

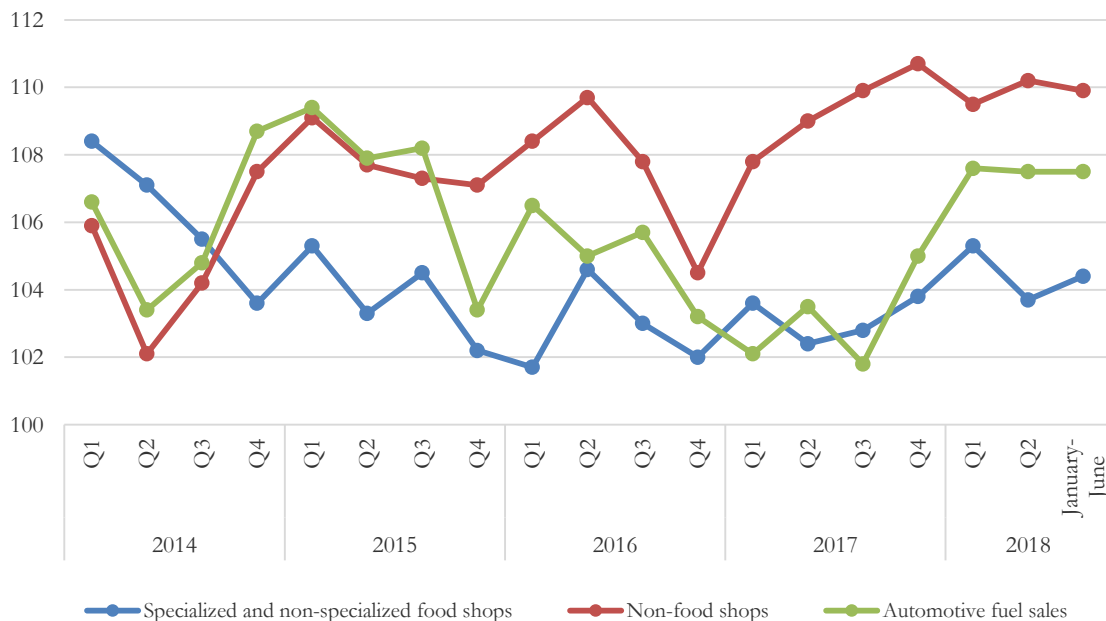


Retail sales continued to rise in Hungary

Rising consumption, driven by job growth and lower tax rates, has been one of the stable pillars of Hungary’s economic expansion, Minister of Finance Mihály Varga said during the parliamentary debate concerning the bill on the execution and discharge of the state budget.

As a result of the Government-initiated six-year wage agreement, the rate of economic growth was larger in 2017 than prior expectations. Among the main factors behind this growth were construction sector projects valued at some HUF 8 500bn (EUR 26bn) and consumption growth of 4.7 percent. The latter was achieved despite the fact that the introduction of online cash registers had improved economic transparency. According to a report published recently by the Hungarian Central Statistical Office (KSH), the volume of retail sales at retail stores and mail order services providers totalled HUF 10.4bn (EUR 320 million) in the year 2017. This corresponds to the spending of HUF 2 900 per day and head.

*Volume indices on sales in retail shops by type of shop
(Calendar effect adjusted same period of previous year=100%)*



Source: Hungarian Central Statistical Office (KSH)



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Data adjusted for calendar effects show that the retail shop category with the largest sales increase of 9.5 percent was that of non-food shops in the year 2017, followed by growth of 3.1 percent at specialized and non-specialized food shops as well as filling stations. In the period January-August 2018, specialized and non-specialized food stores and filling stations registered sales growth of 4.1 percent and 7.0 percent, respectively. In the observed period, non-food shops posted sales increase of 9.8 percent year-on-year.

The largest year-on-year volume growth of 28 percent, compared to 2016, was recorded at mail order services providers. Half of the sales volume was attributable to domestic enterprises at which the value of sales averaged HUF 50bn per year. Other categories with dynamic sales growth were non-specialized shops for manufactured goods (13.2 percent), books and computer equipment as well as other goods at non-specialized shops.

