

Czech retail sales disappoint in May

Retail sales, excluding cars, decelerated to 2.7% in May, below this year's average growth rate of 5%. Most likely this was driven by some one-off factors, mainly a correction in food sales after a strong April as well as cold weather, which held back sales of summer goods



Source: Shutterstock

After surprisingly strong retail sales in April, which grew by almost 7% year-on-year, we saw some correction in May. Retail sales rose just 2.7%, below the market estimate of 5.1% and also the year-to-date average growth of 5%.

The significant deceleration was driven by a combination of factors:

- A strong deceleration in the food segment from 10% YoY in April to 0.4% in May. It is not surprising to see some correction in food sales as April saw exceptional growth due to Easter shopping. Average food sales last year were around 2% and similar developments have also been seen in previous years.
- Non-food sales were also weaker than expected, at 5.6% year-on-year, i.e. below the year-to-date average rate of 8%. The weaker figure was mainly influenced by poor sales at specialised stores such as clothing and footwear. However, this could be driven by a relatively cold and rainy May, which reduced sales of summer goods. This also supports the fact that internet shopping maintained a double digit pace of around 20% in May.

- Fuel prices in May hit the highest level in the last six months, causing fuel sales to fall by 0.7% YoY, after growing by 4% YoY on average in previous months. Without this effect, retail sales would be growing by 3.2% instead of 2.7%.

2.7%

May retail sales without car segment (YoY)

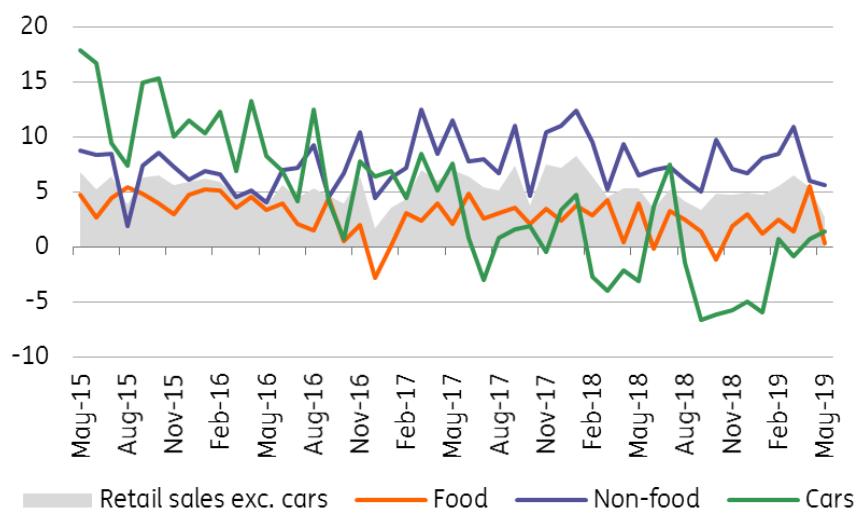
below market estimate and YTD average growth of 5%

Worse than expected

Car sales improved in last two months

Car sales accelerated by 3.1% after 2.7% growth in April, so some signs of stabilisation- after months of YoY falls- is apparent here. Still, new-car registrations dropped by 15% in June, so the car segment remains uncertain. That said, second-hand cars sales have been accelerating in recent months.

Retail sales (calendar bias adjusted, % YoY)



Source: CZSO, ING

Some deceleration to come

All in all, this was a surprisingly weak figure for retail sales in May (a similar trend has been seen in Hungary, Poland and Romania), but we believe it might be combination of one-off factors. Year-to-date growth remains at 5%, the same as last year, but some slowdown this year is likely as household confidence declines due to concerns about an economic slowdown. While the labour market is tight, as confirmed by June numbers from MinLab, households are signalling higher intentions to save, which might weigh on spending in the second half of the year, in our view.