

Hungary: People still love to buy

Retail sales turnover increased by 6.0% YoY in September, with growth accelerating in the non-food sector. It's the strongest reading this year



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

Source: Shutterstock

6.0%

Retail sales (YoY)

Consensus 5.0% / Previous 4.6%

Better than expected

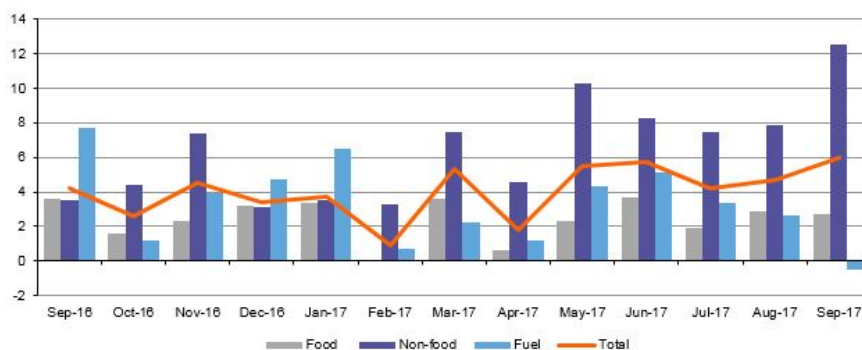
Hungarian retail sales turnover came in at 6.0% year-on-year (working day adjusted) in September, well above the market consensus of 5.0% (WDA) showing solid retail sector performance since April. Moreover, the September data has the highest growth rate in 2017 so far. It seems the strong labour market has started to spill over into consumption at least in retail stores. The sector's performance in 3Q17 suggests optimism regarding GDP growth.

The growth rate accelerated only in non-food shops and it showed a remarkable 12.5% YoY increase, the strongest reading since 2003. Meanwhile, the turnover in food shops rose at a slightly slower pace than in the previous month, but the 2.7% YoY increase is still okay. Sales volume in fuel retailing dropped by 0.5% YoY, the first drop since early-2013, reflecting the fuel price increase

in September.

All these figures are 'working day adjusted'

Breakdown of retail sales (% YoY, wda)



Source: HCSO

We can have more and more confidence that increasing wages and decreasing unemployment is affecting households' willingness to spend and it should show up not just in the performance of the retail sector but in consumption too. We have to wait for the industrial data, but at least the retail data backs up our call of a rebound in GDP growth in 3Q17.

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