

Czech Republic: Retail sales remain strong

September retail sales accelerated by 7.3% year-on-year. However, the figure was supported by a higher number of working days. Adjusting for this, sales maintained a solid pace of around 5%, which is the average growth year-to-date



Source: Shutterstock

Calendar bias helped in September

Sales of non-food goods increased by 12.3% year-on-year (8.7% after adjustment), which is slightly above this year's average growth rate of 8.1%. Compared to the previous two months, this represents a slight acceleration. Food sales also accelerated to 2.1% in September, correcting a somewhat surprising slowdown in August (1.1%). The average growth in food sales this year is 2.2%, so the September values are in line with current 2019 dynamics.

7.3%

September retail sales (YoY)

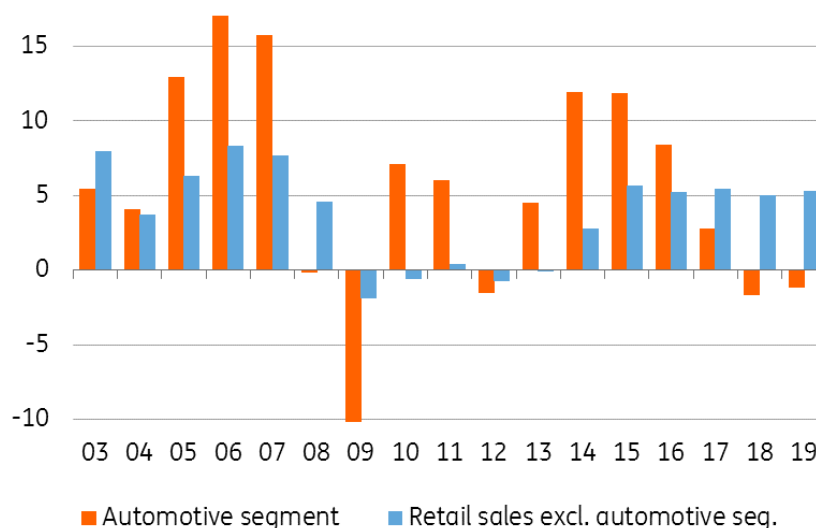
5.1% after adjusting for working days

Higher than expected

Car sales strong due to low base

Sales of car sales and repairs rose by a strong 10.5% YoY in September, or 3.7% (YoY) after adjusting for working days, which is the best growth rate seen in the last year. However, this was driven mainly by a low base from last year when sales fell ahead of the introduction of new emission standards. New car registrations have therefore been highly volatile in recent months. In October, new registrations grew slightly (+1.2%), but they are 7% lower this year. Total car sales (both old and new) just fell slightly this year (see chart).

Czech retail sales (% YoY)



Source: CZSO, ING

Solid retail sales continues this year

Retail sales were higher in September but mainly due to calendar effects. However, even after adjusting for this, sales continued on a solid track, which was comparable to this year's average pace. Retail sales growth (excluding cars) of around 5% this year remains similar to previous years and is double the euro area average. Despite the fact that indicators of household confidence have fallen this year and are at the weakest level in the last three years due to concerns about a slowdown in economic activity, domestic household consumption remains favourable due to the overheated labour market and solid wage growth.