

## Hungary: Retail sales boost GDP outlook

Retail sales in food shops posted a growth rate not seen since 2014, translating into another strong overall performance by the retail sector



Source: Shutterstock

# 7.1%

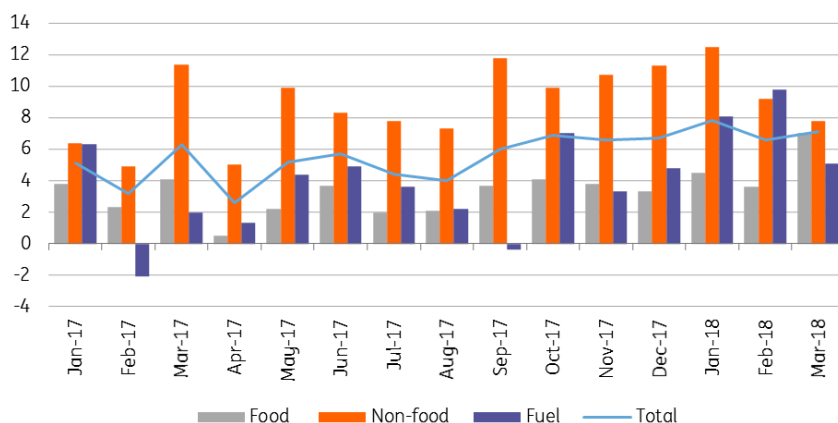
## Retail sales (YoY)

Consensus (6.2%) / Previous 6.6%

Better than expected

Retail sales turnover (adjusted by working days) increased by 7.1% year-on-year in March, beating even ING's estimate, which was the most optimistic. It shows a significant acceleration after a rather disappointing February reading, thus the sector closed 1Q18 on a positive note.

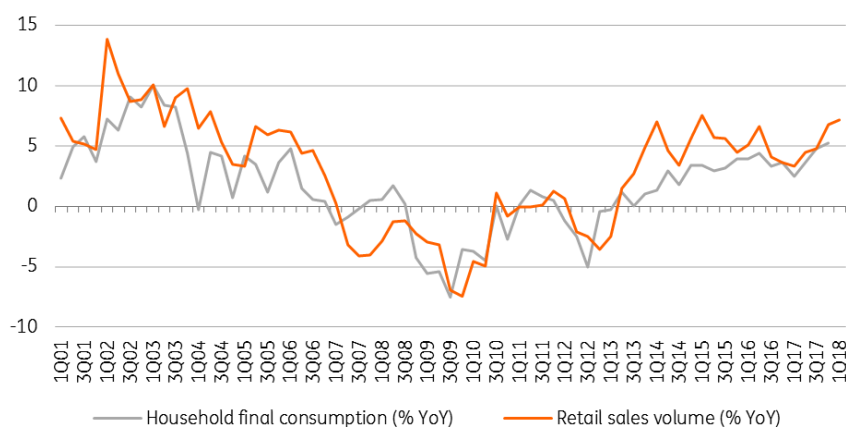
## Breakdown of retail sales (% YoY, wda)



Source: HCSO

The surprisingly strong turnover growth was mainly due to one-offs. First of all, the earlier than usual Easter affected consumer spending in food stores. Secondly, Hungary's 2.9 million pensioners got the government's gift voucher worth of HUF10,000 (EUR32) around the end of March. Against this backdrop, turnover in food shops increased by 7% YoY, a growth rate not seen since 2014. Retail sales in non-food shops has remained strong, posting a 7.8% YoY increase in March, mainly on the back of the improving financial situation of households. Turnover in automotive fuel retailing rose by 5.1% YoY.

## Retail turnover increases, will consumption follow?



Source: HCSO, ING

Based on the overall performance in the retail sector in 1Q18 we can be optimistic about the GDP data. In year-on-year terms, retail sales rose at a slightly higher pace in 1Q18 than in the previous period. It means we can expect at least the same, if not a better contribution from consumption to GDP growth. Economic activity certainly won't be hindered by household spending. We see now upside risk to our 3.8% YoY 1Q18 GDP forecast.

## 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 <http://www.ing.com>.