

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%

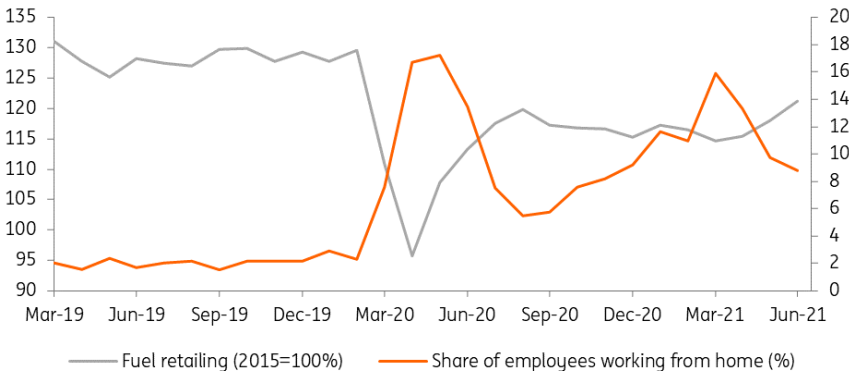
Better than expected

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.

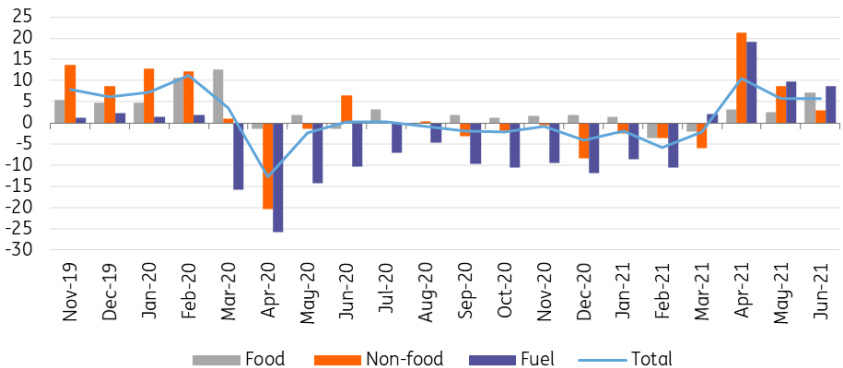
Telework's impact on fuel sales



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)

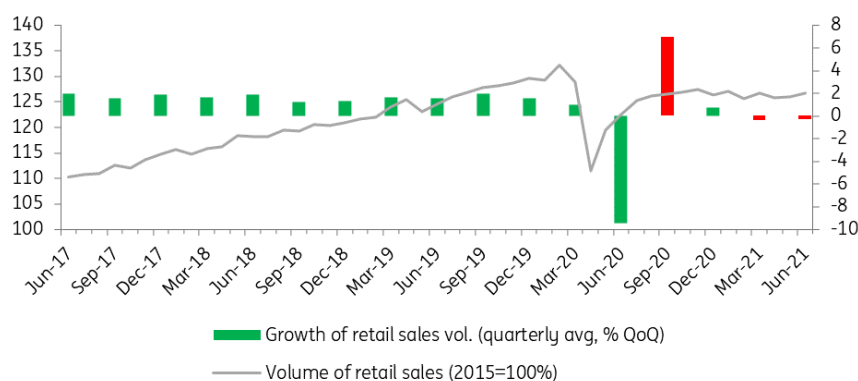


Source: HCSO, ING

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

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 www.ing.com.