

## Hungary: Stable growth in retail sales

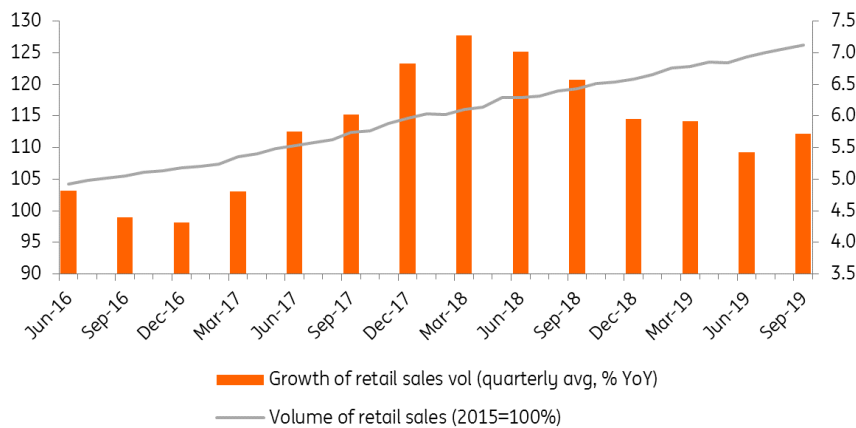
Hungarian consumers' willingness to spend is still going strong, as retail sales growth accelerated in 3Q19, but consumption alone might not be enough to stop the deceleration in GDP growth



Shoppers in Budapest

Hungarian retail sales increased by 5.8% year-on-year in September, based on calendar adjusted data - the same pace as in August. This figure is in line with expectations and matches the average of the first nine months of the year.

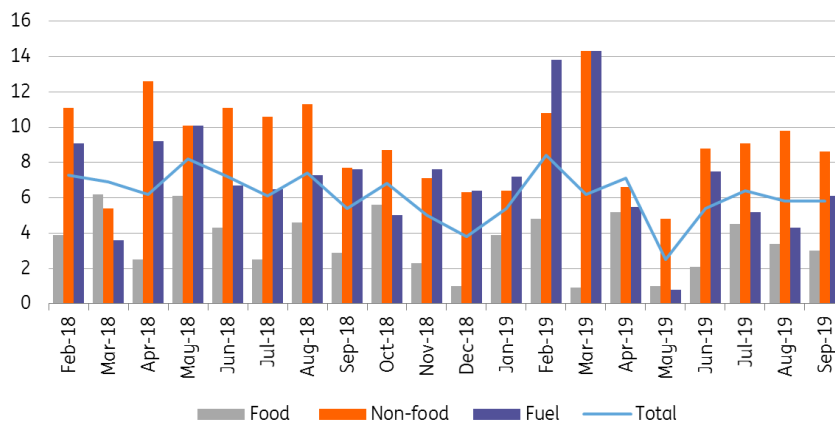
## Retail sales volume and quarterly performance



Source: HCSO, ING

Regarding the shop types, sales in fuel shops accelerated on an annual basis, mostly coming from lower oil and fuel prices. At the same time, both food and non-food shops registered a deceleration in their turnover growth. The main contributor to the sector’s growth has remained non-food shops, especially the sales of industrial and pharmaceutical products, perfumes and clothing.

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



Source: HCSO

Overall, the tight labour market and strong wage growth has kept consumer confidence and spending levels elevated, at least for the last three months.

Sales growth – somewhat surprisingly – accelerated both on a quarterly and an annual basis in 3Q19, breaking the slowdown trend started in early 2018. Despite the decent retail sales figures, strong consumption might not be enough to counterbalance the slowdown in manufacturing and construction sectors in terms of contribution to GDP growth in 3Q19.

Upcoming industrial production and construction data will shed more light. Until then, we maintain our call for a mild deceleration in GDP growth to 4.8% YoY.

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