

Hungary: Best performance of the year in retail

Retail sales turnover increased by 6.3% year-on-year in October, the strongest reading so far in 2017 and it's looking good for the rest of the year



Shoppers on Vaci Utca, the main shopping street in Budapest, Hungary

Source: Shutterstock

6.3%

Retail sales (YoY)

Consensus (6.2%) / Previous (6.0%)

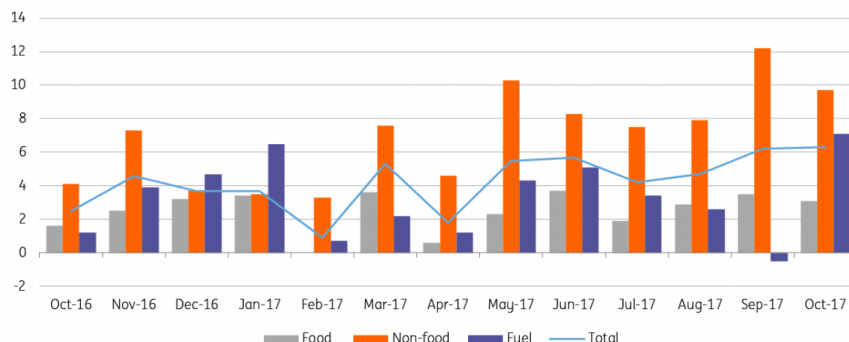
Better than expected

Retail sales turnover in Hungary came in at 6.3% YoY in October, slightly above market consensus, causing another upside surprise since September which points to a solid retail sector performance for the past six months. The October data has been the highest growth rate in 2017 so far. It seems the strong labour market now has a constant push in spending, helping the turnover growth in retail stores.

In detail, the growth rate somewhat decelerated in both food and non-food shops but came in above their respective YTD average. Non-food shops turnover rose by 9.7% YoY, the strongest reading among subsectors. The turnover in food shops grew by 3.1% YoY. Somewhat surprisingly, the sales volume in fuel retailing increased by 7.1% YoY, showing the strongest reading in 2017 despite an increase in fuel prices.

All these figures are 'working day adjusted'

Breakdown of retail sales (% YoY, wda)



Source: HCSO

As regards the big picture, the first 4Q17 hard data suggests optimism. Moreover, with the significant upward revision in 3Q17 GDP growth, the underlying economic momentum is better than we expected before. We have to wait for the first industrial data in this quarter (out on 6 December), but our above 4% call regarding the 4Q17 GDP growth has seemed to be realistic so far.

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