Hungary: Retail sector closes a weak August

August used to be a strong month for the retail sector, mainly due to tourism. This year was different, translating into a downside surprise

The biggest market in Budapest

-0.7%

Retail sales (YoY, wda)

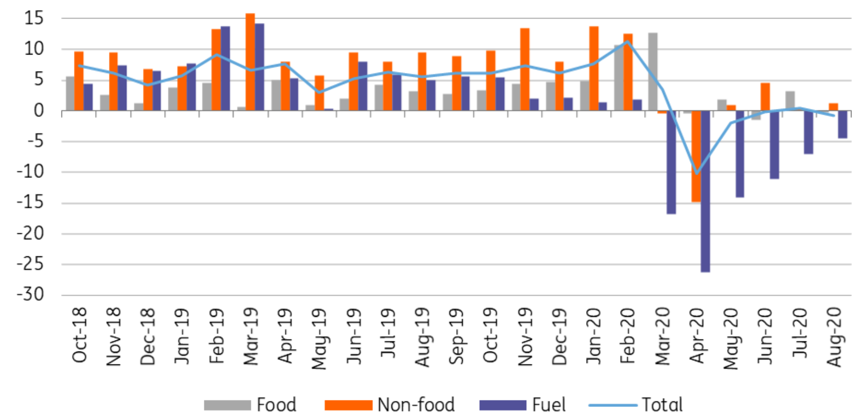
Consensus 1.6% / Previous 0.4%

Worse than expected

The recovery in retail sales suffered an unexpected setback in August. The sector's performance was significantly worse than expected, with a 0.7% year-on-year drop (calendar adjusted). On the other hand, month-on-month growth remained fairly sound at 1.5%, based on seasonally and calendar adjusted data. So one of the reasons behind the unexpected fall is the high base and the impact of tourism.

August used to be the peak season for both domestic holidays and foreign visitors. This year was markedly different due to the lack of foreigners. It seems that local tourism, which was flourishing in August, mainly affected services and showed less impact in the retail sector. Our guess is that foreign visitors spend a higher proportion of the holiday budget in the retail sector, so the sector was missing this impulse in August.

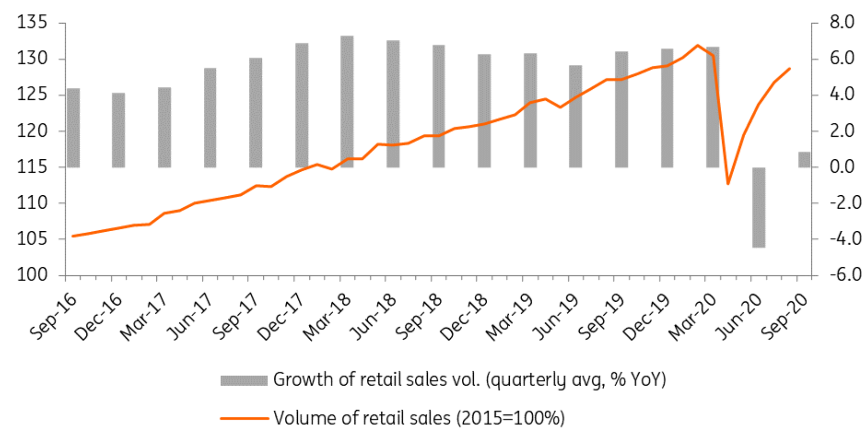
Breakdown of retail sales (% YoY, wda)



Source: HCSO, ING

Examining the three main sub-sectors, it is clear that people on holiday generated much less turnover in the food sector, which was down 0.2% YoY, from +3.3% YoY in July. The sales volume of non-food stores grew by 1.2% YoY, a stronger figure than in the previous month. More domestic travelling was also reflected in fuel sales, which continued to improve, but the turnover was still 4.5% lower than in the same month of last year.

Retail sales volume and quarterly performance



Source: HCSO, ING

The third quarter data contains only the July-August period.

Looking at the big picture, after the first sharp rebound, the recovery has been slowing month by month and shows only gradual improvement. Moreover, as temporary furlough schemes ended in August, the autumn months will be even weaker, as real disposable income retreats. Despite the less convincing August performance and the uncertainty, we still expect the highest ever quarter-on-quarter GDP growth in 3Q20 due to the deep base effect. However, question marks are multiplying when it comes to the end of year activity.

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