

Hungary: Retail sales comes back to reality

The March data fits more into the recent trend, while the previous one seems to be a positive outlier. After all, the first quarter’s performance improved on a quarterly basis



Source: Shutterstock

5.9%

Retail sales (YoY)

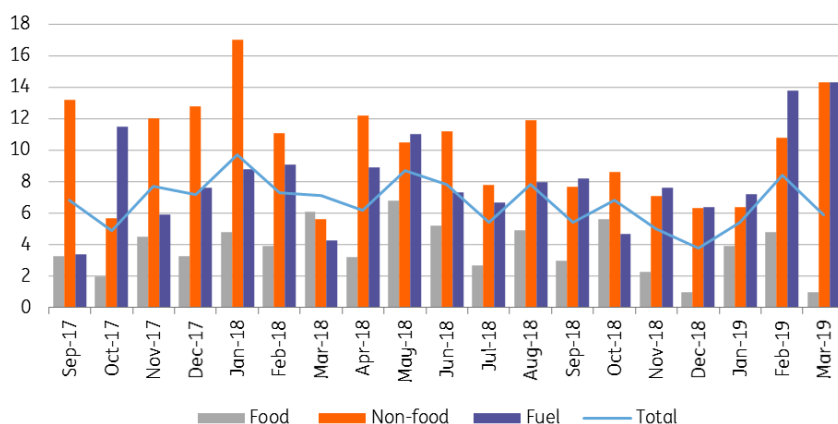
Consensus (6.5%) / Previous (8.4%)

Lower than expected

The March retail sales data showed a 5.9% calendar adjusted year-on-year (YoY) growth, causing some disappointment after the 8.4% YoY peak in February. However the growth was much more modest than previously expected, it is still treated as relatively high regarding the prevalent slightly increasing trend since January 2019. The first quarter of the year overall didn’t show any slowdown on a quarterly basis, rather it slightly accelerated. Retail sales are still driven by double-digit wage growth and strong consumer confidence. Also, strengthening inflation coupled with a

high cash-to- deposit ratio could urge household spending.

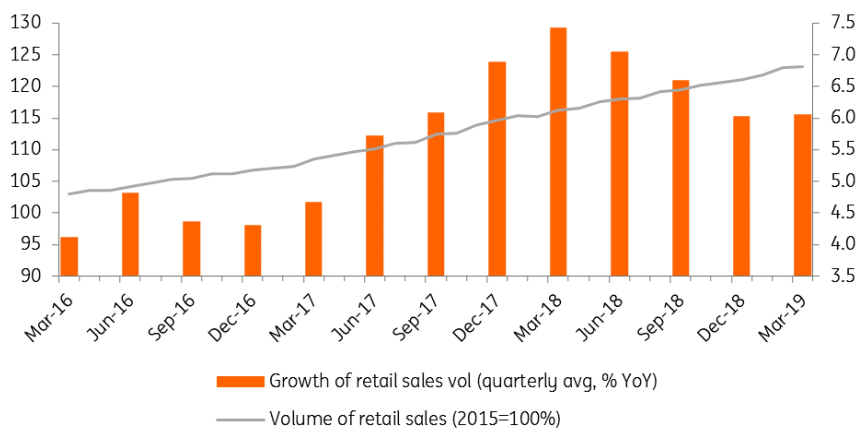
Breakdown of retail sales (% YoY, wda)



Source: HCSO

The lower-than-expected March growth was mostly caused by the weak performance of food shops, which increased turnover only by 1% YoY. On the contrary, non-food shops and fuel shops reached a 14.3% yearly growth, which counts as multi-year records. These two types of shops have pushed the retail sector in the first quarter. As fuel prices are on the rise, the extra high fuel sales can fade in the next couple of months.

Retail sales volume



Source: HCSO, ING

Looking forward, we see retail sales rebounding in April due to the Easter effect. When it comes to the longer term, we forecast retail sales turnover to increase by 5-6% in 2019 on average, coming back to the trend of soft deceleration that started at the end of 2017. The main reason for this is that households tend to spend relatively less on products and more on services as their income and wealth level increase. Also, higher fuel prices can cause a decrease in sales volume. On the other hand, strengthening inflation expectations pose an upside risk both on inflation and retail sales growth.

Author

Peter Virovacz

Senior Economist, Hungary

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>.