

Hungarian retail sector ends 2019 on a positive note

After an exceptionally strong November, December saw a slowdown in Hungarian retail sales. 4Q19 was better than the previous two quarters - a positive sign ahead of next week's GDP release



Source: Shutterstock

6.1%

Retail sales (YoY)

Consensus 6.5% / Previous 7.3%

Worse than expected

Hungarian retail sales turnover posted a 6.1% year-on-year increase in December, taking into consideration the calendar-effect too. It is a significant slowdown compared to the previous month's 7.3% performance, but still matching the sector's average growth rate in 2019. When we try to assess the fourth quarter, overall we see strong performance.

According to our calculation, the YoY performance was 6.2%, much better than Q2 or Q3 turnover

increase.

Retail sales volume and quarterly performance

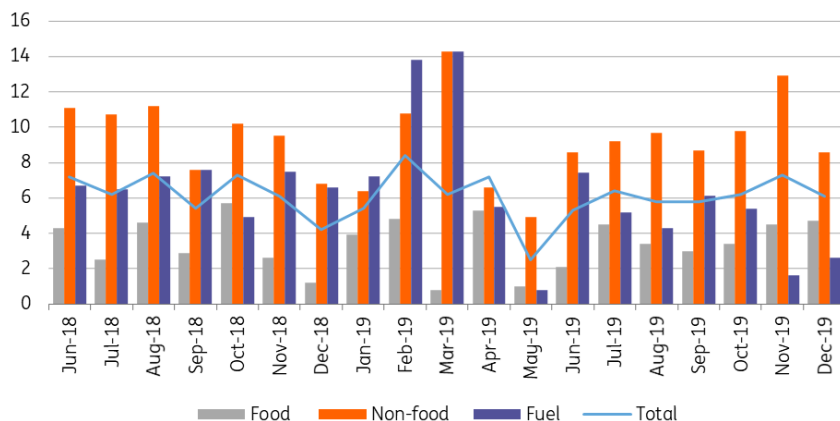


Source: HCSO, ING

When it comes to the details of the retail sector’s performance, we hardly see any surprises.

After the ‘Black Friday’ effect in November, people were less keen to buy non-food products in December, but the 8.6% YoY growth in sales is still sound. As usual, holiday seasons affect food sales positively. Against this backdrop, food shops registered a 4.7% YoY increase in turnover, well above the yearly average. Fuel retailers closed the year relatively weak with a 2.6% YoY increase (the third-worst rate in 2019), as elevated prices dampened the demand.

Breakdown of retail sales (% YoY, wda)



Source: HCSO, ING

The fact that the retail sector showed a really good performance in 4Q19 means we can look forward to next week’s GDP release with a pinch of optimism.

Household spending might have an even stronger impact on GDP growth than in the previous quarters. To tame our own expectations, it still won’t be enough to fully counterbalance the expected marked slowdown in industry and construction. As for now,

we see a good chance that our 4Q19 GDP growth forecast at 4.5% YoY will match the actual data.

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