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## Economic Comment

### Retail sales and construction above forecasts

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Retail sales declined by 5.3%/y/y in real terms in November when new restrictions regarding trade were in place, down from -2.3%. The market expected to see -7.4% while we forecasted -8.1%. The surprise might come from some demand being front-loaded due to regulatory uncertainty. Construction output in November declined by 4.9% y/y (or by 7.1% y/y after seasonal adjustment), slightly less than we expected (-5.5% y/y). Construction sector activity remains subdued in 4Q, which probably corresponds with the stagnant investment activity.

#### Sales strong in November given the circumstances

Retail sales declined by 5.3%/y/y in real terms in November when new restrictions regarding trade were in place, down from -2.3%. The market expected to see -7.4% while we forecasted -8.1%. Durable goods purchases at -4.3% y/y were much stronger than we had estimated on the back of the damage done by the spring closure of shopping malls, e.g. sales of furniture, consumer electronics and household appliances was -0.6% y/y only. Consumers again switched to online purchases with the share of retail sales via internet jumping to 11.4% of total sales, second only to the 11.9% during the April lockdown.

The labour market is still holding well and consumers seem still quite open to large expenditures which bodes well for consumption in the coming months. On the other hand restrictions regarding Christmas Eve meetings and the even tougher ones to be imposed soon may be the limiting factor keeping retail sales growth negative in December and January at least. We also need to consider that the stronger-than-expected November retail sales print is an expression of regulatory uncertainty. Consumers might have front-loaded some demand, worried that they would not be able to do holiday shopping in December if more shop closures or social mobility restrictions were announced.

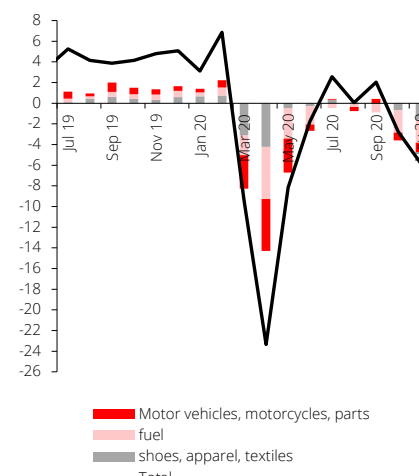
#### Construction output

Construction output in November declined by 4.9% y/y (or by 7.1% y/y after seasonal adjustment), slightly less than we expected (-5.5% y/y). The biggest drop took place in construction of buildings (-12% y/y) and civil engineering (-4.5% y/y), while companies doing specialised work recorded an increase of production (4.7% y/y). Investment works were down 4.6% y/y, while renovation works declined 5.4% y/y.

The data are more or less in line with expectations, confirming that construction sector activity remains subdued in 4Q, which probably corresponds with the stagnant investment activity. We expect both construction and investments to rebound in the second half of 2021.

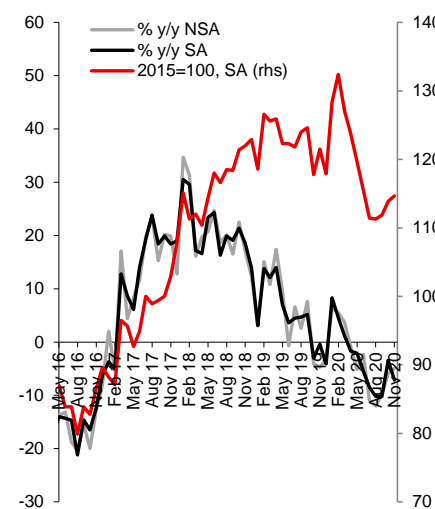
All monthly economic activity data for November came stronger than we had expected which adds a chance that the 4Q GDP growth will be higher than our -3.3% y/y forecast which is already relatively high vs market expectations, The front-loaded purchases hypothesis softens this conclusion, however.

Real retail sales and contribution of selected items, % y/y



Source: GUS, Santander

Construction output



Source: GUS, Santander

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