

## Hungary: Retail sector posts a huge negative surprise

After a strong start, the retail sector nosedived in May and the phenomenon is widespread across all shop types. This could be the first sign that a general slowdown is inevitable



Source: Shutterstock

# 2.6%

Retail sales (YoY, calendar adjusted)

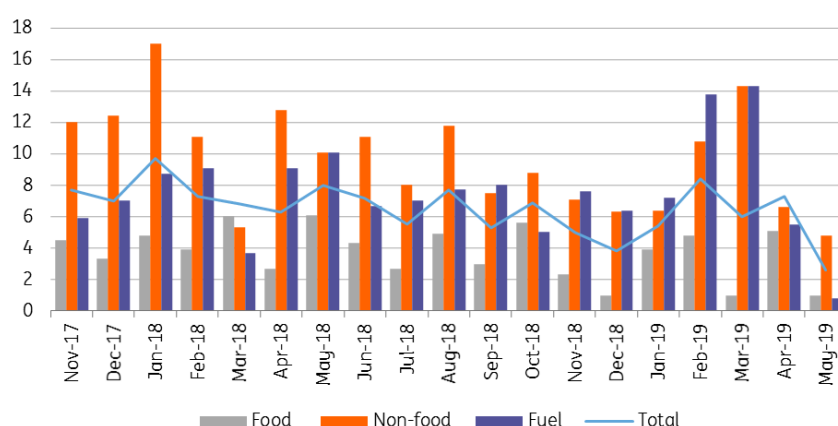
Consensus: 6.2% / Previous 7.3%

Worse than expected

Latest retail sales data in Hungary caused a severe disappointment with the 2.6% year-on-year calendar adjusted growth posted in May. The slowdown itself is not surprising, but its extent certainly is. It is the slowest pace of growth since February 2017, and the data raises questions about the sustainability of the strong performance seen in the sector in the first quarter of this year. The latest numbers fit into the trend of a deceleration which started at the end of 2017.

So what's behind it? It seems the surprise is not due to one specific sector as all of the main shop types registered a significant slowdown. Turnover in food shops came in at 1.0% YoY, which is the least surprising factor since the end of the Easter-related frenzy. On the other hand, non-food shops posted a 4.8% YoY increase in turnover, the lowest figure since 2016. For example, sales dropped on a yearly basis in clothing, books, computer equipment and in second-hand goods. Moreover, the volume of sales in automotive fuel stations rose by only 0.8% YoY, a low pace not seen in the past 6-7 years. So we're looking for answers. All this could be down to the effect of the new retail bond, which might increase the savings rate immediately and harshly. However, more data is needed to verify this theory.

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



Source: HCSO

Looking at the big picture after this data, we can be almost sure that the growth of household consumption will take a severe hit in the second quarter, having a significant effect on GDP growth too. The main question is whether the May data is the start of a new trend, or just a blip? In any case, this could be the first sign that the slowdown has arrived in Hungary and now we have to work out just how hard that will hit.

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