

## Czech Republic: Retail sales weaker amid tighter restrictions

January retail sales fell more than expected in January given tighter pandemic restrictions, which were partially eased in December. The year-on-year rate showed a drop of 9.5% or -6.5% if adjusted for working days. Given the unfavourable pandemic situation, 1Q figures will remain weak

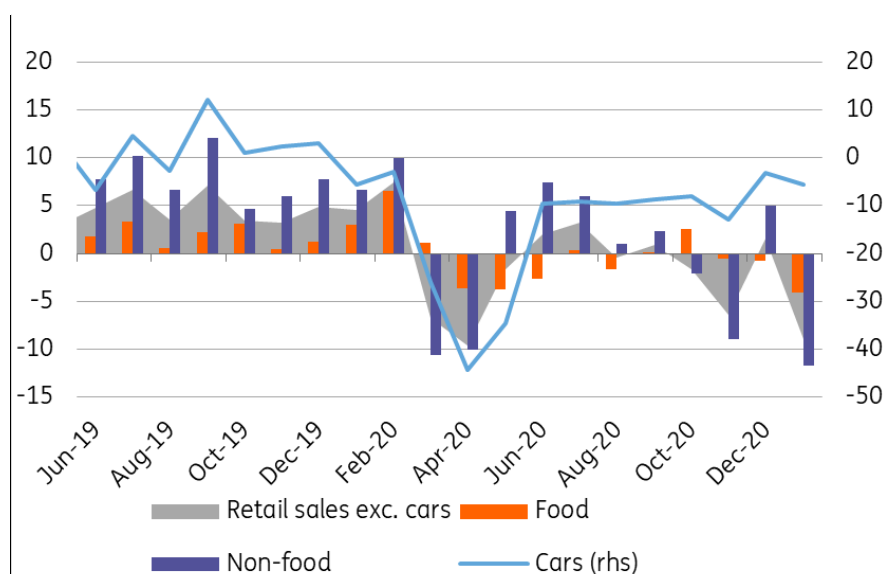


Source: Shutterstock

### Weaker sales in January due to tighter restrictions

January had two fewer working days than January 2020, while December last year had two extra working days. These differences normally affect sales by several percentage points. However, given the pandemic and accompanying lockdown, adjusting for calendar bias is less relevant, though there is still some impact as more working days last January increased the base that we are now comparing sales to. As such, amid tighter Covid-19 restrictions, sales fell by 9% year-on-year after slightly positive growth of 1.6% in December (revised lower from 3.7%). Looking at the working-day adjusted figures, sales fell 6.5% year-on-year after a 0.8% drop in December. In month-on-month terms, sales fell by 6.6% compared to December.

## Retails sales (% YoY, not adjusted for calendar bias)



Source: CZSO, ING

## Sales in services also impacted, though some segments are growing

Sales in selected services increased slightly in month-on-month terms (+1%) in January and the YoY rate eased from -11.7 to -10.7% due to calendar effects. Still, the unadjusted figure was -13.2% YoY after a 9.2% fall in December. Unsurprisingly, sales in accommodation and restaurants deteriorated again amid tighter pandemic restrictions (sales fell from -72% to -83% in accommodation and -52% to -64% YoY in restaurants), while some improvement was recorded in IT services.

## Unpleasant figures ahead

Given the course of the pandemic, it is clear that the numbers will remain very unfavourable until March, although the year-on-year declines in data from March will fade due to the base effect. Some improvement might come in April, though it will depend on the Covid situation, and the easing of restrictions after the Easter holidays might be very slow and gradual due to overloaded hospitals, which are now facing the highest number of severe cases, though new cases have started to decline slowly.