

Czech Republic: Retail sales solid last year

December retail sales slightly disappointed, but overall 2019 sales maintained solid dynamics at 4.8% year-on-year and grew just slightly less than in the previous four years



Czech December retail sales ended slightly below the market forecast, growing by 4.8% year-on-year after 2.9% in November.

If we adjust for calendar bias, the dynamics were similar in both months - 3.9% in December vs. 3.7% in November.

As such, both figures ended below the 2019 average growth of 4.8%.

4.8 %

Lower than expected

Average growth of retail sales in 2019

3.9% YoY WDA in Dec-19

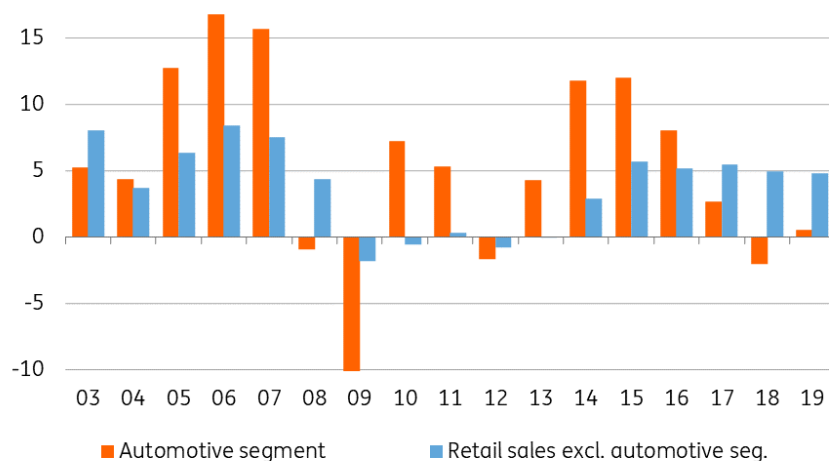
Car sales disappointed

On average, food sales added 1.8% last year, which is broadly the same as the previous two years.

Non-food items were growing by 7.7% (also the same pace as in 2018) - though some deceleration was apparent in the last quarter of 2019 with an average of 6.5%. Car sales and repairs increased by 4.3% in December, which ended below the market estimate of 8%. Analysts expected stronger growth as previously published data regarding new car registrations signalled double-digit year-on-year dynamics due to a low base from December 2018. This trend was visible across the whole EU.

As such, car sales were relatively weak and their sales in 2019 broadly stagnated, while new car registration fell by 4.4%.

Retail sales (annual growth, %)



Source: CZSO, ING

Sales slowdown is likely this year due to weaker consumer confidence

December figures thus confirmed that retail sales (excluding cars) maintained a solid pace last year, despite a gradual deterioration in household confidence over the year.

Average annual retail sales (excluding cars) were 4.8%, only slightly weaker than in previous years (see the chart). It also holds that the dynamics of retail sales in the Czech Republic is among the highest in the EU countries and double compared to the EU 28 average, which is related to the overheated labour market and continuing solid wage growth.

These factors will continue to support household consumption this year, but households are signalling an intention to save more because of growing concerns about future economic developments, which might slow their spending.

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