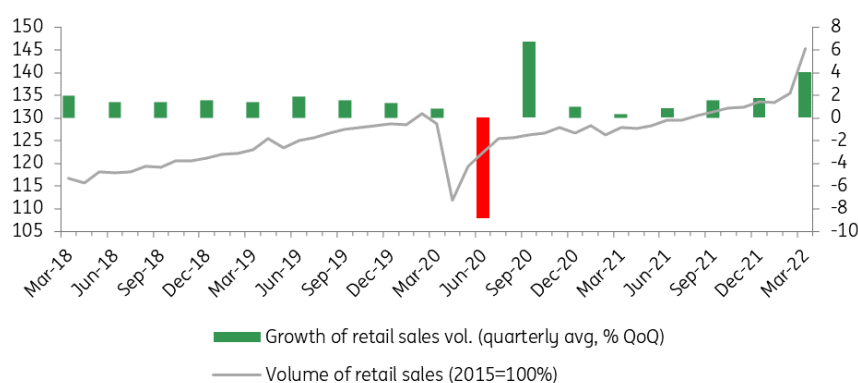
Retail sales volume in detail (2015 = 100%)



Source: HCSO, ING

However, all of this would still be too little for such an outstanding retail sector turnover. This also required extreme growth at fuel stations. Fuel retailing increased by 51.4% year-on-year in March. In one month, the volume of turnover jumped by more than 27%. As a result of the fuel price cap (introduced mid-February) and rising fuel retail prices surrounding Hungary, fuel tourism in border cities may have jumped significantly. In addition, assistance to Ukrainian refugees has generated more domestic and transit traffic than usual, further increasing the demand for fuel. Furthermore, fears of fuel shortages and restrictions led to panic buying at fuel stations during the middle of March.

Retail sales volume and quarterly performance



Source: HCSO, ING

Summarising all these effects, we can say that the retail performance seen in March is an outlier rather than part of a structural change. Such a pace of growth is undoubtedly unsustainable, but it is also certain that it will push GDP growth tremendously during the first quarter of 2022 via the surge in consumption. Against this backdrop, the Hungarian economy will probably register an even stronger economic performance in the first quarter of 2022 than we saw in the fourth quarter of last year.

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