

Hungary: The euphoria fades in retail sales

The euphoria from the re-opening of the economy is fading as the month-on-month growth in retail turnover slows further in July. Another nail in the “V” -shaped recovery coffin



0.4%

Retail sales (YoY, wda)

Consensus 1.3% / Previous -0.1%

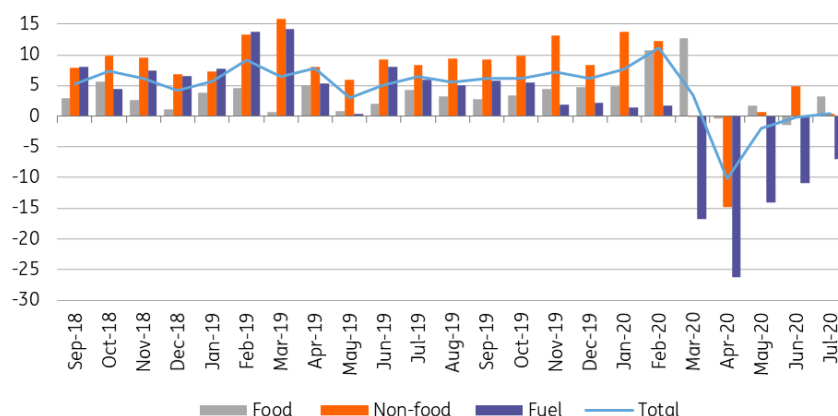
Worse than expected

Retail sales in Hungary have been normalising since the April nadir, but we've just received more evidence, that we are still quite far from calling this turnaround a “V-shaped” recovery.

The seasonally adjusted volume of retail sales increased by 2.5% on a monthly basis in July, after the 3.7% growth in June. In year-on-year terms, the sector's turnover is up by 0.4%. So, the good news is that we are back at the levels seen last year. The bad news is that the euphoria caused by the re-opening is fading, decelerating the pace of recovery.

The details show the non-food segment is responsible for the downside surprise. After the almost 5% YoY increase in June, in July this segment only increased by 0.4% YoY. Almost all of the main subsectors showed a significant deceleration or a drop in turnover. Clothing, pharmaceutical shops and drugstores were the only ones where the owners closed the month with improving performance.

Breakdown of retail sales (% YoY, wda)



Source: HCSO, ING

Turnover in food shops was up by 3.3% YoY in July. Compared to the previous years' stable performance, the monthly volatility in turnover has increased significantly. Fuel sales are still lagging by 7% on a yearly basis, which is an improvement compared to the previous month's 11% drop. Commuting and travel segments show only a gradual recovery with home office remaining part of our daily life.

Previously, we said that summer months will show only moderate improvement and so far, that has been the case. The run-off of short-term labour market subsidies could impact the disposable income in a negative manner from the fall. By then, the pent-up demand will become also much weaker.

All in all, we see only mild growth in retail sales in 2020.

Today's retail sales data was just the first piece of information about the economy's performance in the third quarter, so it'd be premature to draw conclusions.

But if anything, it was a weaker-than-expected start which does not bode well for a speedy recovery.

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>.