

## Czech Republic: Retail sales better than expected in May

After the double-digit fall in retail sales in April, May figures surprised on the upside as sales broadly stagnated compared to the last year. However, sales in services remain on the weak side



Source: Shutterstock

Czech Republic retail sales in May excluding cars surprised on the upside and ended above analysts' consensus of -6.4%.

While they dropped by 10.5% year on year in April, their YoY fall slowed down significantly in May to just -0.7% YoY. And if we consider working-day-adjusted dynamics, sales even increased by 2% YoY in May. The solid figure was driven mainly by non-food items, which fell by 12% YoY in April, but slightly grew by 2 % in May. Even more, adjusting for the different number of working days, they even increased by 6.1% YoY in May, which is dynamics just slightly below the figures seen before Covid-19 outbreak.

Car sales fell by 36.8 % YoY, as indicated earlier by new-car registrations, which fell by 44% in May. However, June car registrations improved solidly and YoY decline slowed-down just to 5% YoY, so some improvement indeed.

**-0.7% YoY**

Retail sales in May

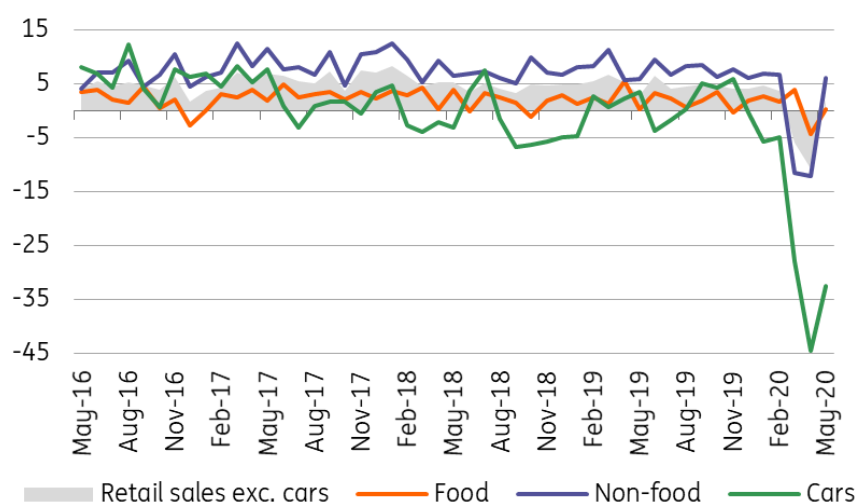
2% YoY adjusted for working days

Higher than expected

Less positive sales in services, where total sales fell by around 20% YoY and many segments remained affected by the pandemic very significantly and the situation didn't improve much in comparison to April.

For example, in the accommodation sector, the sales decline remains around 85% YoY, in travel-agency services, the fall in sales even accelerated from -92 to -98% YoY and even sales in restaurants changed from -73% in April to -54 % in May, so quite significantly negative.

## Retail sales (calendar bias adjusted, % YoY)



Source: CZSO, ING

May retail sales improved above expectations, and new car registrations in June also provide some room for optimism.

However, the question is whether this improvement is because of pent-up demand, which might slow down later. It is difficult to assess this and only figures in the forthcoming months might reveal more. On the other hand, revenues in services remained in a significant decline, but that was expected to a certain extent as some services remained impacted by Covid-19 even in May.

All in all, the recovery of the Czech economy continues, though some sectors might take longer than others to recover.

