



In 2014, the volume of retail sales was up by 5.1 percent in Hungary, well above the EU average

In 2014, sales turnover in the national retail trade network as well as in mail order and internet retailing totalled HUF 8.9bn, while the sector recorded volume growth of 5.1 percent. In 2014, average consumer prices fell by 0.2 percent year-on-year. Within that, retail prices in the national retail trade network edged also slightly lower by 0.1 percent. Two regulatory changes may have also contributed to turnover growth.

Gross added value generated by the retail sector in 2014 rose by 1.3 percent, in comparison to 2013. The sector's volume growth was 2.5 percentage points below the average of the national economy (3.8 percent). The retail sector generated 4.0 percent of total added value of the national economy in 2014, which is 0.2 percentage points below the 2013 figure. In the observed period, retail enterprises employed 361 thousand people, which accounts for 8.8 percent of total Hungarian labour force.

In 2014, the sector saw total investment valued at HUF 106bn, or 2 percent of total; this figure is 0.1 percent higher compared to 2013. At the end of 2014, there were slightly more than 136 thousand retail stores in Hungary, operated by 92 500 enterprises. Within the national retail network, the number of stores operated by joint ventures has continued to increase, while those run by a private enterprise has dropped by some one-third of total.

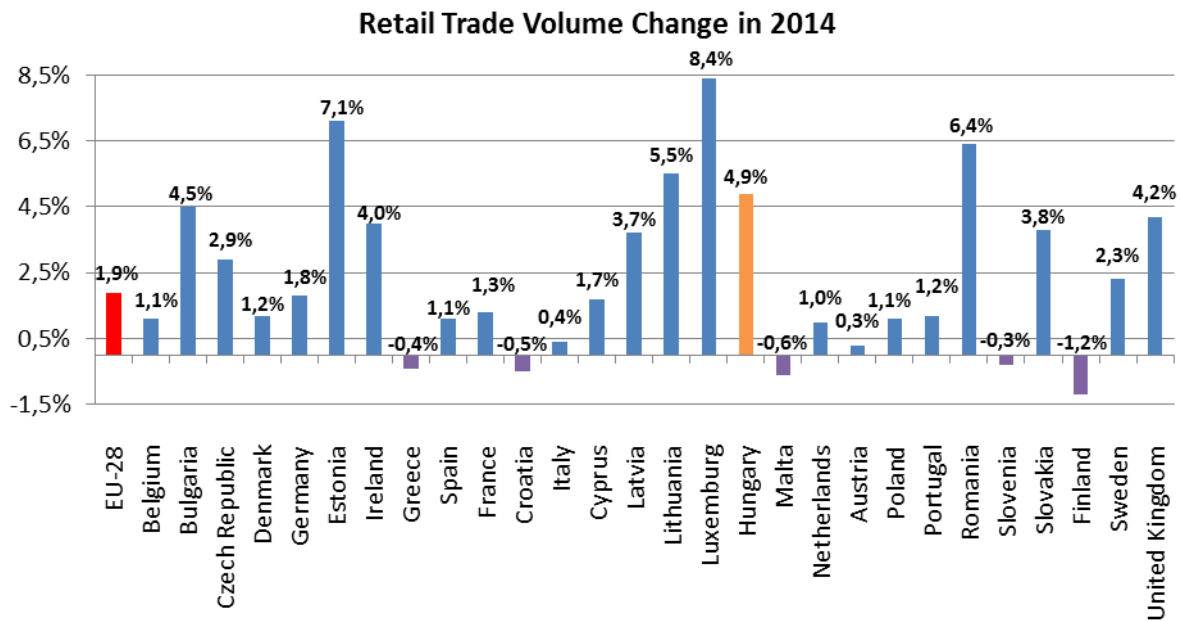
In 2014, consumer prices at households edged lower by 0.2 percent on average year-on-year, due primarily to state regulation of household utility prices, subdued wage growth and modest price pressure on foreign markets. Within the national retail network, the multi-year upward price growth trend had first decelerated in 2013, and then it reversed in 2014, as the retail sector price index fell by 0.1 percent.

