

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%

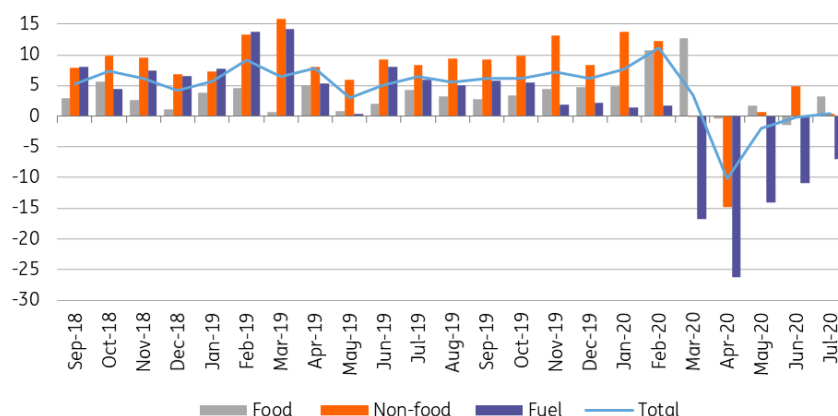
Worse than expected

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.

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