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Economic Comment

Retail sales significantly above consensus

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In November, retail sales increased by 3.1% y/y in real terms, above 1.3% y/y recorded in October. The result significantly exceeded both our forecast of 0.5% y/y and market expectations (0.8% y/y). This is the second consecutive positive surprise. We consider it as proof that the underlying trend of domestic consumption remains robust, and it provides support for our claims presented in our last MACROscope that the poor consumption results in 3Q24 were only a temporary deviation from its growth trend, not a structural change. The December GUS economic survey did not show any radical changes in sentiment and does not change our view on the generally positive economic outlook for Poland. In November, the purchase prices of agricultural products increased by 1.7% m/m and it was the fourth consecutive month of growth.

Retail sales again positively surprise

In November, real retail sales rose by 3.1% y/y after 1.3% y/y in October, well above our forecast of 0.5% y/y and the market consensus of 0.8% y/y. In fact, the November result marked the strongest positive deviation from the Bloomberg consensus since April 2022.

In seasonally-adjusted terms, sales rose 1.0% m/m, after 5.6% m/m in October.

The positive deviations from our forecast were spread over several categories, with the biggest registered in motor vehicles and parts, which rose by 28.1% y/y after 24.1% y/y in October. A notable positive surprise was visible also in sales of furniture and home appliances, whose growth rate improved from -3.6% y/y to -2.3% y/y, thus reaching the highest level since January 2023. In effect, according to our calculations, growth rate of durable goods sales advanced from 9.7% y/y to 11.8% y/y, and growth rate of non-durable goods sales returned to positive values, rising from -0.8% y/y to 0.8% y/y.

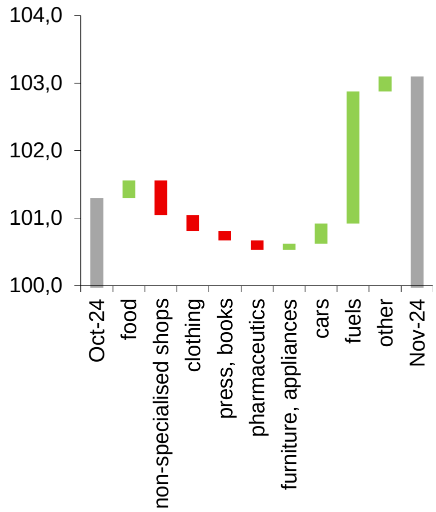
It should be noted that most of the increase in retail sales growth in November was related to fuel sales, whose growth rate rebounded from -9.1% y/y to 4.1% y/y due to the very low base in November last year. In October 2023, fuel prices were significantly discounted which increased sales in that month, but strongly lowered them in November. Still, this does not affect the positive message from today's release. We have accounted for the base effect in our forecast and the actual growth rate of fuel sales was only 2.7 percentage points higher than we have anticipated.

Since the November result is the second positive surprise in a row, we view it as evidence that the domestic consumption remains in good shape. Moreover, it supports our call from our latest MACROscope that the weak results of consumption in 3Q24 were only a temporary deviation from its growth trend and did not signal its structural change. Additionally, good results of consumption in the last two months suggest that in 4Q24, private consumption should again positively contribute to economic growth. Still, we expect that in 2025, the role of consumption will decrease and the main driver of economic expansion will be investment, supported by a hefty inflow of EU funds.

Mixed behaviour of sectoral business sentiment indicators in December

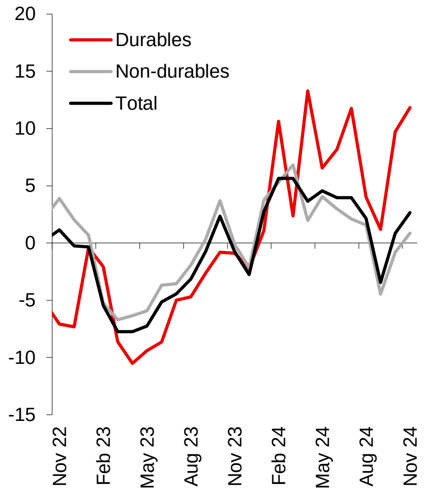
In December, the seasonally-adjusted business sentiment indicators showed a large improvement among hotels and restaurants, minor improvement in ICT, financial and insurance services as well as construction and retail trade (in case of the latter this was the fifth rise of the index during 2H24). These were accompanied by worse mood in wholesale trade, transport and storage. The sentiment in industry was almost unchanged in December after four consecutive monthly increases from July to October and some correction in November.

Retail sales growth decomposition, % y/y



Source: GUS, Santander

Retail sales in main categories, % y/y



Source: GUS, Santander

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Compared to December 2023, the index for industry was 1,4 pts higher, +2.3 pts in construction, +0.8 in hotels and restaurants. The y/y deterioration was recorded in retail trade (-1.7 pts) as well as transport and storage (-2.2 pts). All these annual changes are, however, small compared to the 2023 rebound, but it does not change the fact that the economy was cruising in 2024 at a decent speed close to 3% on average.

The December business survey results do not change our view on Poland's generally positive economic prospects. We expect the economy to return soon to 3%+ growth after its 3Q slowdown to 2.7% y/y that we treat as a one-off.

Prices of agricultural products further up, milk prices highest in two years

In November, the purchase prices of agricultural products increased by 1.7% m/m and it was the fourth consecutive month of growth. Most considerable price increases were recorded by corn, potatoes, cattle and milk. Milk prices were actually at the highest level since January 2023 and this development is related to the global decline in the supply of this product, which is currently most strongly manifested in a surge of butter prices. The increase in purchase prices will translate into an acceleration in retail food prices in the coming months.

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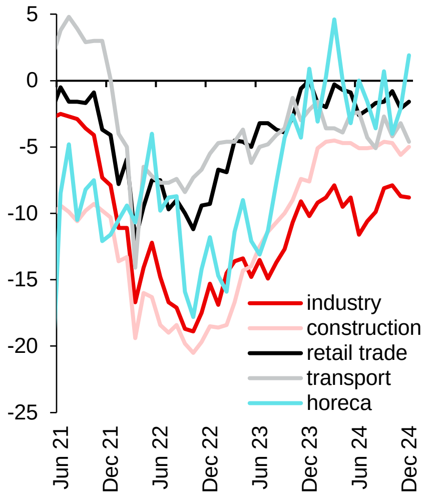
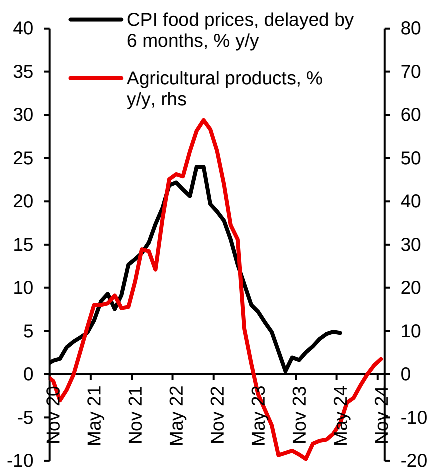
Sectoral business sentiment indicators, sa, pts



Source: GUS, Santander

Agricultural product prices vs retail food prices, % y/y



Source: GUS, Santander

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