

Hungary: A historic drop in retail turnover

Retail sales collapsed by 10.2% in April as lockdown and curfew measures affected economic activity. Three years of turnover disappeared in just a month



Source: Shutterstock

-10.2%

Retail sales (YoY)

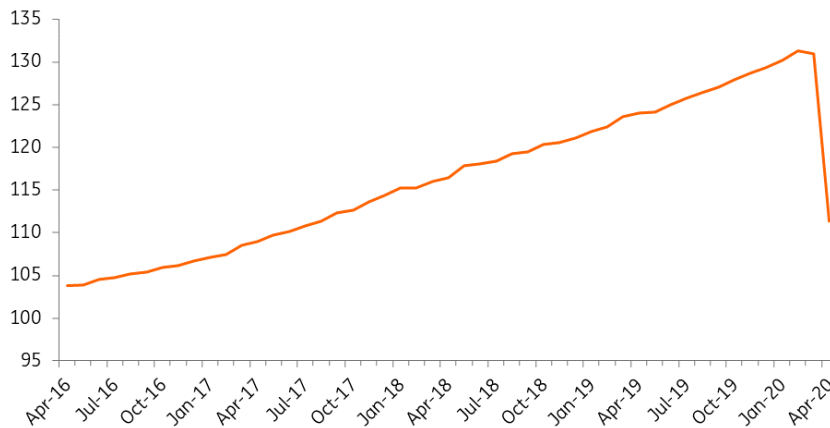
Consensus -14.5% / Previous 3.5%

Better than expected

Retail sales turnover plummeted by 10.2% year-on-year adjusted for calendar effects in April 2020. It is ugly, but still a bit better than market expectations.

As the government introduced several lockdown measures and the curfew, the retail sector was heavily affected. In only one month, the volume of retail sales lost three years of turnover increase. The overall sales volume dropped to a level, not seen since mid-2017.

Volume of retail sales, 2015 = 100%



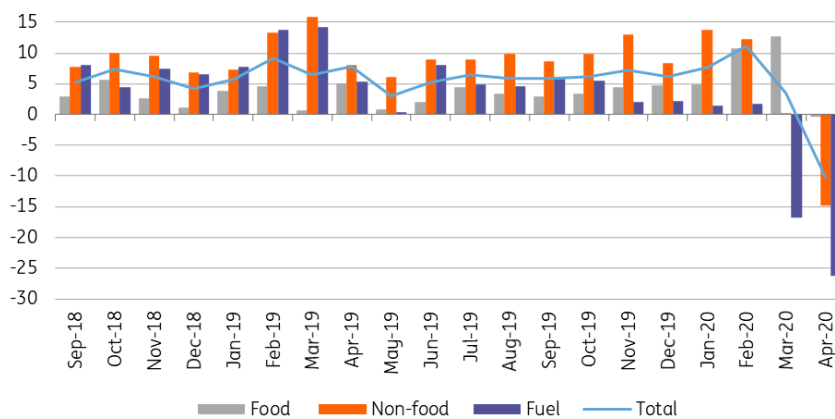
Source: HCSO, ING

The least affected segment was food sales as turnover decreased by just 0.4% YoY. Despite the restrictions regarding opening times, buyers find ways to buy the necessary everyday items.

In contrast, non-food shops, which were hit most by the regulatory restrictions registered a 14.8% YoY drop in sales volume in April. But it is not just because of lockdown measures, unemployment is rising, consumer confidence is dropping and the propensity to consume durables is also fading.

With lockdown measures heavily affecting every type of transport, it hardly comes as a surprise that fuel retailers felt the most significant shock with a 26.3% YoY drop in fuel sales.

Breakdown of retail sales (% YoY, wda)



Source: HCSO, ING

The big winner of April was mail orders and the internet retailing segment. Last month we were surprised by the 41% YoY increase, which wasn't that extreme but this time, the online retail turnover skyrocketed by 104% YoY and online buying jumped from 8% to 12.5% within a month.

According to the Hungarian central statistical office, the pandemic is responsible for a 17ppt drop in the year-on-year retail sales performance based on its estimation. It means that

without Covid-19, the retail sector performance could have been very strong.

After a historically bad retail performance in April, we expect a mild improvement in the coming months as lockdown measures are slowly being eased.

However, the unfavourable developments of the labour market will make it harder to erase that huge drop in consumption within a short period.

Author

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.