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Snap

Czech retail positively surprised in July

Retail sales (excluding cars) surprised on the upside in July, growing by 3% year-on-year. Sales thus exceeded analysts' consensus estimates, which assumed stagnation. More favourable readings in recent months suggest that retail sales could avoid a contraction this year

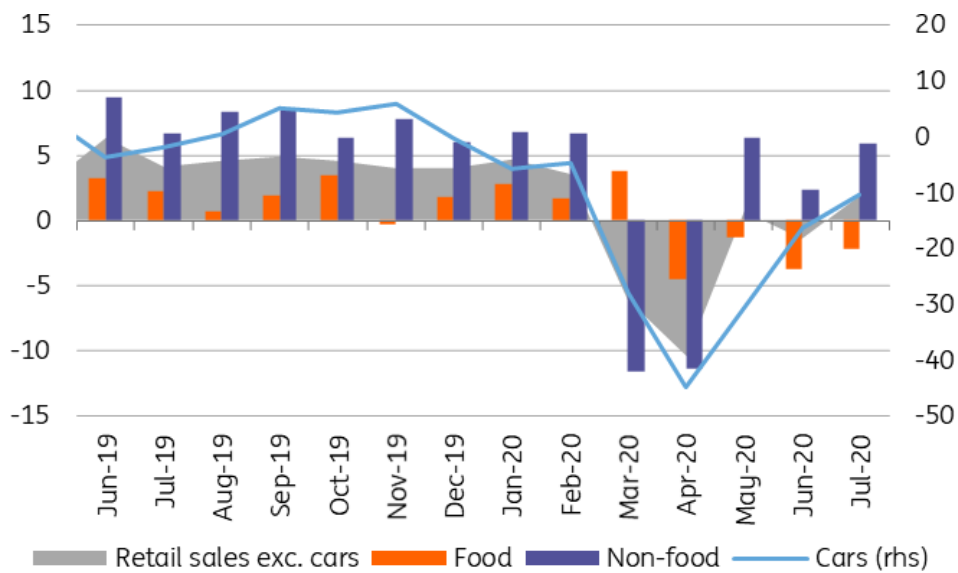


Shoppers in a Czech supermarket

Sales of non-food goods recorded solid growth of about 6% in July, with year-on-year growth only slightly weaker than it was before the coronavirus crisis (it was 7.7% for the whole 2019). Food sales grew just slightly in YoY terms, by 0.4%. However, they declined in the previous few months so some improvement was visible here. Although July of this year and last had the same number of working days, the distribution of weekends during the month differed. This also played a role in food sales, as they are usually higher on Fridays and Saturdays. Adjusted for this calendar effect, food sales fell by 2% YoY in July (after -3.7% in June).

Motor vehicle sales declined by 10.5% YoY. While this is an improvement compared to previous months, when sales fell in the range of 35-45%, it does not represent a switch to a more positive trend, as new car registrations in August fell by 34% after a 9% fall in July.

Retail sales (% YoY, calendar bias adjusted)



Source: CZSO, ING

All in all, July retail sales, excluding cars, positively surprised. To some extent this may be the effect of the preference for domestic holidays, which potentially increased sales compared to last year. However, in restaurants, sales remained 12% lower YoY, and accommodation was down by 50%, which is probably related to the drop in foreign tourists.

For the whole year, the market consensus assumes a decline in retail sales (excluding cars) of 2%, but the latest data suggests that sales could be more favorable and possibly stagnate or even grow slightly. Last year, they grew by 4.8%.

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