

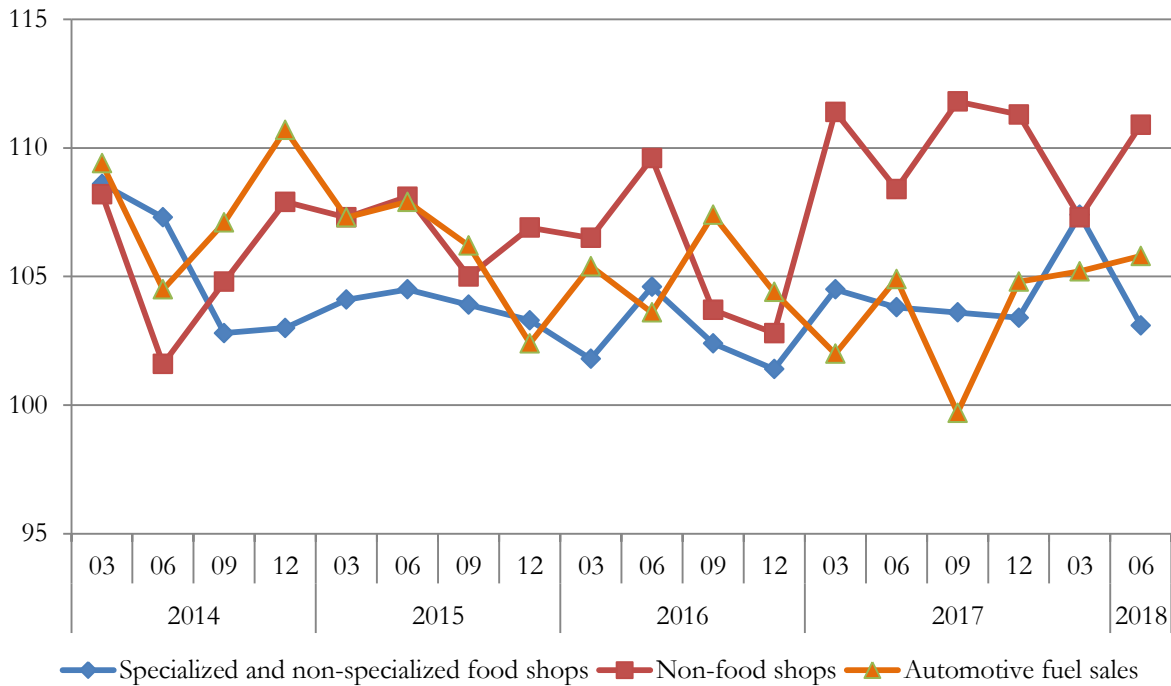


The volume of retail sales continued to rise in Hungary

The volume of sales in the retail sector has been rising for the fifth consecutive year. The main factors behind the positive trend were growing domestic purchasing power, rising real earnings and Government measures which had facilitated these trends.

The Hungarian Central Statistical Office (KSH) published retail sales data for the first half of 2018 on 23 August. In June 2018, unadjusted and calendar-adjusted data showed growth of 6.8 percent and 6.4 percent, respectively, year-on-year. In the period January-June 2018, the volume of retail sales was up by 6.9 percent compared to the base in the first half of 2017.

*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)

The volume of sales at specialized and non-specialized food retailers grew year-on-year by 3.1 percent in the month of June and by 4.4 percent in the first half of the year. In the non-food retail sector, sales increased by some 11 percent. Within that, the retailers with the highest sales growth figures were non-specialized non-food stores and furniture and electrical goods stores. This has been the result of the fact that the Family Housing Programme had caused the number

