

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)

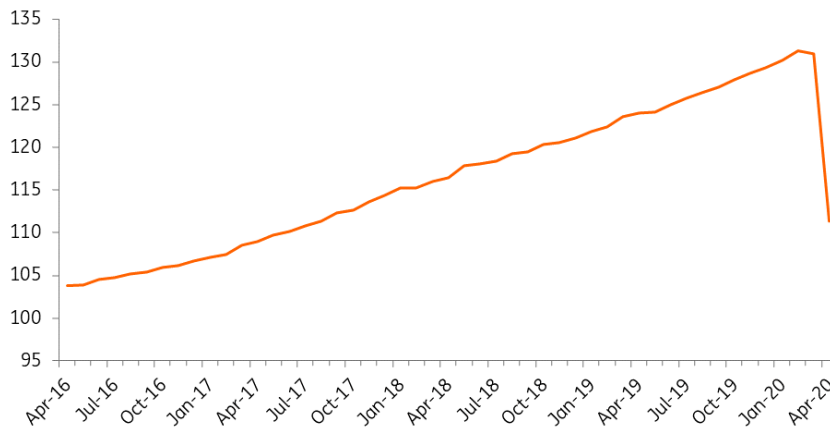
Consensus -14.5% / Previous 3.5%

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%



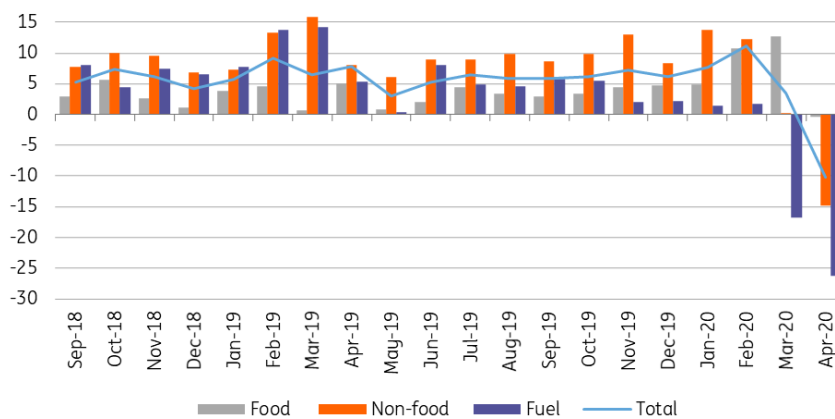
Source: HCSO, ING

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.

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