

Czech retail sales slightly weaker in December but solid over the year

Czech retail sales in December came in slightly weaker than expectations but for the whole year increased by 4.8% while car sales declined by 2%



Source: Shutterstock

Blame calendar bias for weaker sales

Czech retail sales (excluding cars) increased by 3.1% year on year in December. This is weaker than the 6% growth in November, but mainly due to the calendar bias as November had one working day more in annual terms. Adjusting for that, December growth reached 4.3% YoY compared to 5% in November.

As such, December sales growth ended just slightly below the November figure, and the average for 2018 growth was 4.8%.

3.1% YoY

December retail sales

4.3% after adjusting for calendar bias

Lower than expected

But non-food sales slowed down in December

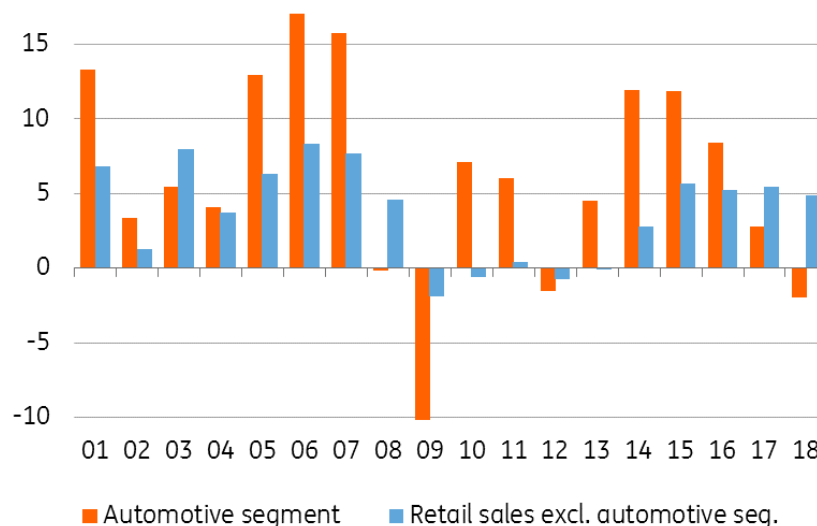
A closer look indicates the weaker December sales were caused mainly due to non-food goods (+4.9% YoY in December vs the average 2018-growth of 7.5%). After adjusting for working day bias, annual dynamics slowed down to 6.6%. This development might be caused by the fact that part of the Christmas shopping was done earlier in October-November during pre-Christmas promotions like Black Friday.

Weak car sales due to new emission rules

Since September, car sales have been facing problems with new emission standards that have curtailed sales across Europe. Still, the annual decline in new registrations was not massively worsening in December and was similar to that in November around -8% YoY. However, in the Czech economy, it intensified to -23% YoY. But this wasn't the only example of higher annual car sales fall in December across the EU, so probably comes down to new emission rules.

Total car sales (both new and the second-hand) fell by 8.1% YoY in the Czech economy in December and by 2% in 2018. This is the lowest rate since the 2009 crisis when sales declined by 11%. However, weaker 2018 numbers are due to one-off problems associated with emission limits and also the relatively high base of 2017.

Retail sales (annual growth, %)



Source: Czech Statistical Office, ING Bank

Retail sales kept solid pace last year

Retail car sales without cars ended slightly behind market expectations in December, but this was probably due to the stronger frontloading effect as average October-November sales were pretty good. Overall, retail sales numbers excluding cars hit 4.8% in 2018 and were thus only slightly weaker than the previous years.

Retail sales in the Czech Republic came in among the highest in the EU countries and more than doubled compared to the EU28 average, which is probably down to favourable growth of employment and wages in the domestic economy in recent years. Given the strong labour market, this should be base case for this year too, though some minor deceleration is likely given the economic slowdown ahead.