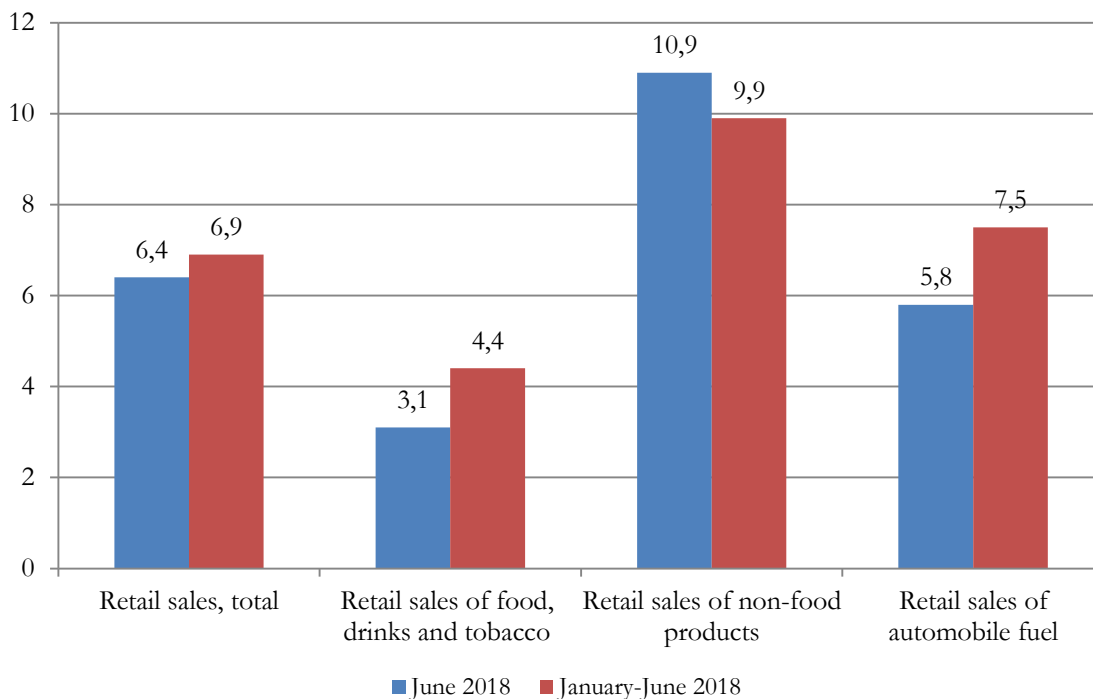


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of new dwellings to rise and that boosted demand for products sold by these retailers. The volume of sales at filling stations was up by 5.8 percent in the month of July and by 7.5 percent in the first half of 2018. Sales in stores for motor vehicles and motor vehicle parts and accessories, which data do not comprise part of official EU retail statistics, registered growth of 12 percent.

Change in volume indices on sales in retail shops

(Calendar adjusted data, previous year=100%)



Source: Hungarian Central Statistical Office (KSH)

The volume of sales in mail order and internet retailing, which sector accounts for some 4 percent of the total retail volume, soared by 25 percent in June 2018, hitting a new high as a result of an upward trend observed in recent years. This aptly illustrates the potential of developing internet retailing, which may boost both sales in the sector and consumption.

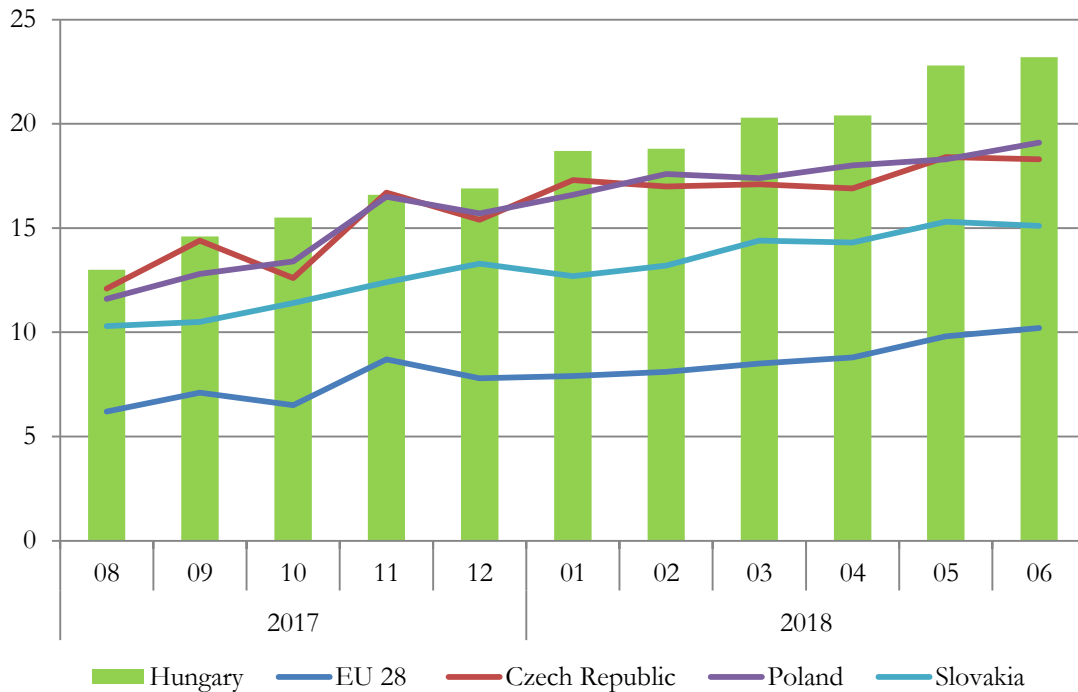
The below graph shows that the latest data available at the Eurostat website also prove the dynamics of Hungary's retail sector, as the rate of growth exceeded the average of the EU member states and that of the Visegrad Four, too, in June 2018. Compared to the full-year average in 2015, the volume of retail sales in Hungary grew by 23 percent, whereas in the EU28 and the V4 this indicator showed growth of 10.2 percent and 18.9 percent, respectively.



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Change in volume of retail trade

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



Source: Hungarian Central Statistical Office (KSH)

The five-year sales growth trend has been mainly fuelled by job growth and soaring wages driven by the six-year agreement on tax cuts and wage hikes, as extra income enables the purchase of a wider range and a larger quantity of goods.

Earnings in real terms have been rising steadily for five-and-a-half years now; in H1 2018, they grew by 9.4 percent year-on-year. Gross earnings were up by 11.9 percent in the observed period. Higher consumer demand, generated by the favourable economic environment, foretells retail sector stability and further sales growth also for the second half of 2018.