

Hungary: Retail sector weathers the storm quite well

Retail sales increased in March due to the food segment, while fuel sales collapsed. In the non-food segment, the big winners were shops dealing in pharma, medical and cosmetics goods



3.5% Retail sales (YoY, wda)

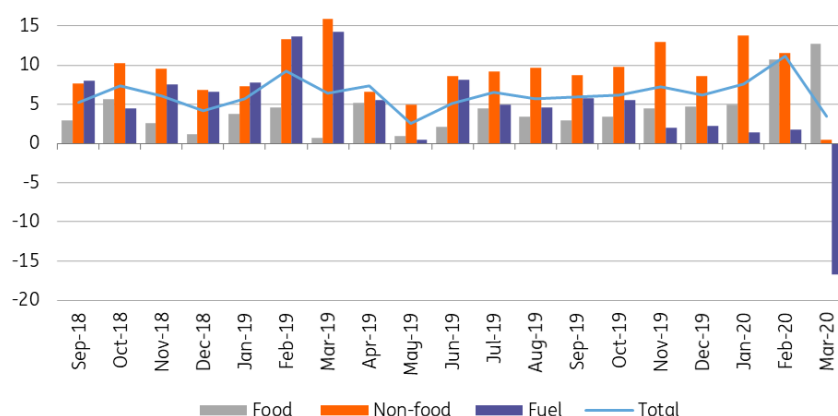
Consensus 1.3% / Previous 11.2%

Better than expected

Retail sales increased by 3.5% year-on-year adjusted for calendar effects. We expected a much stronger performance, mainly in the non-food sector. However, this is not bad at all in a month when regulatory restrictions were imposed in the sector due to the epidemiological emergency.

Sales rose by 12.7% year-on-year in food shops, an all-time high. People started to buy non-perishable food in February and the stockpiling continued in March. In contrast, non-food shops – which were hit by the regulatory restrictions – registered a 0.5% increase in sales volume in March. There are exceptions, as sales rose in non-specialised shops dealing in pharmaceutical, medical and cosmetics goods (+38% YoY). On the other hand, the volume of sales fell in textiles, clothing and footwear shops (-51%).

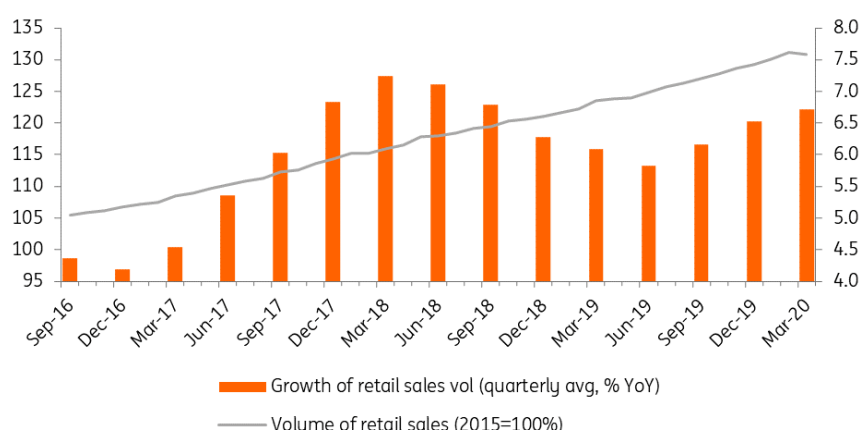
Breakdown of retail sales (% YoY, wda)



Source: HCSO, ING

In our view, the only surprise came from the mail order and internet retailing segment, which grew by 41% YoY. This seems high but is far from being extreme as this is an up-and-coming sector in Hungary, having only a 7.9% share in the retail sector. Fuel retailers closed a bad month as the volume of sales decreased by almost 17% YoY, and it could be even worse in April.

Retail sales volume and quarterly performance



Source: HCSO, ING

So March was not that bad, while January and February were strong. This suggests that in 1Q20, household consumption was strong enough to provide roughly the same support to GDP growth as in previous quarters. We therefore continue to expect that 1Q20 will bring relatively strong economic activity (3.7% YoY), but we see a downturn in the second quarter.

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