



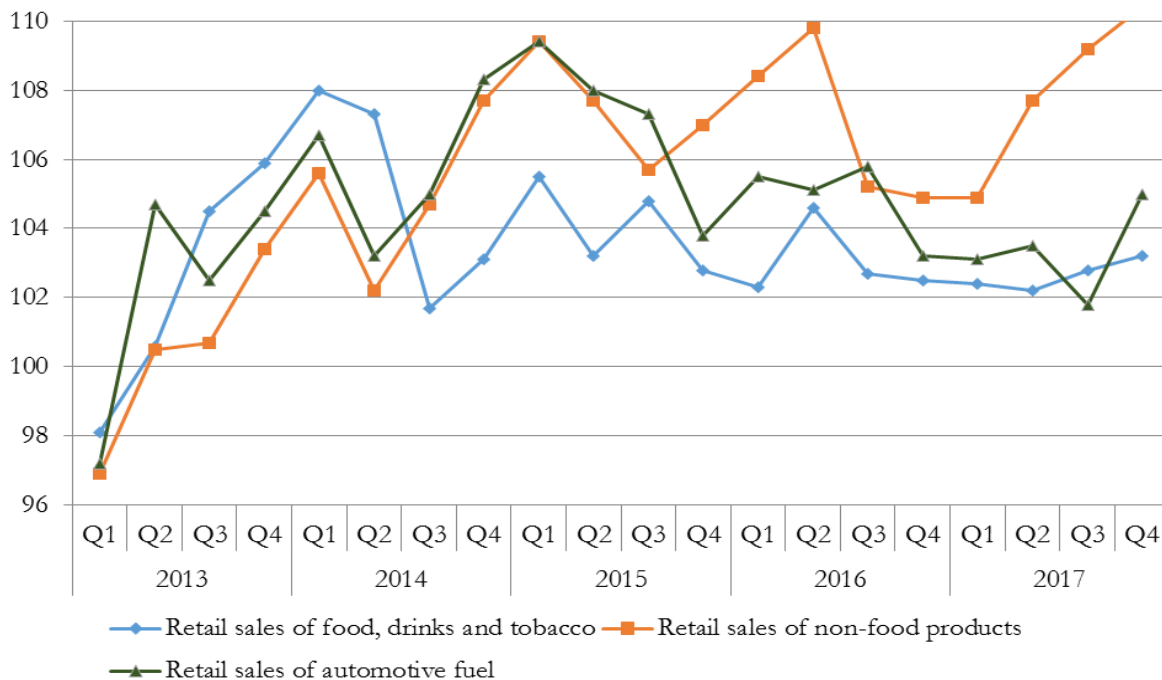
Upward retail sales trend remained unchanged in 2017

Hungary's retail sector has been expanding for four-and-a-half years. Rising domestic purchasing power, improving labour market conditions, soaring real wages and supportive Government measures – which, as a whole, have been boosting household finances -- are seen to be the drivers of growth.

According to data published by the Hungarian Central Statistical Office (KSH) on 22 February, the upward trend in retail sales has continued (Fig.1). In the last months of 2017, unadjusted data show an increase of 5.0 percent, while data adjusted for calendar effects show growth of 6.1 percent year-on-year. The volume of sales in the year 2017 was up, in light of data adjusted for calendar effects, by 4.9 percent year-on-year.

Fig. 1: Volume indices of sales, by retailers

(Calendar-effect adjusted, same period of previous year=100%)



Source: Hungarian Central Statistical Office (KSH)

In December 2017, the volume of sales at specialized and non-specialized retailers grew by 2.2 percent compared to the corresponding period of 2016. The sales volume at food retailers, which account for 79 percent of the turnover in the above category, also gained 2.2 percent. On