Between 2000 and the beginning of 2008, the volume of retail sales had been on the rise in the EU28. Following a peak in 2008, the financial crisis had resulted in a downward trend that lasted until the middle of 2013. Retail sales have picked up again in the second half of 2013. There were some exceptions to this trend, though: sales volumes in 2009 and 2010 did not slump, for example, in Luxembourg, Austria, Poland and Sweden. Since 2010, the worst drop in retail sales



MINISTRY
FOR NATIONAL ECONOMY

was registered in 2012: according to Eurostat data, in 14 out of the altogether 28 EU member states the volume of retail sales failed to reach the level of the previous year in 2012. Negative growth moderated to 0.1 percent on average in 2013. **2014 was the first year of expansion since the crisis: retail sales growth averaged 1.9 percent year-on-year in the EU28.**



Source: Eurostat

In 2014, sales volumes were only lower in five EU member states: Greece, Croatia, Malta, Slovenia and Finland. **While retail sales growth in some of the largest EU countries was below the EU average -- 1.8 percent in Germany and 1.3 percent in France – the volume of retail sales jumped by some 5 percent in Hungary.**¹ The change in consumer prices has also influenced retail sales data. The harmonized consumer price index (HICP) helps compare data: while in 2012 inflation was the highest in Hungary with 5.7 percent year-on-year growth, it was down by 4 percentage points in 2013 and flat in 2014. In the year 2014, the largest price increases were recorded in Austria and the United Kingdom (1.5 percent in both countries.)

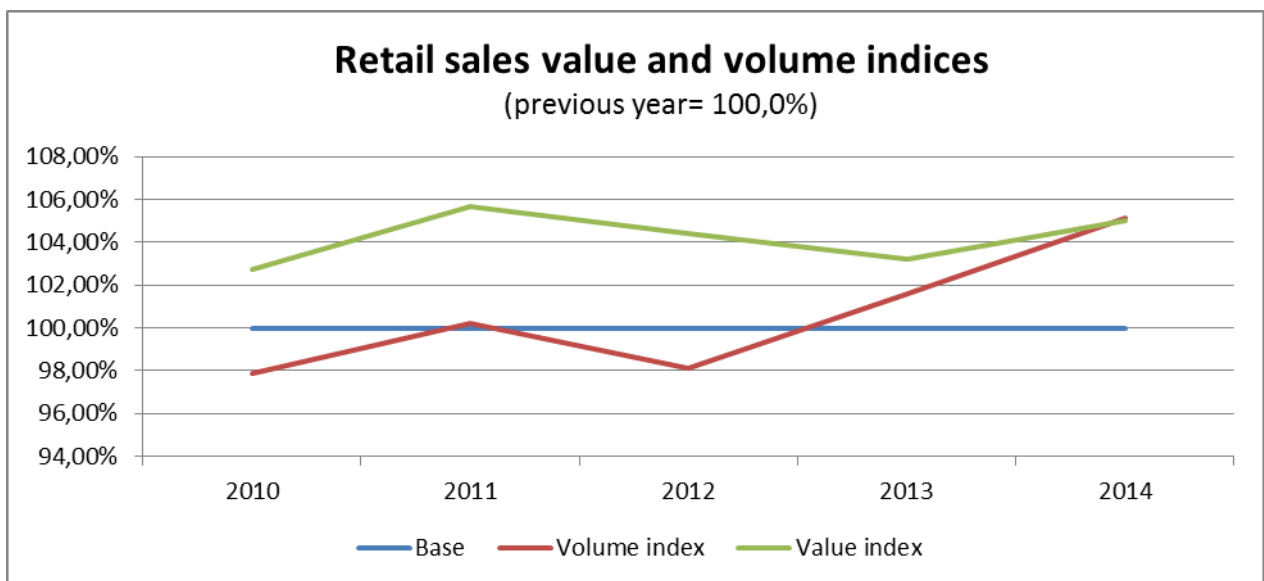
¹ Eurostat and KSH data differ by 0.2 percentage points.



