

Hungary: Fuel sales save the day

Retail sales rebounded in June due to a strong performance in automotive fuel retailing. The second quarter overall was not great but not terrible, though it still signals deceleration in economic activity



Shoppers in Budapest

5.2%

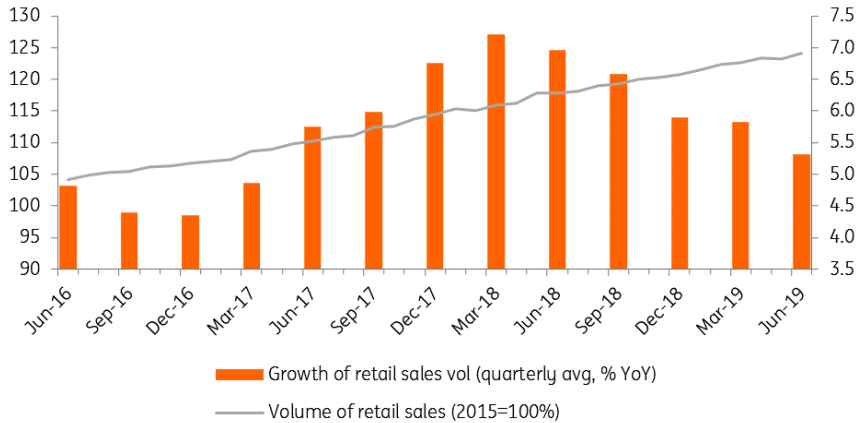
Retail sales YoY (working-day adjusted)

Consensus 6.0% / Previous 2.6%

Worse than expected

After a major disappointment in May, retail sales rebounded in June, posting year-on-year calendar adjusted growth of 5.2%. At first sight, this looks strong enough, but compared to what we've been used to in the past 18 months, it is definitely a sign of weaker activity. The sector's performance in the second quarter was clearly weaker compared to the first in both the quarter-on-quarter and year-on-year comparisons. Against this backdrop, we expect consumption to slow accordingly, which should have an impact on GDP growth, too.

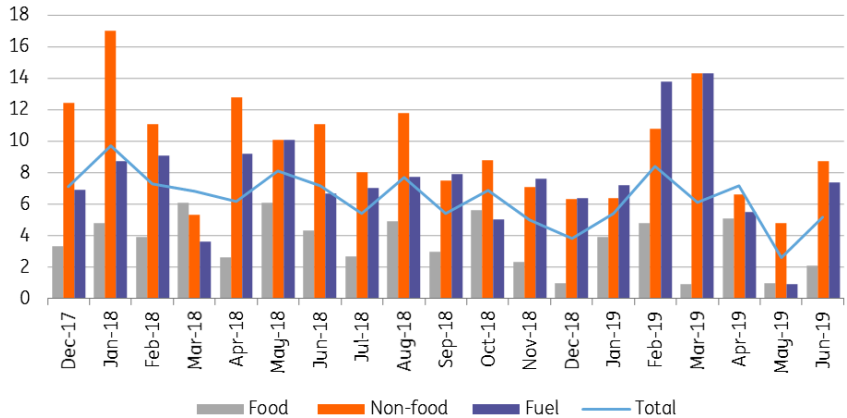
Retail sales volume



Source: HCSO, ING

Coming back to the June performance, all of the three main subsectors posted an acceleration in turnover growth, so the rebound seemed to be broad-based. However, most of the good performance came from automotive fuel retailing with calendar adjusted growth of 7.4% YoY. Excluding this, total retail sales rose by 4.2% YoY, only slightly better than the worst performance of the year, which was registered in May. Non-food shops posted an 8.7% YoY increase in turnover, mainly on the back of seasonal sales of clothing (hot weather) and pharmaceutical products (mosquito invasion).

Breakdown of retail sales (% YoY, wda)



Source: HCSO

The big picture in the retail sector is telling a story of underlying softening, which will ultimately have an effect on consumption and GDP growth. Based on the latest soft indicators, the good, but not great, performance is set to continue although a new retail bond introduced in July might channel some spending into savings.

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