

Hungary: Retail sales disappoint again

Despite a 10.6% year-on-year increase in retail sales volume, this was a massive disappointment. The sector's downward trend continues



The biggest market in Budapest

10.6%

Retail sales (YoY, wda)

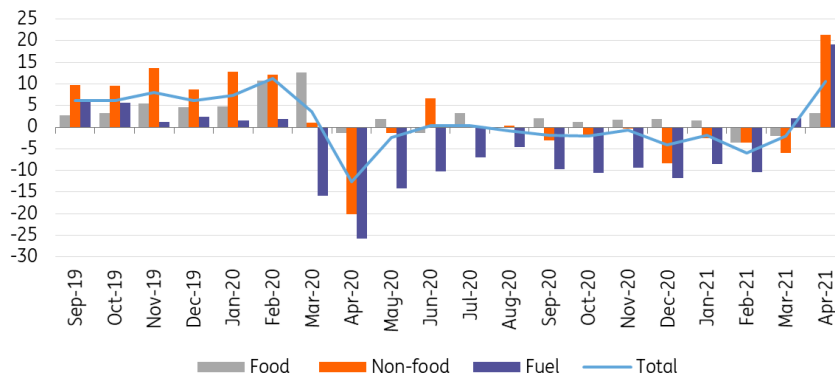
ING forecast 14.7% / Previous -2.1%

In the past, growth above 10% would be a reason to celebrate. However, incoming economic activity data does not say much about the real economic performance due to last year's terribly low base caused by lockdown measures. The same is true for the April retail sales figure in Hungary.

At face value, the 10.6% YoY working-day adjusted growth in retail sales volume in April 2021 looks pretty good. But the market was expecting way more, as most of the forecasts expected a jump in retail sales on a monthly basis, too. The reasoning behind this was the first phase of the reopening, which eased restrictions on opening times for non-essential shops. However, based on seasonally and calendar adjusted data, retail sales dropped by 1% MoM in April.

At the same time, it is also worth noting that the reopening has provided a greater boost to the service sector, and retail data does not take this segment into account. Therefore, the barely double-digit year-on-year retail growth is a consequence of the low base of last April.

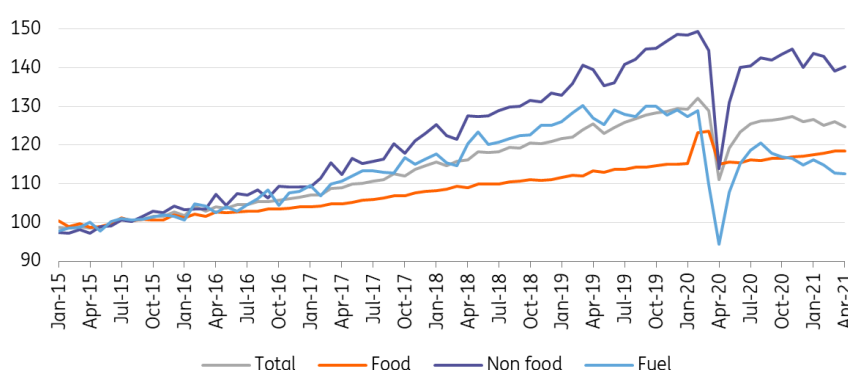
Breakdown of retail sales (% YoY, wda)



Source: HCSO, ING

Looking at the details of the year-on-year performance of subsectors, the most significant jump can be seen in non-food retail. The mandatory shop closures last April pushed data from the sector's performance to a really deep level, so it's hardly surprising that a year later, when all stores reopened again, sales increased by more than 21% on a yearly basis. Roughly the same can be said for fuel retail. As a result of strict containment measures, fuel consumption dropped drastically last spring. However, in April 2021, in line with the reopening and in parallel with the economic recovery, fuel turnover also increased, by 19.2% on an annual basis. The impact of the reopening was least felt in food retail, although even here, with a relatively low base, the statistical office measured an increase of 3.3% YoY, which is the highest growth figure since July 2020.

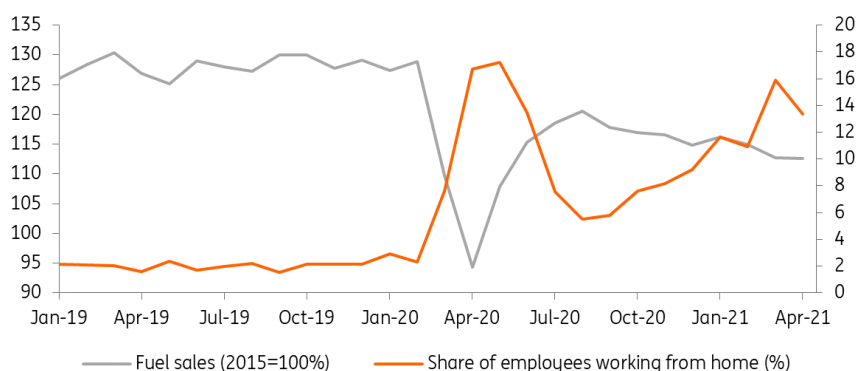
Retail sales volume in the subsectors (2015=100%)



Source: HCSO, ING

Looking ahead, it seems that the retail sector's trend reversal is yet to come. Since the last quarter of 2020, retail has been on a downward slope and is increasingly lagging the pre-crisis trend trajectory. This is becoming increasingly difficult to interpret in light of favourable labour market data. The strengthening of consumer confidence has not yet subsided in retail sales either.

Telework's impact on fuel sales



Source: HCSO, ING

In the coming months, fuel retailing is expected to become a driving force, while non-food trade could put a serious brake on the sector due to significant increases in product prices driven by rising commodity prices and transportation costs. At the same time, retail sales data will tell us less than usual about the real performance of the economy and the stance of household consumption, as it is likely to be concentrated in the service sector in the coming months during the reopening.

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