

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%

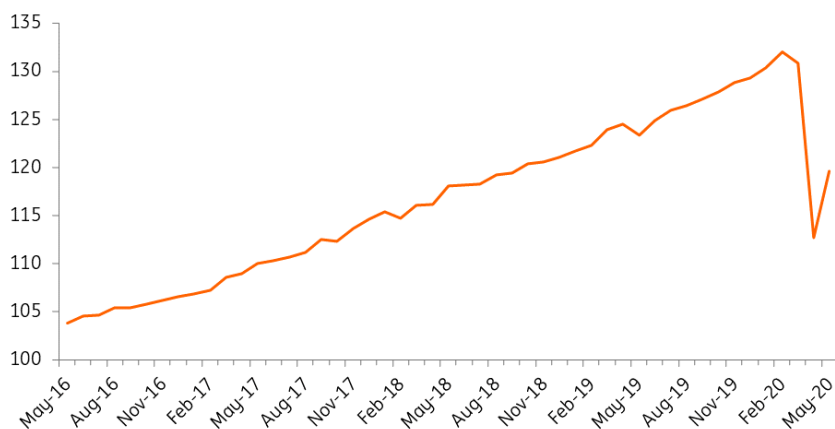
Better than expected

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%



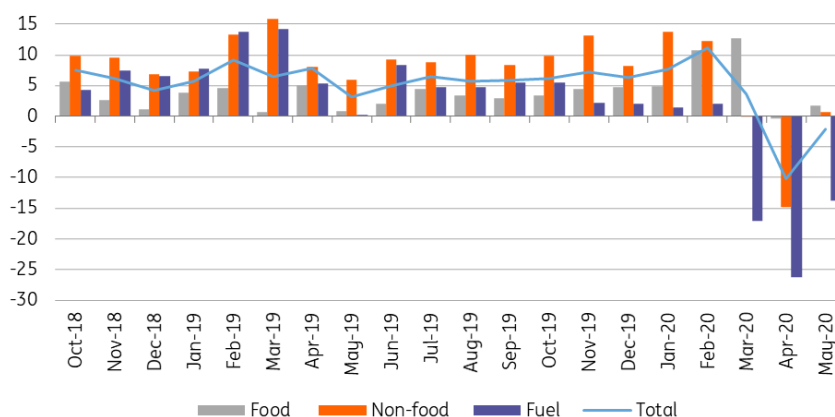
Source: HCSO, ING

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.

Author

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.