

## Hungarian retail turnover back at last year's level

Even though June wasn't affected by the lockdown, Hungarian retail sales show only a gradual rebound. The historic collapse in 2Q points to a double-digit GDP drop



The Széchenyi Chain Bridge in Budapest (Pixabay)

Source: Pixabay

# -0.1%

Retail sales (YoY, wda)

Consensus 0.6% / Previous -2.0%

Worse than expected

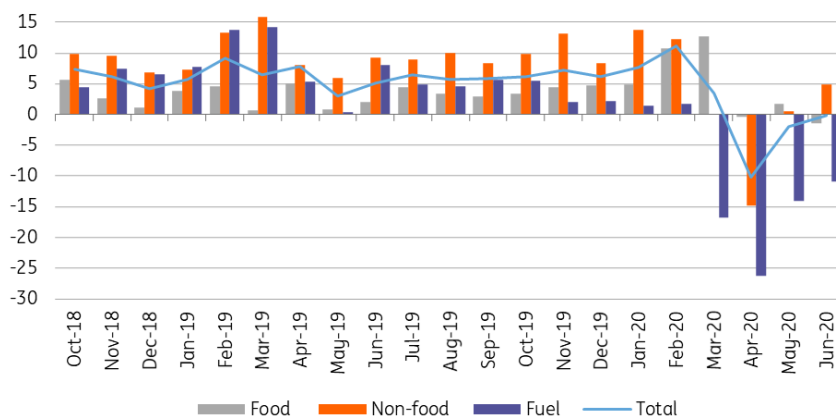
Hungarian retail sales have been normalising since the April nadir, but they are nowhere near a sudden turnaround.

The seasonally adjusted volume of retail sales increased by around 3.7% on a monthly basis. In year-on-year terms, the sector's turnover is still down by 0.1% based on working-day adjusted data. In April 2020, the level of retail sales equalled the level last seen in 2017. By May, the level of mid-2018 had been reached and in June, retail sales volume was roughly back to last year's level.

The details show only the non-food segment was able to grow in June on a yearly basis. Although the 4.9% YoY increase is only half the average growth rate measured in the past three years. Demand was strongly increasing in manufactured goods, books, computers, furniture and electrical goods. As the Covid-19 panic eased, turnover in medical goods fell. Turnover in food shops was down by 1.5% YoY in June. This partially reflects the significant price increase in fruit and vegetables, which curbs demand.

It hardly comes as a surprise that the most affected retail segment is still fuel sales. Demand for fuel decreased by 11.3% on a yearly basis as people were still commuting less.

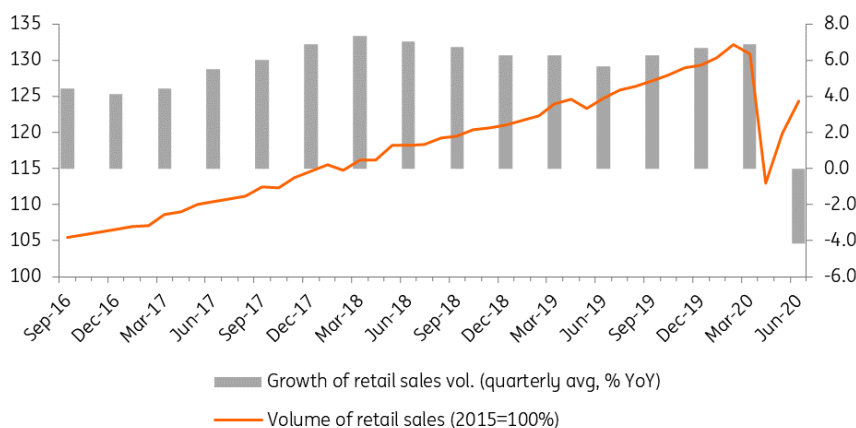
### Breakdown of retail sales (% YoY, wda)



Source: HCSO, ING

In the summer months, we expect moderate improvement in retail sales. However, the run-off of short-term labour market subsidies could impact the disposable income in a negative manner from the autumn. By then, the pent-up demand will also become much weaker. All in all, we see only mild growth in retail sales in 2020 as a whole.

### Retail sales volume and quarterly performance



Source: HCSO, ING

In terms of GDP outlook, retail sales fell by 4.2% YoY in 2Q20, triggered by a decline of more

than 9% on a quarterly basis. This has been the sharpest fall ever - nearly double the recent record seen in 3Q09.

In that quarter, GDP nosedived by 7.5% year-on-year. Against this backdrop, it is easy to imagine that the gross domestic product in 2Q20 might decrease by more than our 10.5% YoY forecast.

## Author

### Peter Virovacz

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto: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 [www.ing.com](http://www.ing.com).