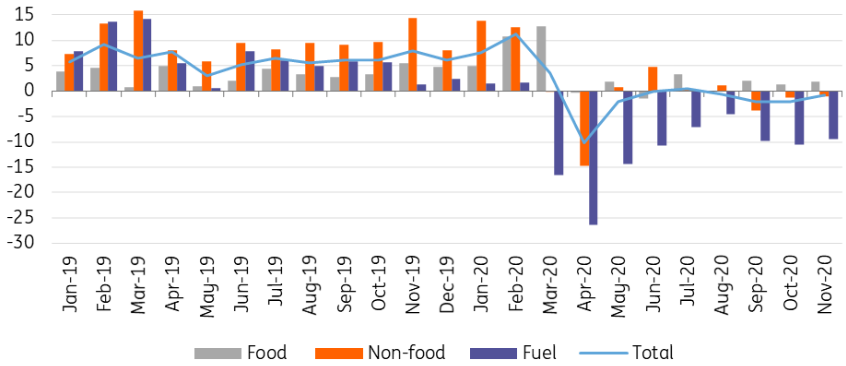
Hungary: Retail sales weather the November storm

Despite the stricter containment measures in November, the retail sector was able to weather the storm, continuing its gradual recovery

Shoppers in Budapest

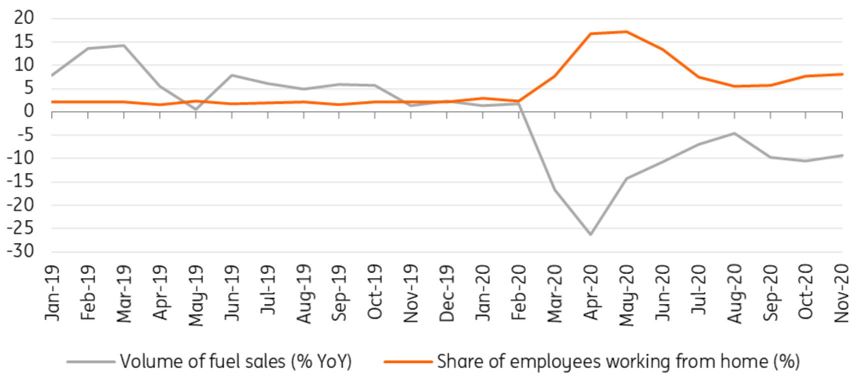
Finally, some upside surprise in the retail sector. After three months of disappointment, we were expecting another disappointing number in November, given the re-introduction of some stricter containment measures in Hungary. However, retail sales volumes didn't collapse. In November, the volume of retail sales increased by 1.1% month-on-month, showing only a 0.1 percentage point slowdown compared to October. The year-on-year performance also improved. The calendar-adjusted data showed a 0.8% YoY drop in November - a 1.2ppt improvement compared to the previous reading.

Breakdown of retail sales (% YoY, wda)



Source: HCSO, ING

So where does the positive surprise come from? First of all, despite the further spread of telework and home office, fuel sales improved somewhat. The share of employees working from home (regularly or occasionally) increased to 8.2% in November, the highest in five months. But fuel consumption decreased by only 9.4% YoY, showing an improvement over the past two months.



Source: HCSO, ING

As Hungary is still missing critical tourist inflows, the lack of non-residential consumption is a barrier to any further improvement. But still, the growth of sales volume in food shops has stabilised, showing a 1.8% YoY increase in November, and this is the main driver behind the improving big picture. The sales volume of non-food shops dropped by only 1% YoY, showing a minor improvement compared to the previous month. This counts as a positive surprise. On the one hand, the strong sales volume in pharma is nothing surprising amid the second wave of the virus. On the other hand, despite the 2019 buying frenzy during the Black Friday period providing a high base, the 1% year-on-year drop is still sound. Sales and rebates were not concentrated to one Friday, but rather we had a “Black November” in 2020. In all, sales figures were weaker than last year in the non-food segment, but amid such a crisis, the latest figures are still okay.

> After weak October data, November was better than expected amid the stricter containment measures and a gloomier outlook in retail sales. No, we are not out of the woods yet, especially as the retail sales data don’t say anything about the services sector

which was hit the most by the second wave and related lockdown. Against this backdrop, we maintain our call of a W-shaped recovery with economic activity shrinking on a quarterly basis in the last part of 2020. The latest retail sales data just provides a positive footnote, but this is still no game-changer in that respect.

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