Hungary: Retail sector sees a moderate improvement

As lockdown and curfew measures were eased in May, retail sales started to improve accordingly. This is just a first step in the long road to a full recovery

People on the Széchenyi Chain Bridge, Budapest

-2.1%

Retail sales (YoY)

Consensus -3.6% / Previous -10.2%

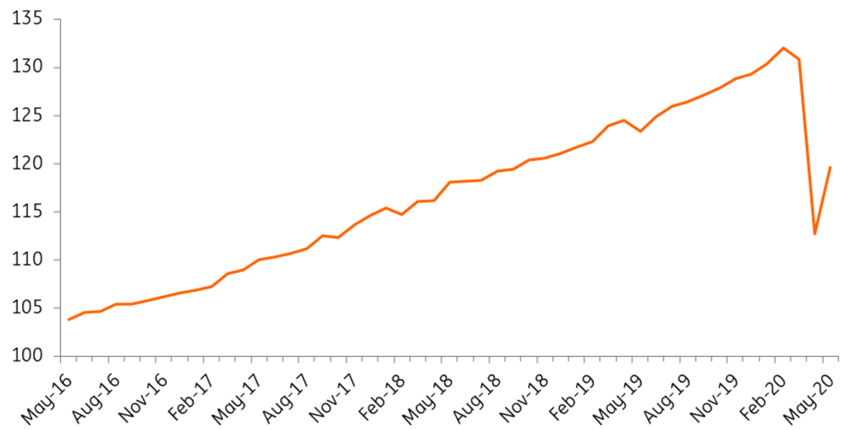
Better than expected

After a record-breaking drop in April, retail sales turnover increased in May. Although it hardly comes as a surprise, it's still good to see an improvement.

The volume of retail sales increased by around 6% on a monthly basis given the pent-up demand, as the government started to ease lockdowns and curfew measures in Hungary. On a yearly basis, retail sales are still down by 2.1%. So, with one month of improvement, the level of retail sales jumped a year ahead of time.

In April we dropped to a level last seen in 2017, and in May we are back to the levels last seen in mid-2018.

Volume of retail sales, 2015 = 100%



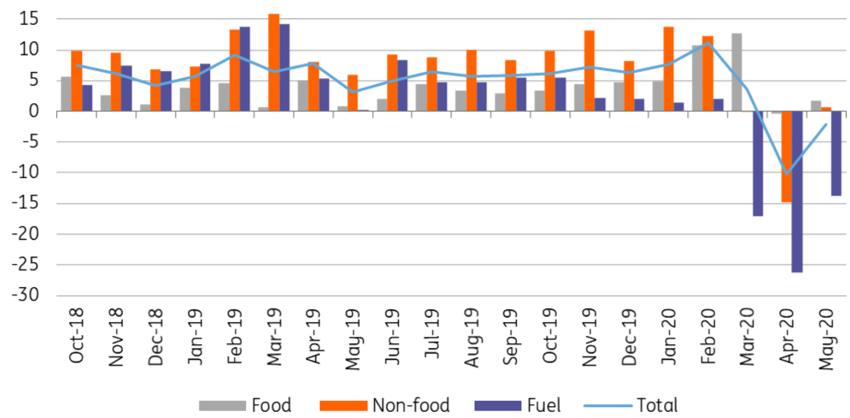
Source: HCSO, ING

The details show the least affected segment was food sales again, as turnover increased by 1.8% YoY.

Things look good after the shock but still lag compared to the pre-crisis average of 3-4%. Non-food shops, which were hit most by the regulatory restrictions were the biggest winners of the reopenings. The 0.7% year-on-year increase sounds weak compared to the double-digit figures we used to see, but after a 15% collapse in the previous month, it is still a relief for shop owners. Transport will remain heavily affected despite the reopening, impacting the demand for fuel.

Fuel retailers saw a 13.8% YoY drop in sales volume in May.

Breakdown of retail sales (% YoY, wda)



Source: HCSO, ING

Mail order and internet retailing segment are flourishing as another 59% YoY increase was recorded. The monthly turnover remained around HUF 100bn in May.

The first step in a long road to a full recovery

We see further improvement in the sector in the coming months, as life has gradually begun to return to normal and pent-up demand remains the main driver.

However, still lower levels of travel and transport and labour market deterioration may lead to a permanently lower growth rate in the retail sector than we experienced before the Covid-crisis. Overall, we see May data to be just the first step in a long road to a full recovery.

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