

## Hungary: Retail sales strong again

Retail sales continued their rebound, posting their third-strongest annual growth number in July. Strong wage growth provides enough money to increase spending and saving at the same time



Source: Shutterstock

# 6.4%

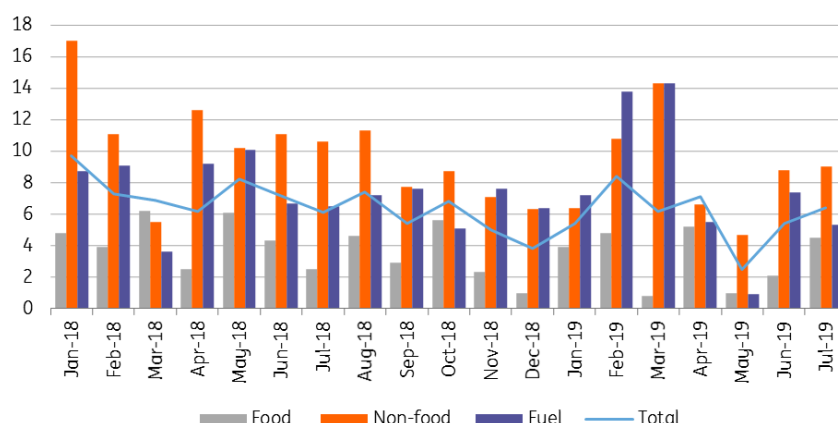
Retail sales (YoY, calendar adjusted)

Consensus 5.6% / Previous 5.4%

Better than expected

Retail sales growth turnover has been accelerating since the low in May. The 6.4% YoY calendar adjusted rate posted in July is the third-strongest reading this year. The July performance was a positive surprise, despite consumer confidence having dropped and there having been significant take-up of the new five-year retail bond. It seems that the majority of the funding for retail bonds came from a reshuffling of portfolios, with the other part new money from still double-digit wage growth. Against this backdrop, the labour market and wage developments are strong enough to boost both savings and consumption.

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



Source: HCSO

The details show automotive fuel retailing was the only sector where we saw a deceleration in growth in line with the increase in oil and fuel prices. Turnover in food and non-food shops rose at a faster pace in July than in the previous month. The growth rate of non-food shops reached 9% YoY, the strongest reading since March mainly on the back of the sales of manufactured goods, furniture and electrical goods.

The retail sector started the third quarter of 2019 strongly, giving some silver lining. Despite all the gloom and doom externally, domestic factors might keep Hungary's growth on track to reach 4.7% GDP growth on average this year.

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