Hungarian retail sales surge as low inflation and strong wages fuel consumption

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For the first time in six months, retail sales saw significant growth. With inflation remaining low and wage growth still robust, the conditions are in place for consumer spending to accelerate and support Hungary's economic growth

Volume of retail sales (YoY, wda)

The retail sector rebounded strongly in July after June’s disappointing result. Retail sales volume increased by 1.0% from the previous month, resulting in a 4.9% year-on-year rise after adjusting for calendar effects. This substantially exceeded market expectations and was well above our own relatively bullish forecast of 4.2%.

Taking a longer-term view, retail sales volume in July 2026 was 7.4% higher than the monthly average for 2021. This marks another significant upward shift in the fixed-base index, following the sideways movement of recent months. In other words, the plateau appears to have been only temporary.

Retail sales volume in detail (2021 = 100%)

A closer look at the details of the one-month increase in sales reveals that this was not a general surge. In fact, sales at food shops stagnated again on a monthly basis. However, a significant increase of almost 1% was observed at non-food stores following the previous month’s decline. Significant variations are evident even within this segment, and the trend of fluctuating growth indicators across individual sectors continues.

After a sharp decline the previous month, clothing stores saw a significant increase in sales, as did cosmetics articles and mail order and internet sales. In contrast, books, newspapers stores saw a correction following the previous month's spike. Meanwhile, sales of computer and electronic equipment rose sharply, likely supported by World Cup-related demand for TVs and other consumer electronics.

Breakdown of retail sales (% YoY, wda)

Fuel sales increased by 3.5% month-on-month, partly due to the significant decline in fuel prices in early July. Additionally, households may have brought forward their refuelling in anticipation of future price increases based on global energy market-related news and the actual oil price jump. This could result in a downward movement in the August statistics.

Looking ahead, the combination of supportive consumer confidence, which has reached historic highs but is currently experiencing a slight correction, a persistently low inflation environment and strong nominal wage growth continues to provide a favourable foundation for sustained growth in the retail sector and, consequently, consumption. Historical data shows that when growth in disposable income coincides with strong consumer confidence, this is likely to result in significant consumption growth.

The July data clearly demonstrates the strength of consumption. However, it remains to be seen how sustainable this momentum will be, given that, historically, during periods of sustained growth, households have sometimes shifted their focus from quantity to quality or increased their spending on experiences rather than goods. The latter would primarily benefit the service sector, but overall, it would continue to support sustained growth in consumption.

For now, all signs point to households continuing to drive the Hungarian economy through consumption in 2026, while investment continues to struggle.

Source: https://think.ing.com/snaps/hungarian-consumers-are-starting-to-find-their-way-back-into-the-stores-after-some-wandering/