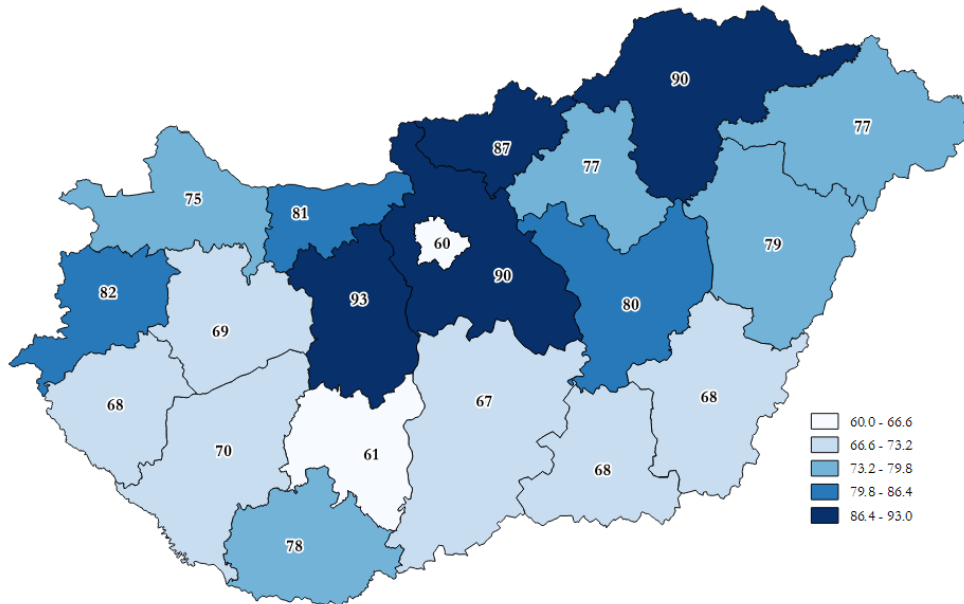
Due to the growing popularity of internet retailing, the number of retail shops has been falling since 2013. In 2017, the number of retail sales units was down by 2.9 percent year-on-year. The same trend was observed in every settlement type. In comparison to 2010, the largest decreases were registered in Békés (20 percent) and Borsod-Abaúj-Zemplén (18 percent), while the counties with the smallest losses of 8 percent each were Bács-Kiskun and Pest. At the end of 2017, 83 percent of retail shops were in Budapest and cities, while only 17 percent of shops served the needs of inhabitants of villages.

Examining the number of shops by regions shows that Budapest and Pest County have an outstandingly high share of stores, with 22 percent and 11 percent, respectively, of total. The capital city of Hungary is also special regarding the number of inhabitants per shop, with 60 inhabitants/shop. The counties with the relatively lowest number of shops were Fejér (93 inhabitants/shop) and Pest (90 inhabitants/shop).



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Number of inhabitants per retail shop, 31 December 2017



Source: Hungarian Central Statistical Office (KSH)

Sales turnover was also highly concentrated: 24 percent and 14 percent of the total volume of sales were registered in Budapest and Pest County, respectively. The volume of sales relative to the number of inhabitants was well above the country-wide average in Budapest, and slightly above it in Pest County and Western Transdanubia.

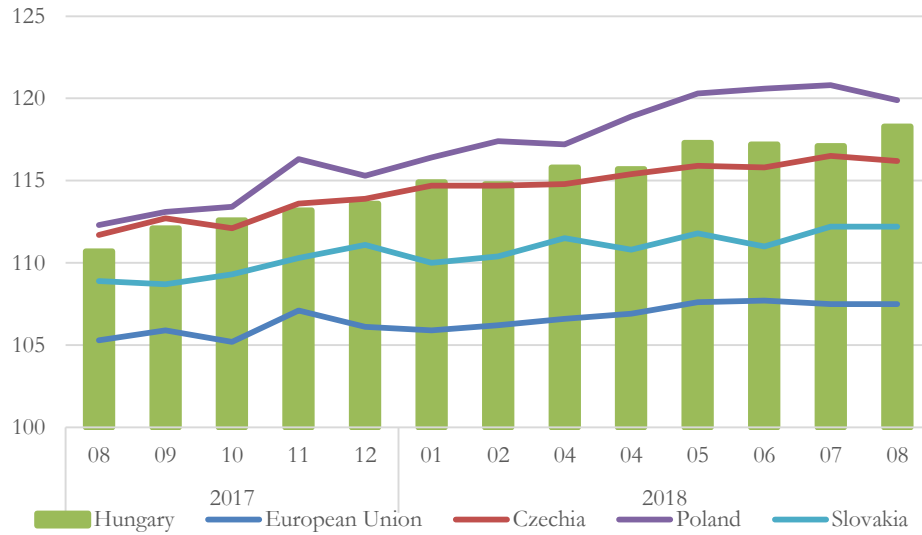
The latest data compiled by Eurostat confirm Hungarian statistics about the growth in retail sales: the rate of growth was above both the average of EU member states and that of the Visegrad Group. The latest data for the month of August 2018 show that in Hungary the volume of retail sales was up by 18.3 percent compared to the base of 2015. In the same period, the sales volume increased by 7.5 percent in the EU and by 16.7 percent within the Visegrad Group.



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Change in volume of retail trade

(Calendar and seasonally adjusted data, monthly average of 2015=100%)



Source: Eurostat

In August 2018, the volume of retail sales grew by 6.3 percent year-on-year, which signals that the upward retail sales trend of more than five years has remained unbroken. Real earnings growth of 9 percent, predicted for this year, and Government measures expected to add further impetus to wage growth and result in lower payroll taxes are also seen to bolster the retail sector and boost sales.