

Hungary: Buying frenzy in non-food shops continues

Retail sector turnover rose at a slower-than-expected pace but a significant increase in real disposable income is driving people to non-food stores to buy more



Source: Shutterstock

6.1%

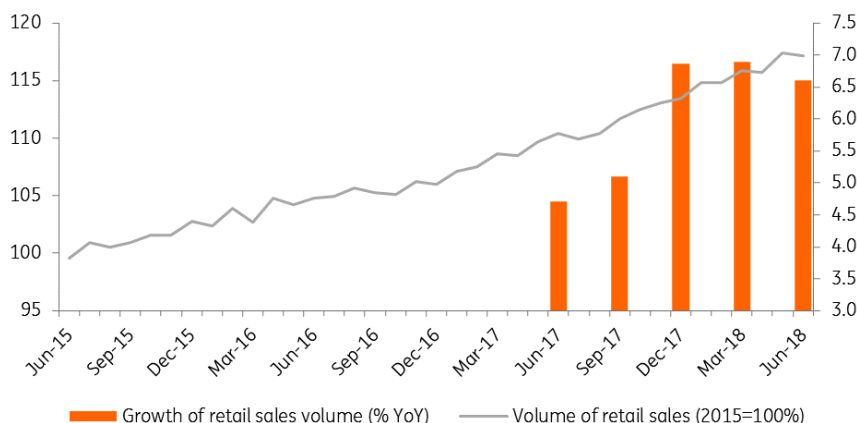
Retail sales (YoY, wda)

Consensus (7.4%) / Previous (7.7%)

Lower than expected

Working days-adjusted retail sales turnover increased by 6.1% year-on-year in June, thus the roller coaster continued. After a weak April and a surprisingly strong May, we are back to the lowest growth rate for this year. But that's still much stronger than last year's average at 5.4% YoY. As regards the second quarter, the average quarter-on-quarter and year-on-year growth rates decreased, suggesting a lower but still remarkable contribution of consumption to GDP growth. This picture fits our view of a slight deceleration of economic activity to 4% YoY in 2Q18.

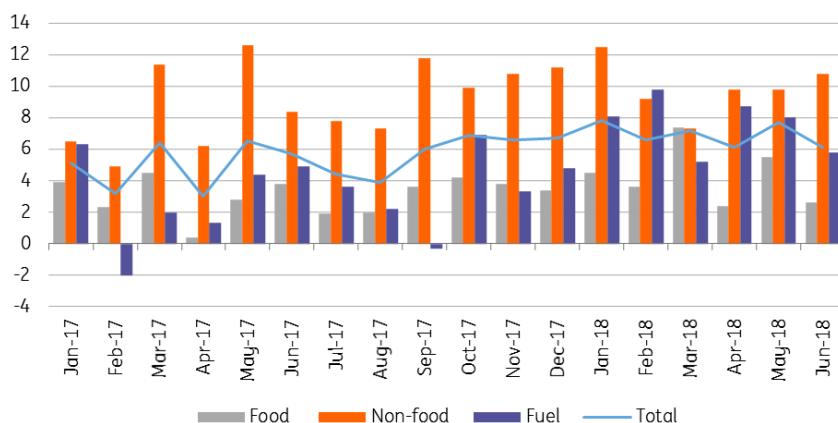
Volume of retail sales



Source: HCSO, ING

The retail sector's slowdown is mainly related to fuel prices, as higher prices discouraged fuel consumption, showing only 5.8% YoY growth, the second lowest rate for this year. Turnover in food shops also increased at a below-average pace (2.6% YoY). In the meantime, people are still buying in non-food shops like there is no tomorrow: the 10.8% YoY increase is the second highest rate this year. This could be due to the 2018 FIFA World Cup and related sales at electronic retailers.

Breakdown of retail sales (% YoY, wda)



Source: HCSO

We have to wait until next week for a more complete picture of 2Q18 economic activity but so far, we have at least one good reason to stick to our view regarding a mild deceleration. In any event, consumption will remain at the forefront of growth momentum as long as the labour market continues to strengthen.

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.