

## Czech Republic: Retail sales keep up the positive momentum

Czech retail sales accelerated to 7% YoY. However, this figure is flattered by a higher number of working days, so we can say that domestic retail sales are growing around 5% this year. That's a similar pace to the last two years and double what we see in the wider EU



Source: istock

If we adjust the figures for calendar effects, annual growth was slightly weaker in July (4.6% YoY compared to June with 6.4 % growth). Still, the average annual growth in retail sales is around 5% this year, so the July print is just slightly below.

Sales of non-food goods reached 10.5% YoY in July, the second highest number this year and also above a year-to-date (YTD) average growth of 8.2%. Adjusted for working days, however, the growth would be 7%, slightly below the YTD figure. Food sales grew by 4.1% in July, or 3% after adjustment, which in both cases slightly exceeds the average growth rate of 2.4%.

7%

## July retail sales growth YoY

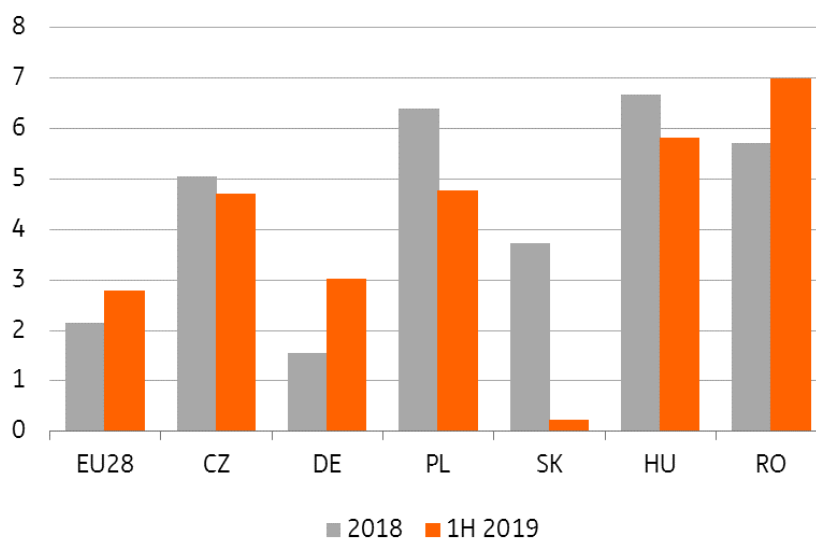
4.6% after adjusting for working days

Higher than expected

### Car sales are volatile due to emission limits

Car sales pleasantly surprised in July, growing by 4% YoY after falling again by 8% in June. These were the fastest dynamics in the last 12-month period, though again this was supported by the higher number of working days; otherwise it would be slightly falling. Numbers related to new car registrations will be highly volatile in the coming months because of frontloading and subsequent sales outages, which began a year ago, due to new emission limits. In July, new registrations stagnated, while in August they fell by 10% year on year, again due to a base effect, despite the August number of newly registered cars being the highest this year. For the whole year, new car registrations are almost 10% down, while total car sales about 1%.

### Retail trade excluding motor vehicles (%YoY, working-day adjusted)



Source: Eurostat, ING

### Household consumption remains solid this year

Retail sales (excluding cars) of around 5% this year is similar to the previous two years and also twice as high as the EU average. As such, Czech households are not losing their consumption appetite for the time being; they're benefiting from the overheated labour market where wage growth remained solidly above 7% in the second quarter. This means that household consumption will continue to be one of the main drivers of growth in the Czech economy this year. Still, given the fall in household confidence in recent months, more closely to the 2016 average, some deceleration in retail sales is likely in the coming quarters in our view.

