

## Hungary: Retail sector skyrockets on Covid-19 panic buying

It was even stronger than we expected. The retail sector posted a double-digit increase in turnover in February, a 17-year record, as Covid-19 triggered a rush among consumers



Shoppers in Budapest

# 11.3%

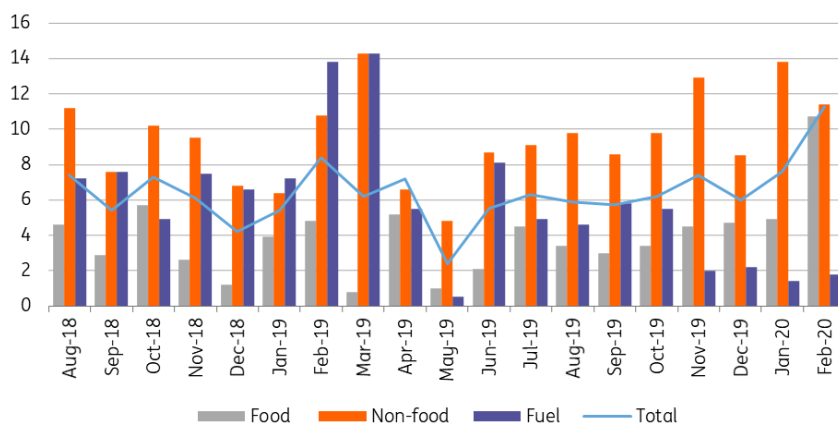
Retail sales (YoY)

Consensus 6.3% / Previous 7.6%

Better than expected

Retail sales posted an 11.3% year-on-year calendar-adjusted increase in February. Our call was way above the market consensus, but that was still weaker than the final outcome. Such a run in stores was last seen in 2003. Although the number of Covid-19 cases began to increase significantly in March, the news in February was more than enough to fuel panic buying among consumers.

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



Source: HCSO, ING

When it comes to the detail, this supports our view that this buying frenzy is just a temporary, panic-related event. Sales rose by 10.7% year-on-year in food shops, a rate not seen since 2003. People started to buy up non-perishable food. But non-food shops benefited as well. Retail sales of non-food products jumped by 11.4% YoY, mainly driven by pharmaceutical and medical goods, computers and related equipment, electrical and manufactured goods. Consumers started to build up inventories of medicine, made preparations for working from home and purchased cleaning and disinfectant products. Fuel sales continued to stumble.

We see the temporary surge in retail sales continuing in March as the hoarding persisted amid an increase in the number of Covid-19 cases. The growth of retail turnover could be even higher than in February, after which we expect a sharp drop in sales numbers in the second quarter. We therefore continue to expect that the first quarter will bring relatively strong economic activity but see a downturn in the second quarter, with a V-shaped rebound.

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