

Czech retail sales remain on solid ground at pre-pandemic growth rates

Retail spending rose by 5.3% year-on-year in real terms in April with non-food goods spending leading the pack

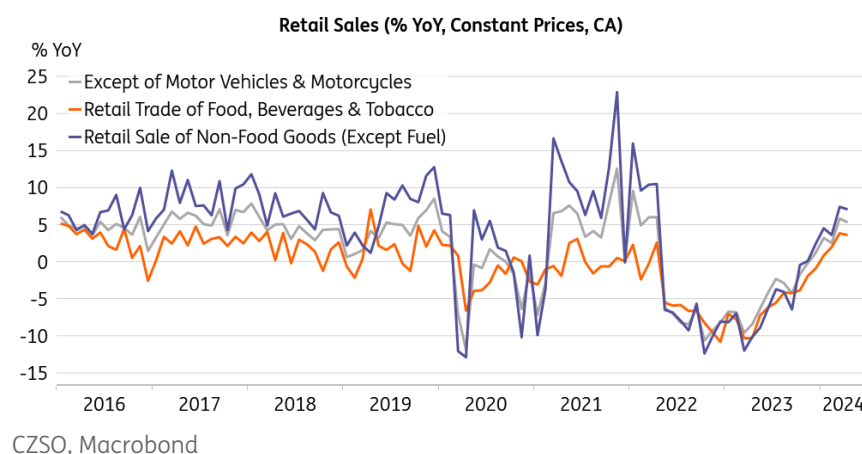


Source: Shutterstock

Growth close to pre-pandemic dynamic

Annual retail spending growth of 5.3% in real terms looks like a healthy consumption effort from the household side. Average growth in the pre-pandemic years of 2016-2019 reached 4.8%, showing that the current level of spending is on track to support the economic recovery, particularly as the expenditure on non-food goods remained elevated, recording a healthy 7.1% YoY increase. We do not see it as an issue for now that the latest figure came in marginally below market expectations and slightly weaker than in the previous month.

Annual growth above average

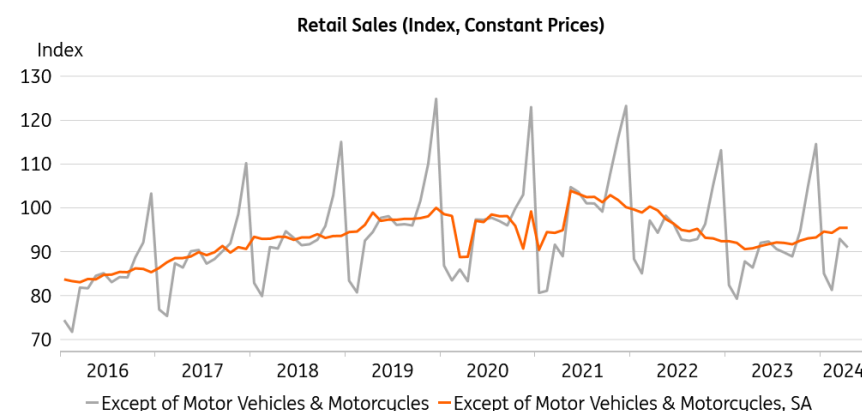


Spending on food items increased by 3.6% YoY, with the recent hike in food consumer prices likely curtailing the spending appetite in this segment. Sales in non-specialised stores with a predominance of non-food goods increased by a convincing 18.1% YoY. In non-specialised stores with a predominance of food, sales increased by 4.2% YoY. In contrast, sales in specialised food stores fell by 1.7% YoY, and revenues from the sale and repair of motor vehicles fell 0.1%.

The upward trend remains in tact

Looking at the seasonally adjusted series, it is more evident that the upward trend in retail spending in real terms carries on, with the weak spot left behind in 2023. We expect retail sales to gradually crawl back to levels seen before the onset of Covid, with consumer spending providing steam to a gradual rebound of the Czech economy.

The bottom left behind



Overall, we assess the outcome as being in line with a continued recovery in household spending. That said, the softening in consumer confidence in May likely points to the potential fragility of the rebound. At the same time, the lofty nominal and real wage growth brings relief to household budget constraints, which is reflected in the strong purchases of non-food goods.

Author

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.