

## Hungary: Retail sales gain on reopening, tourism

Retail sales in June posted the strongest monthly based growth in a year, as reopening and tourism – helped by EURO 2020 – boosted consumption



# 5.8%

Retail sales (YoY)

ING forecast 4.0% / Previous 5.8%

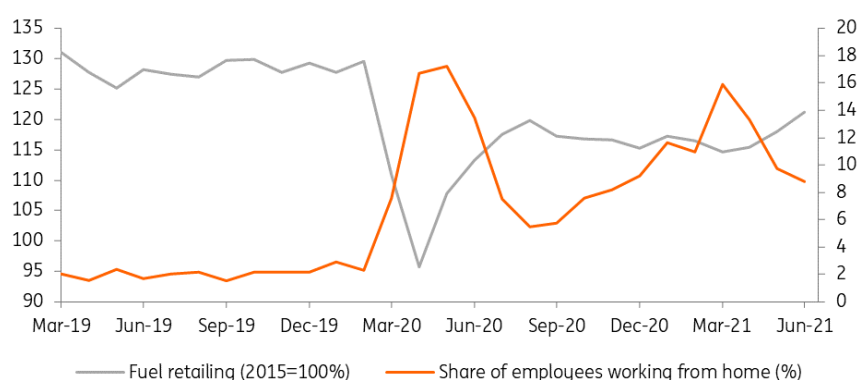
Better than expected

As our readers are no doubt aware by now, year-on-year growth rates should be taken with a pinch of salt. In May and June, retail sales volumes both increased by 5.8%. But behind this number lies significant differences and the monthly based growth rates tell a different story. May was a disappointment, while June, with its 0.6% MoM growth was a significant upside surprise. It is the strongest monthly growth since last summer, where reopening led to a roughly similar pattern.

We see two main drivers behind these strong retail sales. First and foremost, the Hungarian economy fully reopened by June. Our second reason is tourism, which got a boost (besides opened borders) from the EURO 2020 as Budapest was one of the hosting cities. Against this backdrop, the strong June performance is less of a surprise.

Checking the month-on-month growth rates in different sectors, we can clearly see these impacts. Food retailing rose by 0.6% MoM, the strongest reading since last July (which was also affected by the reopening). This probably reflects the increased consumption coming from tourists. Fuel retailing also improved a lot. The decreasing share of workers working from home, thanks to the improving pandemic situation and practically scrapped containment measures and the start of the summer holiday season boosted fuel sales by 2.7% MoM.

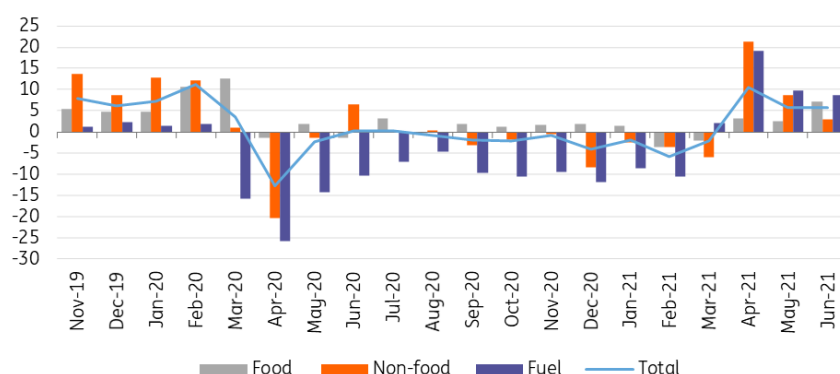
## Telework's impact on fuel sales



Source: HCSO, ING

Looking at the yearly indices, both food and fuel retailing showed significant improvement over a year with a 7.2% and 8.6% increase, respectively. The only segment which was unable to show improvement was non-food retailing, registering 3% YoY growth. Although last year's base was exceptionally high in this subsector.

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

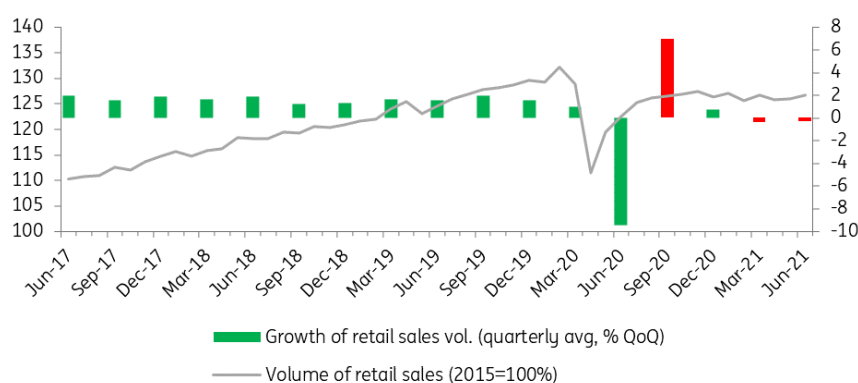


Source: HCSO, ING

With today's data release, statistics for retail performance for the full second quarter are now

available. Based on these, retail sales showed only a minor decline on a quarterly basis, mainly due to the strong June. If we add to this that these statistics do not include anything from the services sector, we are not far from the truth assuming that we will see extremely dynamic growth in consumption in the second quarter of 2021. This will be reflected in the 2Q21 GDP growth rate as well, where we expect to see another 2% QoQ growth rate (or even higher based on today's data), repeating the surprisingly strong performance of the first quarter.

## Volume of retail sales, 2015 = 100%



Source: HCSO, ING

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