

## Czech retail sales hit by lockdown, but less than expected

Retail sales fell by 2% in October compared to September driven by the new lockdown, but the market expected an even more severe impact. Sales in services declined by 2.4% and its year-on-year fall intensified to 12.5%. The November figures will deteriorate further



Source: Shutterstock

### New lockdown impacted retail sales in October

Retail sales (excluding cars) fell by 2% month-on-month (MoM) due to the renewed lockdown, and the year-on-year (YoY) decline reached 0.9% (after adjusting for the effect of working days, just -0.2%) after a stagnation in September.

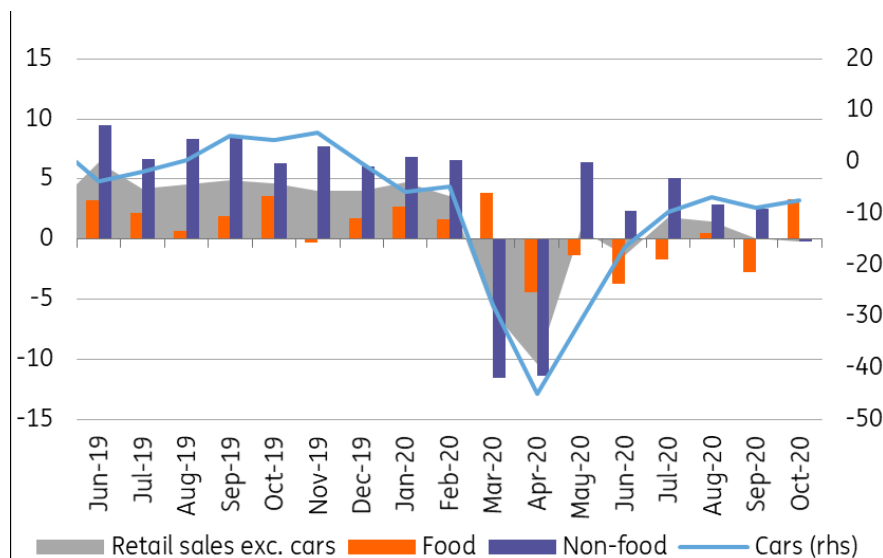
Some decline was not a surprise due to new restrictions closing down selected shops since 22 October. But analysts expected a more severe impact, leading to 3.3% YoY decline. As such, given the length of restrictions, sales surprised on the upside.

### Food and internet sales growing

While grocery shops did not close and sales dynamics accelerated in October (+ 3.9% YoY), non-

food sales fell from 2.5% growth in September to -1.8% in October (when adjusted by one working day then only by -0.2% YoY). Unsurprisingly, due to the lockdown, sales via the internet accelerated further from 20% to 31.5% YoY. Car sales improved in MoM terms, but continued to fall by a double-digit pace again in October. At the same time, the new registrations for November do not bring any significant improvement, as their year-on-year decline eased only slightly from 15.5% to 13%, and sales are 21% YoY lower year-to-date.

## Retail sales (% YoY, working-day adjusted)



Source: CZSO, ING

Thus, retail sales surprised on the positive note in October and their decline was weaker than the market expected. This means that industry could adapt better to the situation compared to the first wave, although the development was very heterogeneous. In November, however, the decline in sales will deepen further, although it should not reach a bottom as experienced in April of -10% YoY.

## Sales in services also declined in October

The Czech statistical office (CZSO) also published sales in selected services for October. They fell by 2.4% MoM in October, and their year-on-year decline deepened further from 10.6% in September to 12.6% (after adjusting for seasonal and calendar effects).

Deterioration in services started again in September, when some restrictions on services become active. However, the year-on-year fall intensified in October, especially for services affected by restrictions: for example, sales in accommodations were 81% YoY lower in October (-50% in September), sales in restaurants by 47% (compared to -13% in September) and travel agencies -89% lower (vs. -85 in September).