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Retail sales revenues

More than 90 percent of the sector's revenues resulted from retail activities, while the remainder was generated mainly by the services activities. In 2014, the sales volume in the national retail trade network as well as in mail order and internet retailing totalled HUF 8.9bn. Calculating with a population figure estimated on 1 January 2014, in the observed year people spent HUF 2500 per day per head at various retail stores. The price change-adjusted sales volume index fell by 2.1 percent in 2010, stagnated in 2011, dropped by 2.2 percent again in 2012, after that it rose by 1.8 percent in 2013 and by 5.1 percent in 2014. Within the 5.1 percent overall growth, sales volumes were higher by 4.8 percent at food and non-specialized food retailers, 5.1 percent at non-food retailers and by 5.8 percent at filling stations.



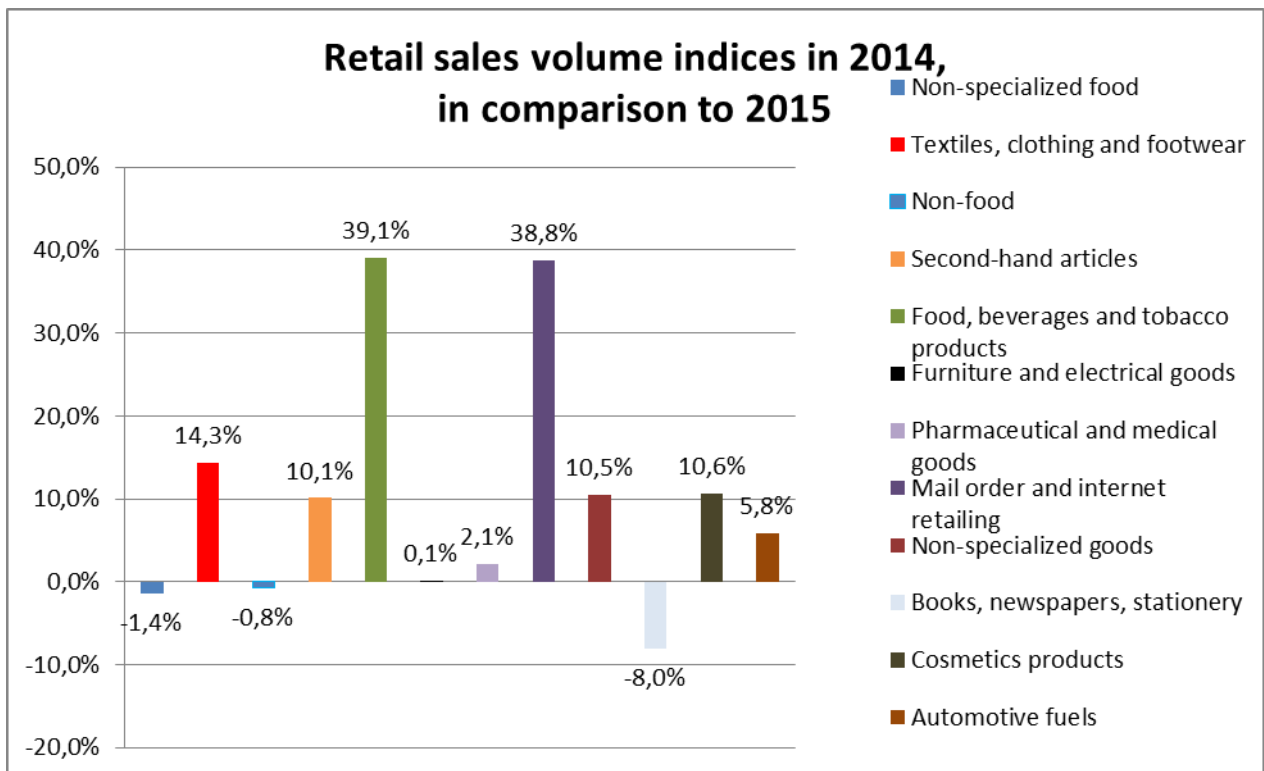
Source: Hungarian Central Statistical Office (KSH)