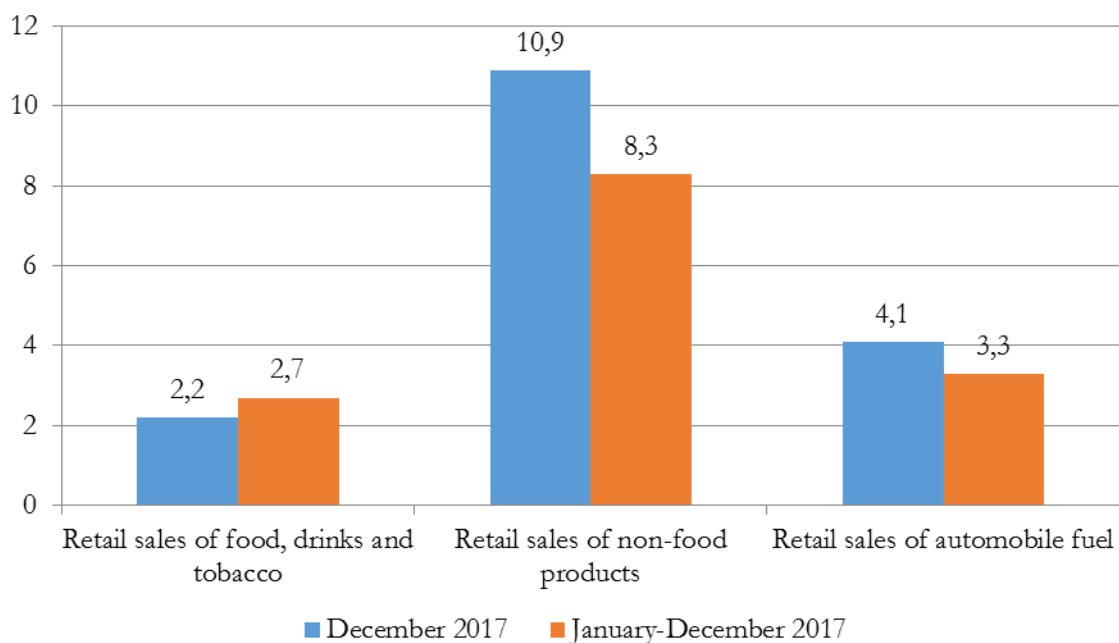


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the other hand, the volume of sales at food, beverages and tobacco shops increased by 2.3 percent (Fig.2). The sales volume of non-food retailers was up by 10.9 percent. Within that, double-digit growth was registered at non-specialized shops dealing in manufactured goods (17 percent) and at retailers of books, computer equipment and other specialized stores (13 percent). The volume of sales at filling stations rose by 4.1 percent in December 2017. Sales in motor vehicles and motor vehicle parts and accessories stores increased by 0.9 percent.

Fig. 2: Change in volume indices of sales, by retailers

(Calendar adjusted data, previous year=100%)



Source: Hungarian Central Statistical Office (KSH)

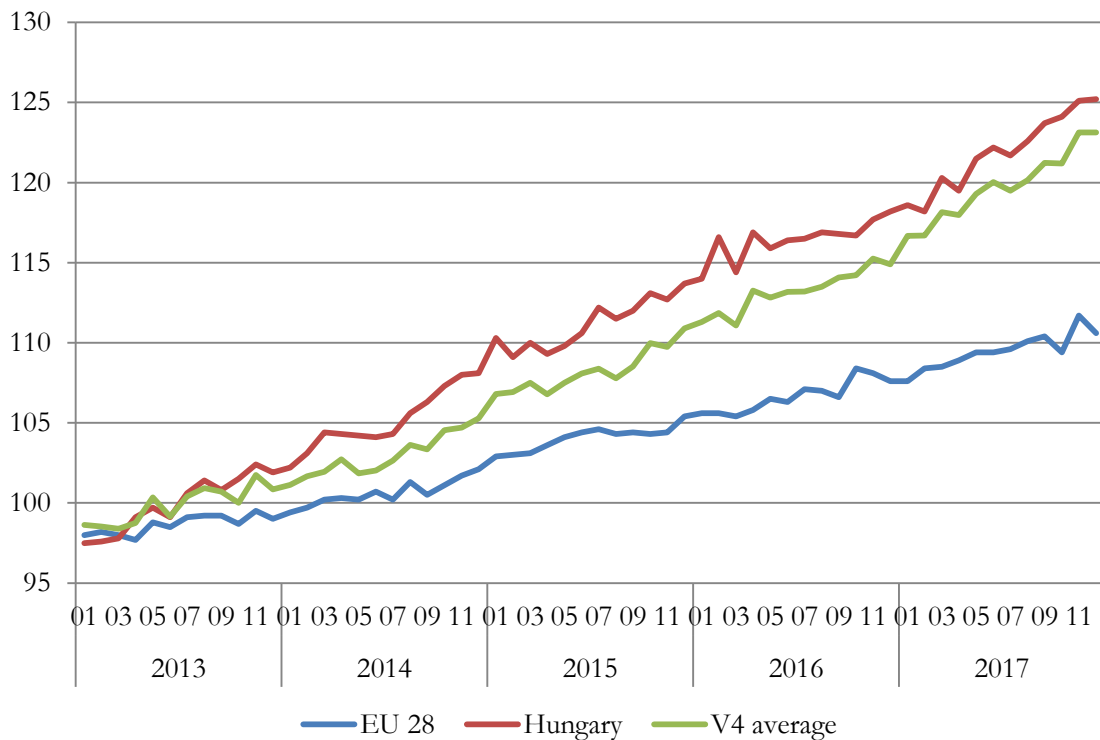
The latest report confirms that Hungary's retail sales growth is robust even from an EU perspective, as it exceeds the average rate of growth in both the EU28 and the Visegrad Four. Compared to the base of 2010, the volume of retail sales grew by more than 25 percent in Hungary, while within the Visegrad Four and the EU the corresponding indicator shows that growth averaged 23 percent and 10 percent, respectively (Fig.3).



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Fig. 3: Change in the volume of retail sales

(Calendar- and seasonally adjusted data, monthly average of 2010=100%)



Source: Eurostat

The 54-month upward retail sales trend has been fuelled – besides the favourable economic environment – by job growth and rising wages which stem from the six-year tax reduction and wage hike agreement, as higher earnings enabled the purchase of more big-ticket durable goods – as the Ministry for National Economy has recently remarked in a press release commenting on retail data.

Analysts and economic stakeholders expect that the retail sector will maintain the pace of sales growth in 2018, given the fact that a forecast by the Organization for Economic Cooperation and Development (OECD) is prognosticating that Hungary will post the largest wage growth this year. The consistent implementation of the current economic policy is seen to result in substantial gross earnings growth of some 10 percent and it will help narrow the gap with average EU wages.