

21 October 2019

Economic Comment

Sales weaker due to foods

Marcin Luziński, +48 22 534 18 85, marcin.luzinski@santander.pl

Grzegorz Ogonek, +48 22 534 19 23, grzegorz.ogonek@santander.pl

Retail sales decelerated to 4.3% y/y in September from 4.4% y/y in August, while an acceleration was broadly expected. Weak food sales was the main culprit, probably a one-off factor. In general the macro environment is favourable for consumption. General government deficit for 2018 was revised by GUS to 0.2% of GDP from 0.4%, 2018 GG debt left at 48.9% of GDP.

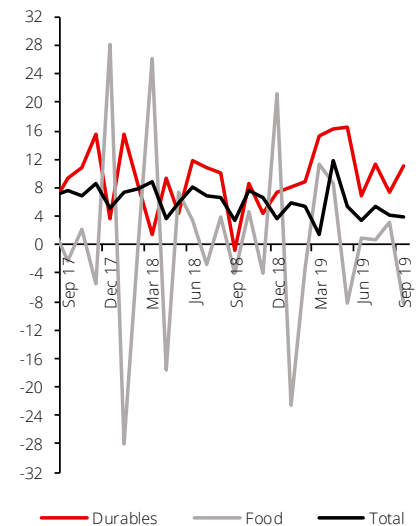
Retail sales undermined by food

Retail sales decelerated to 4.3% y/y in September from 4.4% y/y in August, while an acceleration was broadly expected. Weak food sales was the main culprit, with annual decline by 2.9% y/y. Food sales in monthly terms were actually the weakest since 2002 and this was quite surprising for us. Retail sales excluding food rebounded to 6.2% y/y from 5.0% y/y in August and was roughly in line with results from the previous months of the year. Sales of durable goods accelerated to 11.0% y/y from 7.3% y/y in August, so we would say that the underlying trend in retail sales remained intact, and food sales were probably brought down by a one-off. In general the macro environment is favourable for consumption (low unemployment, high consumer confidence, new social benefits and tax cuts) and we see no reason for a major weakening in retail sales trend. The data confirm our expectations that GDP decelerated further in 3Q19.

Record low GG deficit revised lower

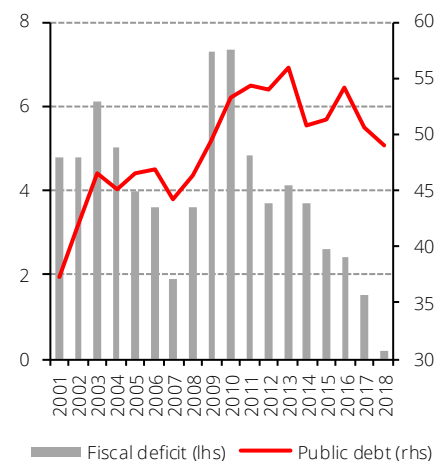
General government deficit for 2018 was revised by GUS to 0.2% GDP from 0.4%, mostly due to lower assessment of central budget deficit. The result for 2017 was left at -1.5% GDP. We expect that next year the GG deficit will grow to c1% GDP, while the government plan pointed to 0.3%. Revision of GG debt numbers did not cause a change of the measure relative to GDP (48.9% in 2018, down from 50.6% in 2017).

Real retail sales, % y/y



Source: GUS, Santander

Public debt and budget deficit, %GDP



Source: GUS, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa

email: ekonomia@santander.pl

website: santander.pl/en/economic-analysis

Piotr Bielski +48 22 534 18 87

Marcin Luziński +48 22 534 18 85

Wojciech Mazurkiewicz +48 22 534 18 86

Grzegorz Ogonek +48 22 534 19 23

Marcin Sulewski, CFA +48 22 534 18 84

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.