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.

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)**

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.

---

**Jakub Seidler**
Chief Economist, Czech Republic  
+420 257 47 4432  
jakub.seidler@ing.com
Disclaimer

“THINK Outside” is a collection of specially commissioned content from third-party sources, such as economic think-tanks and academic institutions, that ING deems reliable and from non-research departments within ING. ING Bank N.V. (“ING”) uses these sources to expand the range of opinions you can find on the THINK website. Some of these sources are not the property of or managed by ING, and therefore ING cannot always guarantee the correctness, completeness, actuality and quality of such sources, nor the availability at any given time of the data and information provided, and ING cannot accept any liability in this respect, insofar as this is permissible pursuant to the applicable laws and regulations. This publication does not necessarily reflect the ING house view. This publication has been prepared solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. 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).