

## Retail sales show that household spending is driving the Czech economy

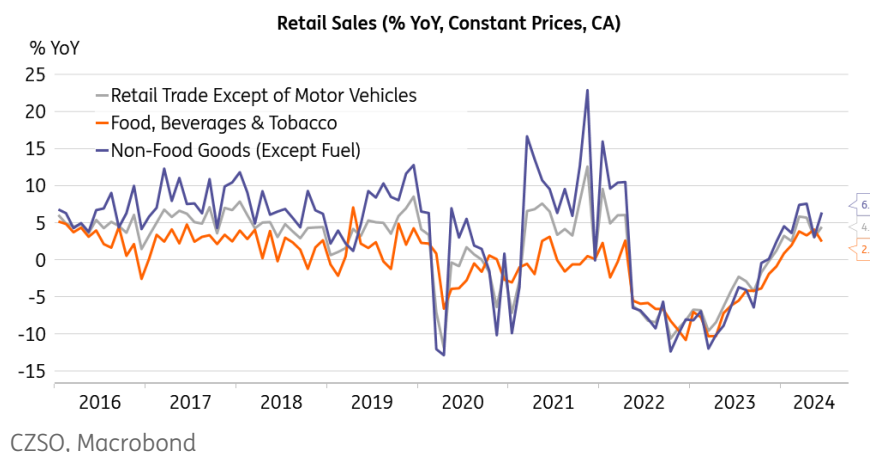
Retail sales increased 4.4% in July from a year earlier, reflecting slightly stronger spending than the markets expected. Household consumption likely remained a major driving force in the 2Q real GDP expansion



### Spenders did a great job in the second quarter

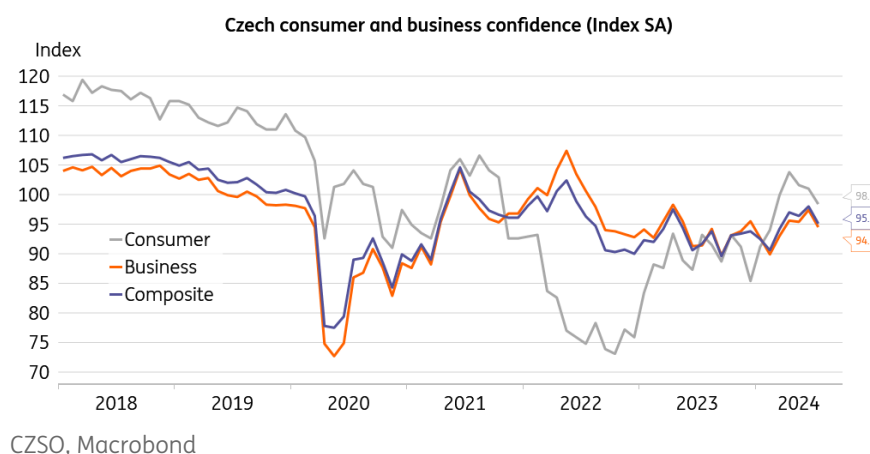
Czech retail sales excluding motor vehicles rose by 0.7% month-on-month in real terms in June, with non-food goods up by 1.6% MoM and fuel adding 1.0%. Meanwhile, food sales fell by 0.8% from the previous month. On an annual basis, real retail sales in June increased by 4.4%. Sales of non-food goods rose by 6.4% YoY, while fuel and food sales added 2.5% each from a year earlier. Annual retail sales growth continued for the seventh month in a row, with online sales being the main driver.

## Retail sales gains remain robust



The retail sales reading in June suggests that household consumption was a major driving force in 2Q GDP growth and is expected to contribute positively to overall economic activity in the coming quarters. During a buoyant economic expansion between 2016 and 2019 with average GDP growth of 3.5%, we saw real retail sales gain 4.7% each year on average. The 2Q average increase of 4.5% in retail sales shows that consumers have done a pretty good job in recent months, benefiting from lofty real wage growth. Nevertheless, sentiment has been on a downward trend since May and took a hit in July, casting a shadow over the third-quarter consumption performance.

## Consumer confidence has weakened



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