

Hungary: Retail rebounds unexpectedly

Retail sector turnover grew at a pace faster than expected on the back of above average consumption, which is why we expect the sector to expand by 6 -7% in the months ahead



Source: Shutterstock

6.8%

Retail sales (YoY, wda)

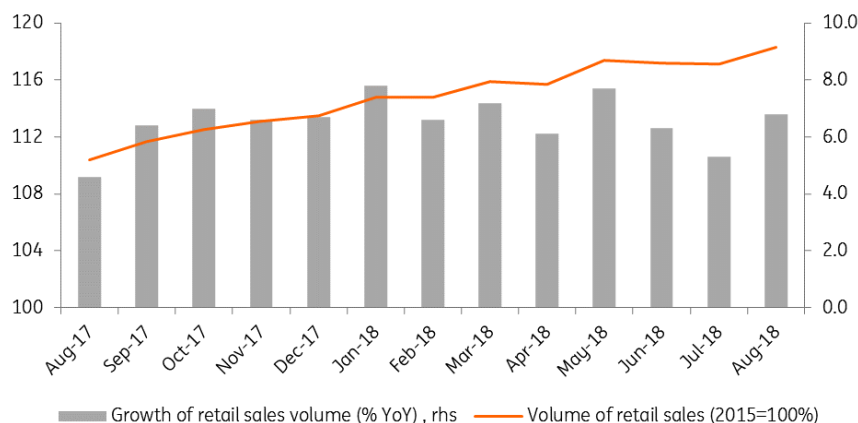
Consensus 5.7% / Previous 5.3%

Better than expected

The retail sales turnover, adjusted for working days rose by 6.8% year on year in August, beating both market expectations and the average growth rate of 2018 (6.7% YoY).

The latest reading is arguably a positive surprise as the sector accelerated after a slowdown of two months. The correction was enough to move the retail turnover volume from the plateau. Given the overall performance of the economy in 3Q18, the big picture has just become even brighter.

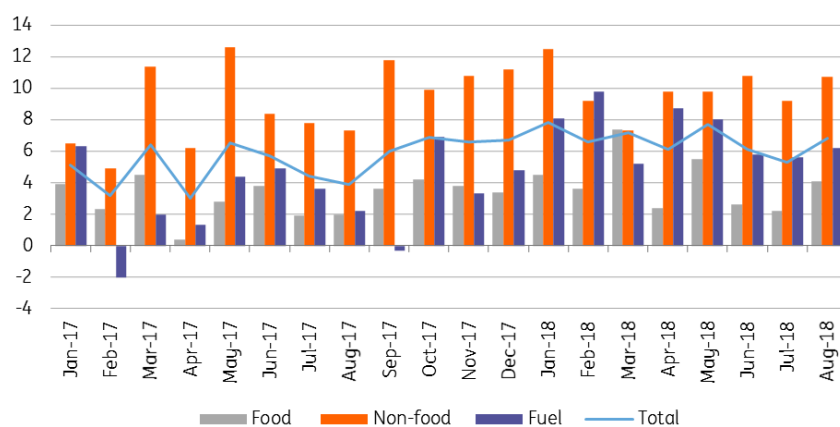
Volume of retail sales



Source: HCSO, ING

The details show that a correction across the board compared to previous the month. The turnover in food shops posted the biggest improvement, translating into slightly above average growth but the non-food shops' story has remained the same as the sector rose by double-digit rates. As fuel prices somewhat stabilised in August, fuel consumption also rebounded compared to July.

Breakdown of retail sales (% YoY, wda)



Source: HCSO

With the support of the improving labour market, we expect the sector to expand by 6-7% YoY in the coming months, resulting in a 6.9% YoY growth in 2018 as a whole. Against this backdrop, consumption remains one of the main drivers behind economic activity for the rest of the year.

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