

Retail sales rise in Hungary

Retail sales continued their upward trend in October, although the pace of growth slowed across the board



Shoppers in Budapest

5.7%

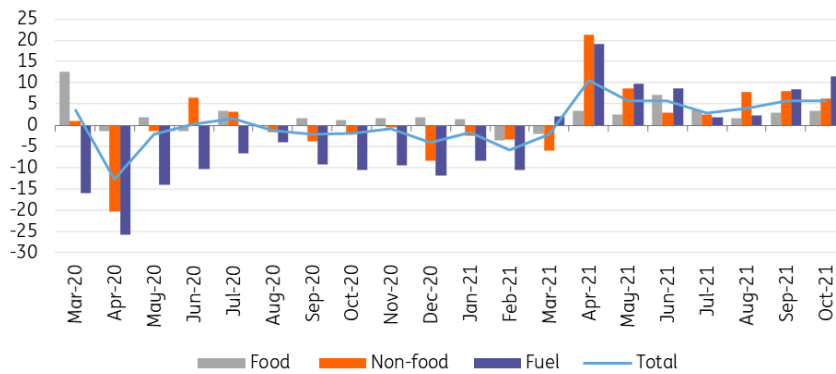
Retail sales (YoY)

ING forecast 6.1% / Previous 5.8%

Better than expected

Retail sales are not doing too badly, which in the current situation is high praise. On a yearly basis, the volume of retail turnover rose by 5.7% in October, only a tad lower than we expected. The dynamic growth partially comes from the low base of last year and partially from moderate monthly growth. Retail sales posted a 0.3% month-on-month increase though this is roughly half the pace we saw in the previous couple of months. When it comes to the big picture, however, the trend is still pointing upwards, which is not necessarily true for other sectors right now (e.g. industry).

Breakdown of retail sales (% YoY, wda)

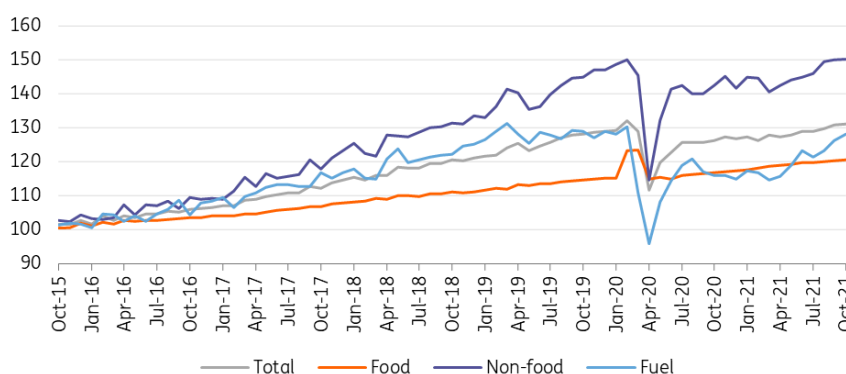


Source: HCSO, ING

We can't identify one specific reason or sector behind the slowdown in the monthly growth rate. There was widespread growth but the year-on-year readings were really skewed by base effects in some cases. For example, turnover increased by 6.3% year-on-year in non-food retailing, which tells us the sector is growing nicely. However, the month-on-month growth rate was only 0.1%. In our view, the lack of growth could be tied to the fact that consumers were holding out for Black Friday sales events in late November, and thus spending less in October.

We can't say too much about food retailing: steady as she goes with a 3.4% year-on-year performance matching the average of the previous months. Fuel retailing, on the other hand, again posted a strong yearly growth rate of 11.5%. This has a lot to do with the low base, but the 1.6% month-on-month performance also suggests that buyers weren't spooked by surging prices during October. Still, the volume of fuel retailing is still lagging behind compared to the pre-crisis level.

Retail sales volume in detail (2015 = 100%)



Source: HCSO, ING

While today's data is encouraging for the fourth quarter of 2021, it remains the only area – besides the services sector – that can make a meaningful positive contribution to GDP growth. In our view, industry and construction continue to face supply and labour market difficulties, holding back their performance. For the time being, however, we see no major closures during the fourth wave of

Covid-19, so the economy can continue to grow, albeit at a moderate pace, during the fourth 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>.