

7 November 2018  
Snap

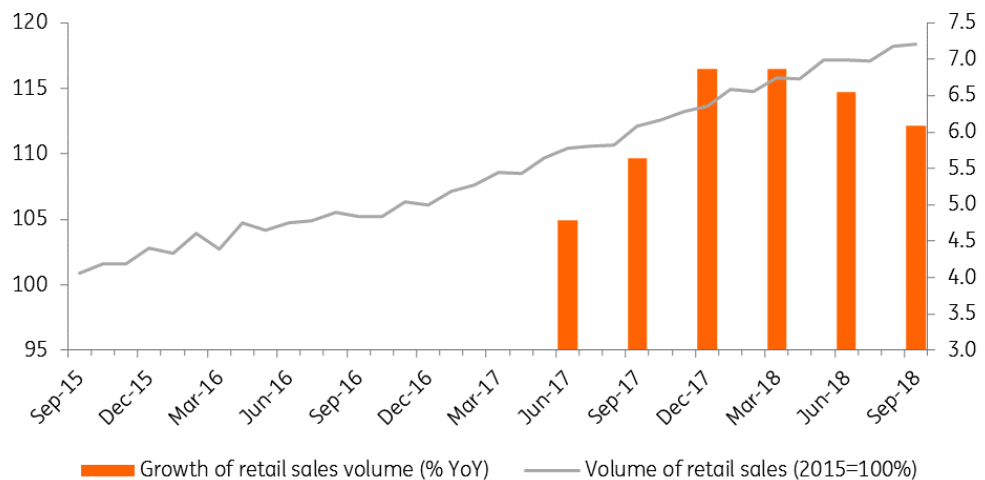
## Hungary: An expected slowdown in retail sales

The latest performance by the retail sector has been the second worst in 2018 so far and was mainly due to the weaker turnover in non-food shops. The sector has been on a downward slope suggesting slower GDP growth in the coming months too

Retail sales turnover, adjusted for working days increased by 5.4% year on year in September. Since the market expected a slowdown, the data hardly qualifies as a surprise.

Nevertheless, the latest performance by the retail sector has been the second worst in 2018 so far. It is worth noting that the growth rate of the turnover in the retail sector, except for some corrections and outliers, has been on a downward trajectory since January 2018. This is also supported by the declining 3-month average activity figures.

### Volume of retail sales

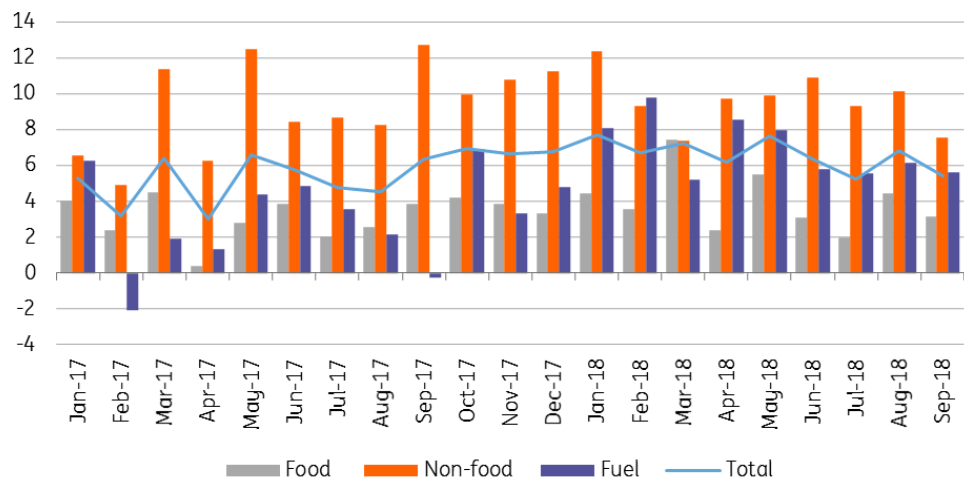


Source: HCSO, ING

The details show a slowdown in all of the main subsectors. The non-food shops marked the most significant deceleration in September, as the 7.6% YoY growth has also been the second worst in 2018 so far.

Considering the food-shops, the expansion roughly matched the average of 2018. As fuel prices increased significantly in September, the sales turnover in automotive fuel sales decreased slightly.

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



Source: HCSO

As for the coming months, the robust labour market may maintain the favourable growth dynamic, although we don't expect the slowdown to stop. Despite the deceleration, the performance of the retail sector in 3Q18 still supports the economic activity albeit we see a lower contribution to GDP growth via the consumption channel, supporting our call of a slowdown.

Nevertheless consumption will remain the main contributor when it comes to the country's GDP growth.

#### Peter Virovacz

Senior Economist, Hungary

+36 1 235 8757

[peter.virovacz@ing.com](mailto: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 NV 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. The producing legal entity 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 subject to limited regulation by the Financial Conduct Authority (FCA). 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.