

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

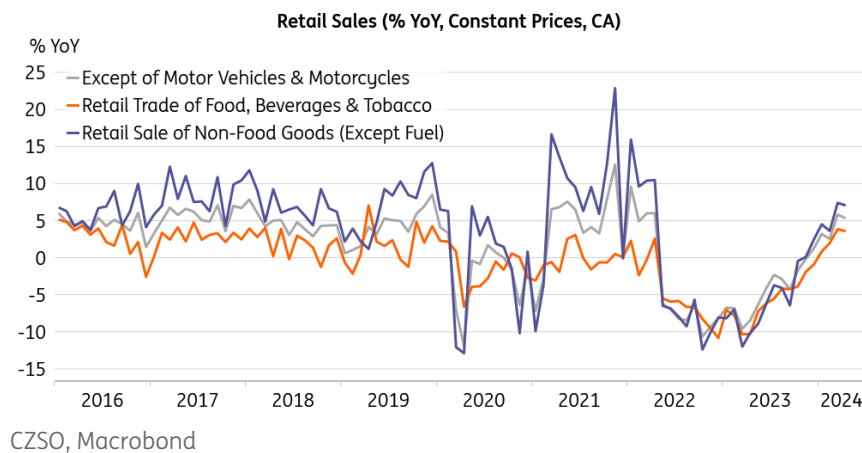


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Growth close to pre-pandemic dynamic

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

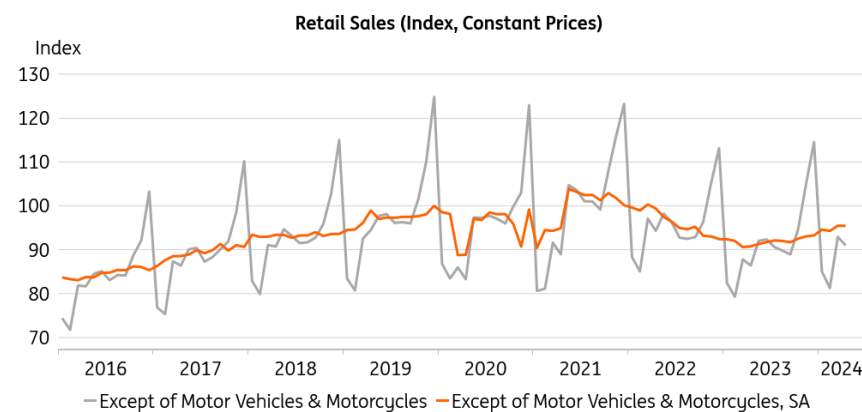


Spending on food items increased by 3.6% YoY, with the recent hike in food consumer prices likely curtailing the spending appetite in this segment. Sales in non-specialised stores with a predominance of non-food goods increased by a convincing 18.1% YoY. In non-specialised stores with a predominance 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.

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