In 2014, the volume of retail sales exceeded the 2010 level by 2.6 percent. The largest drop of 47 percent over the course of four years was registered at retail stores of books, newspapers and stationary. This phenomenon has been the consequence of tobacco market overhaul, due to which newsagents have ceased to sell tobacco products. Sales volumes were also down by 15 percent at stores of furniture, household articles and building materials, while they fell by 7.4 percent at non-specialized food retailers. On the other hand, the sales volume in mail order and internet retailing more than tripled. In comparison to 2013, the largest volume increases were



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FOR NATIONAL ECONOMY

registered at stores of food, beverages and tobacco products (39.1 percent) and in mail order and internet retailing (38.8 percent). Turnover at stores of books, newspapers and stationery continued to decline (by 8 percent). However, compared to last year, stores of second-hand products, non-food products and cosmetics articles posted growth of about 10 percent year-on-year.



Source: Hungarian Central Statistical Office (KSH)

The Government decree of Nr. 3 of 2013 (II.15.) on the introduction of the online cash register system, which obliges shop owners as of September 2014 to use cash registers directly connected to a central database, has played a key role in boosting sales volumes in 2014: this scheme enables the National Tax and Customs Administration (NAV) to more closely monitor stores' sales activities.

As far as various retail categories are concerned, **non-specialized food retailers accounted for the largest share, with 37 percent of total**. Hypermarkets, which are the largest stores with the biggest floor spaces and sales turnover, also belong to this group. Between 2011 and 2014 the share of hypermarkets within total retail turnover rose from 14 percent to 15 percent. In 2014,



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FOR NATIONAL ECONOMY

there were 170 such stores in the Hungary; 148 in the countryside and 22 in Budapest. Until 2012, the volume of sales at food retailers (e.g.: butchers', groceries, tobacco shops, bakeries, etc.) accounted for 4.1 percent of total. However, the Act CXXXIV of 2012 on Reducing the Prevalence among Young People and Retail of Tobacco Products has fundamentally transformed the landscape of tobacco product retailing. **As of July 2013, only designated tobacco shops are allowed to sell tobacco products** (at the end of 2014, there were 6210 such stores country-wide). Despite the implementation of the law, the turnover at food retailers constituted 7.1 percent and 10.1 percent of total in 2013 and 2014, respectively. The stores with the largest turnover share of 11 percent within the non-food category were those for furniture, household articles and building materials. Filling stations selling automotive fuels also accounted for a significant share, with 18 percent of total. **In comparison to 2011, the weight of food retailers and mail order and internet retailing saw the highest gains, rising from 4.1 percent to 10.1 percent and from 0.8 percent to 1.9 percent, respectively.** On the other hand, the following sectors saw their share diminish: stores for furniture, household articles and building materials (from 13.2 percent to 10.7 percent), non-specialized food retailers (from 40.3 percent to 36.7 percent) and book and stationery shops (from 2.1 percent to 1.2 percent).

The flash report of the Hungarian Central Statistical Office (KSH) reveals that in the period January-October 2015 the volume of retail sales – in light of data adjusted for calendar effects – grew by 5.8 percent year-on-year. Statistical reports published hitherto indicate that volume growth in 2015 is set to exceed that of 2014. However, concerning the analysis of retail data in 2015 it has to be taken into consideration that as the restrictions on Sunday shopping entered into force as of 15 March 2015, thus it is going to take longer to assess their long-term impact. Full-year data for 2015 only become available in the second half of 2016.