

## Hungary: Accelerating retail sales growth

Add elevated consumer confidence to an improved financial situation and the result is strong retail sales. We see a further improvement in spending for the rest of the year



Shoppers in Budapest

6.2%

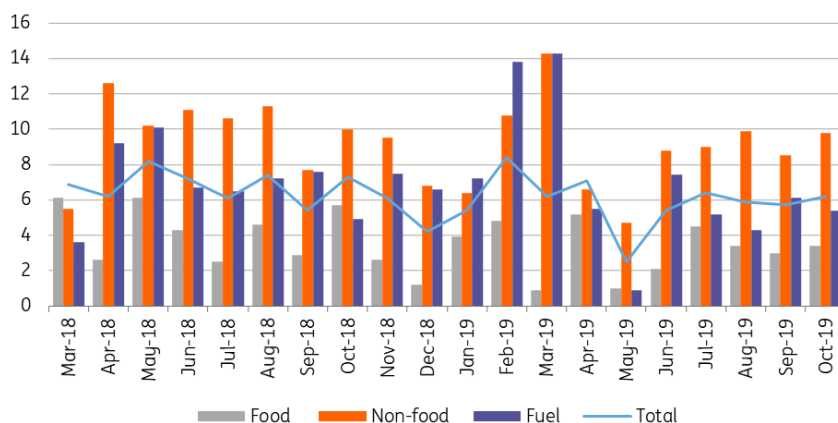
Retail sales (YoY)

Consensus 5.4% / Previous 5.7%

Higher than expected

Retail sales increased by 6.2% year-on-year in October, according to the calendar-adjusted figure, an acceleration from September. This performance is also better than the year-to-date average, which stands just below 6%.

## Breakdown of retail sales (% YoY, wda)



Source: HCSO

All types of shops contributed to growth. Food shops, which have the greatest share in retail, posted an above-average performance in October. However, the undisputed growth driver remains non-food shops. The volume of sales rose by 9.8% on a yearly basis, mainly due to strong figures in electronics, manufactured goods and cosmetics. This is mainly the result of the improving financial situation of households, who are confident enough to increase spending. The most surprising fact is that this strengthening happened even before the “Black Friday” sales in November, so households were impatient to buy. The only so-so performance is tied to fuel retailers, as the rise in fuel prices dragged down sales in October.

### The big picture

The Hungarian economy has started the fourth quarter with a relatively strong measure, adding some more positive risks to our GDP forecast. The strong labour market and decent wage growth should drive consumption, as well as retail sales in the remainder of the year. We see retail sales growth above 6% on average in 2019.

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