

## 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%

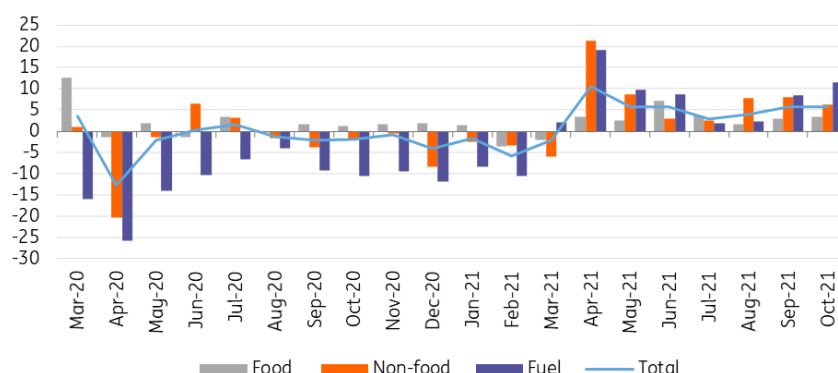
Retail sales (YoY)

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)

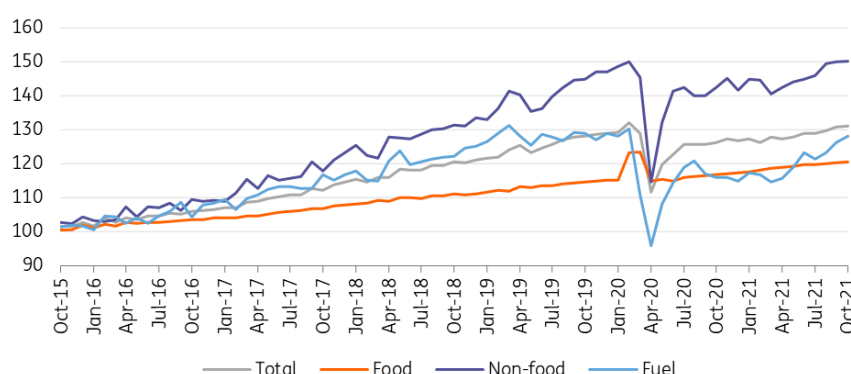


Source: HCSO, ING

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.

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