

## Hungarian retail sales and industrial production surprise on the upside

Both retail sales and industrial production in Hungary caused an upside surprise as we reach one year of lockdowns. Although, this bodes well for the big picture, we're still likely to see a drop in GDP on a quarterly basis

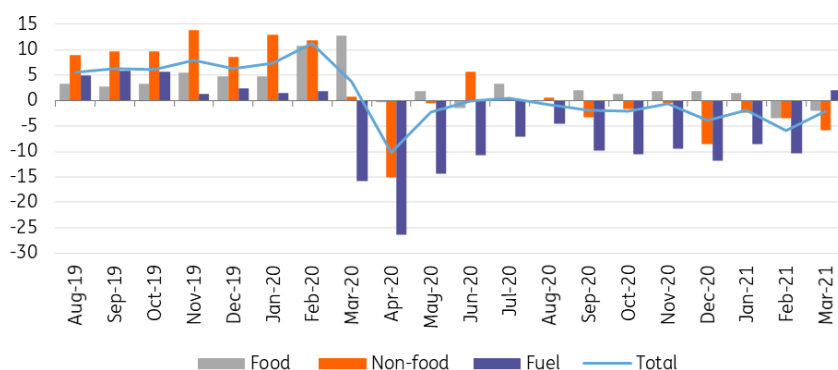


The biggest market in Budapest

Hungarian retail sales improved in March 2021, outperforming market expectations despite the lockdown measures.

Retail sales turnover rose by 0.8% on a monthly basis and thanks to the buying frenzy last March before the lockdowns, the base was relatively high. This translated into a 2% YoY volume drop in retail sales (working-day adjusted). So, the weak year-on-year performance can be seen as a technical glitch; however, this is still in contrast with the significantly improving labour market metrics.

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



Source: HCSO, ING

Within the main subsectors, fuel sales caused the most critical upside surprise.

Despite the sheer number of people working from home, given that last year's base was so low, fuel sales grew by 2.1% on a yearly basis. The food retail sector showed a 2% YoY drop due to the high base effect, while non-food retail continues to suffer as people are still holding back significant spending.

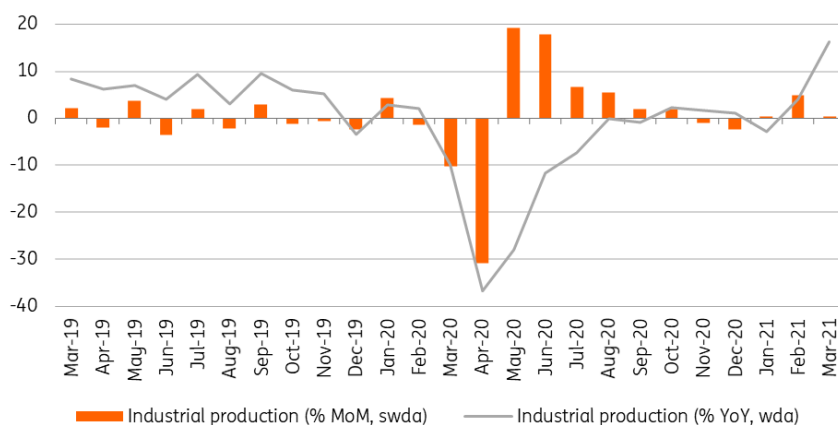
On a yearly basis, retail sales turnover decreased by 5.9% in such shops. Clothing and furniture shops are among the worst performers with close to a 50% drop on a yearly basis.

Like retail sales, industrial production also caused an upside surprise in March.

Despite the new round of lockdown measures, which were problematic from a labour force point of view for manufacturers, industrial production grew by 0.4% on a monthly basis. This increase in production comes in contrast with the grumbings of car manufacturers due to input shortages.

Due to the low base effect caused by the temporary shutdowns last March, the year-on-year performance jumped to a record high of 16.2% based on calendar-adjusted data.

## Performance of Hungarian industry



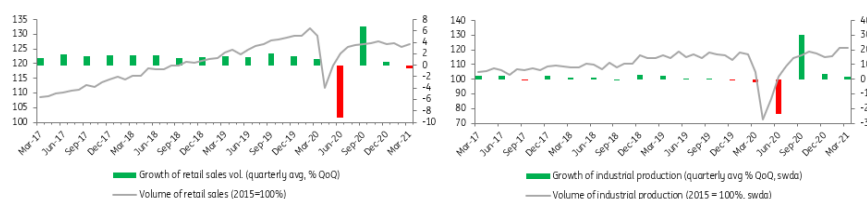
Source: HCSO, ING

When it comes to the details, the Statistical Office highlighted that car manufacturing was the main driver behind the good performance due to base effects. In the meantime, the other two major segments, the electronics and food industry displayed below-average growth in March. But the real good news here is that all of the subsectors were able to increase the production levels on a yearly basis.

Although the March figures in industry provide some comfort, one carmaker in Hungary went through a temporary shutdown in April because of semiconductor shortages. So, industry is still facing significant hurdles going forward, but we expect the sector to be a positive contributor to GDP growth during the year.

When it comes to the outlook of retail sales, reopening will probably push people to spend more. However, this money will be rather spent on experiences rather than stuff. This means that the positive impact of reopening might not show up in retail sales statistics for a while.

## Quarterly performance of retail sales and industry



Source: HCSO, ING

As we are approaching the release date of 1Q21 GDP data, it might be worth talking about the past.

Industry was able to grow during the first quarter, whether it is a quarterly or a yearly comparison, which gives some hope for a better-than-expected outcome. On the other side, however, retail sales shrank both on a quarterly and a yearly basis during January–March. With services being practically shut down, this could mean that consumption remained a significant drag on growth.

All things considered, we stick to our call of a 1% QoQ drop in GDP in 1Q21, meaning a W-shaped recovery after all.

### Author

**Peter Virovacz**

Senior Economist, Hungary

[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 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](http://www.ing.com).