

Hungary: Retail sales surge

The retail sector once again defied all expectations, showing a remarkable performance in April. The Easter-effect caused some volatility, but the trend is clearly pointing upwards



Shoppers in Budapest

7.1%

Retail sales (YoY)

Consensus (6.3%) / Previous (6.3%)

Better than expected

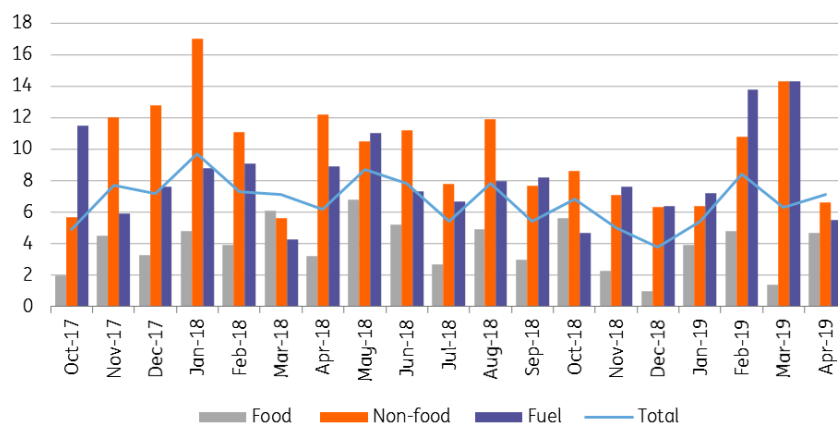
Retail sales grew by 7.1% year-on-year in April on a calendar-adjusted basis, higher than expected. If we take the Easter-effect into account, the growth rate was even higher at 8.5% YoY. The retail sector is clearly on an upward trend, suggesting that 2Q19 could be another strong period for consumption.

The disappointing March and surging April data was mainly due to Easter effects (even if we adjust for this, as statistical adjustments are not always enough). This is clearly visible in the detail:

- Food shop sales were really strong, at 4.7% YoY, after a weak March.

- Non-food shops posted a 6.6% YoY increase in turnover, a low number compared to the usual double-digit growth rate. We see seasonality and weather as the main reason for this, as textiles, clothing and footwear shops posted a huge drop in turnover.
- The volume of sales in automotive fuel stations rose by 5.5% YoY, the lowest since October 2018. In our view, this is the consequence of rising fuel prices.

Breakdown of retail sales (% YoY, wda)



Source: HCSO

Looking forward, we forecast that retail sales turnover will increase by around 7% in 2019 as a whole. The still tight labour market is fuelling the retail sector further, with households still keen to buy goods rather than spend a higher proportion of their income on services. Moreover, the second half of 2018 was rather weak, providing a low base and supporting a strong performance in the retail sector going forward.

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