

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)

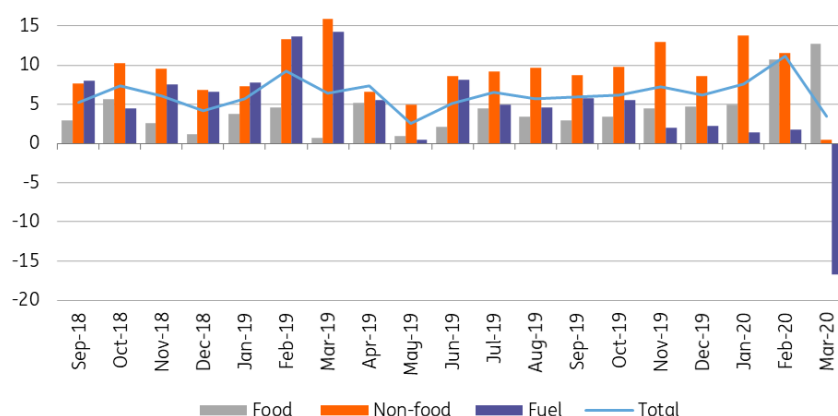
Consensus 1.3% / Previous 11.2%

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%).

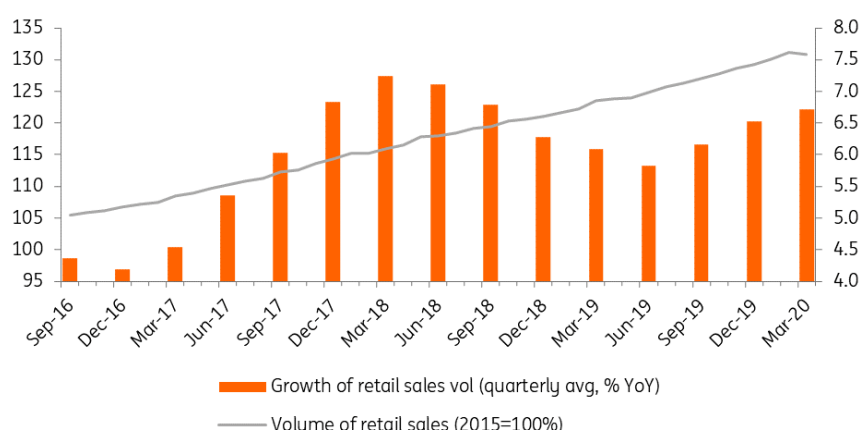
Breakdown of retail sales (% YoY, wda)



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.

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>.