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Economic Comment

High activity in trade and construction

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Retail sales in constant prices rose in Poland by 12.1% y/y in November against market consensus at 8.2% and our estimate of 9.1%. It seems the high inflation environment is not forcing households to cut volumes of purchased goods but instead makes them spend more on assumption that prices would only rise. The strong income situation allows for such results. Construction output surged in November 12.7% y/y (or 10.9% y/y s.a.), twice as much as expected, joining the streak of data beating market expectations. Given the strength of November data on economic activity, the GDP growth in 4Q21 is likely to surprise to the upside (our forecast 6.6% y/y, market consensus 5.8%). Housing market was still in high activity mode, albeit our gauge of ongoing projects fell for the first time in more than a year.

Retail sales still not depressed by high inflation

Retail sales in constant prices rose in Poland by 12.1% y/y in November against market consensus at 8.2% and our estimate of 9.1%. The previous reading was 6.9% y/y. Seasonally-adjusted data showed a major rise by 2.5% m/m. This comes in the period of a decline in consumer sentiment indicators caused by high inflation. It seems the high inflation environment is not forcing households to cut volumes of purchased goods but instead makes them spend more on assumption that prices would only rise. The strong income situation allows for such results.

Strong performance was seen in sales of clothes and shoes, 55.8% y/y, books and sales in other specialized stores +12.5% y/y. Bear in mind the reference period, Nov 20 was marked by a lockdown. At the same time car sales were still down 4.9% y/y due to supply shortages. The rise of covid cases in November boosted online purchases, their value rose 35.3% m/m and was responsible for 11.4% of total sales.

The positive surprise in November retail sales means that 4Q private consumption could rise by more than 10% y/y.

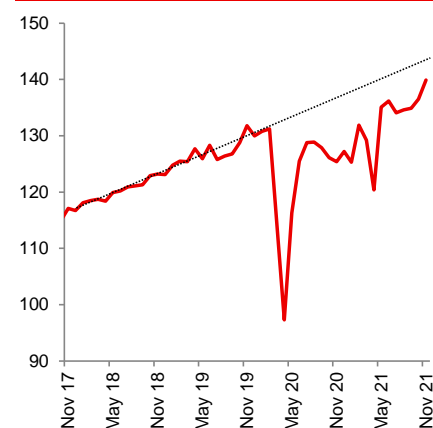
Construction output surge

Construction output surged in November 12.7% y/y (or 10.9% y/y s.a.), twice as much as expected, joining the streak of data beating market expectations. Sharp improvement took place in all types of construction works: specialised works rising 17.1% y/y, construction of buildings 12.6% y/y, and even civil engineering up 10.4% y/y. The data suggest that the stagnation in the construction sector that lasted for a couple of months has ended at the end of 2021, possibly reflecting a revival in public investment spending (infrastructure). The GDP growth in 4Q21 is likely to surprise to the upside (our forecast 6.6% y/y, market consensus 5.8%).

Housing construction remains strong

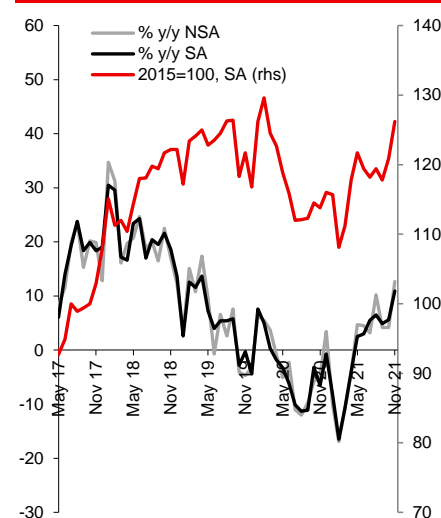
In November the Polish housing market was still in very high activity mode. Housing permits were up 10.7% y/y, house starts rose by 6.6% y/y, and the number of completions was up 16.6% y/y. Our measure of ongoing housing projects (12M moving sum of permits minus house completions) eased from a 13.5-year high – it fell m/m for the first time in more than a year.

Retail sales in Poland (s.a. volume vs trend)



Source: GUS, Santander

Construction output



Source: GUS, Santander

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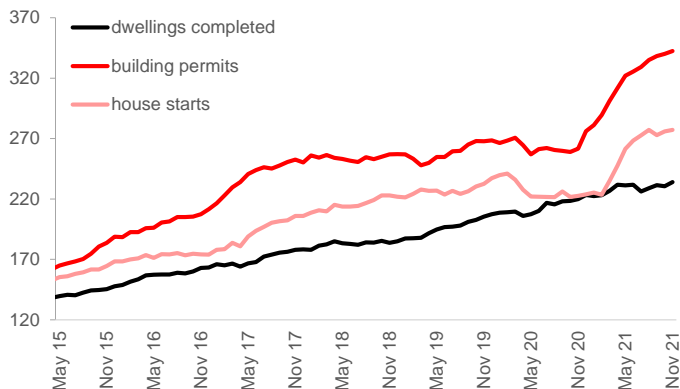
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12-month rolling sums of housing statistics (in thousand)

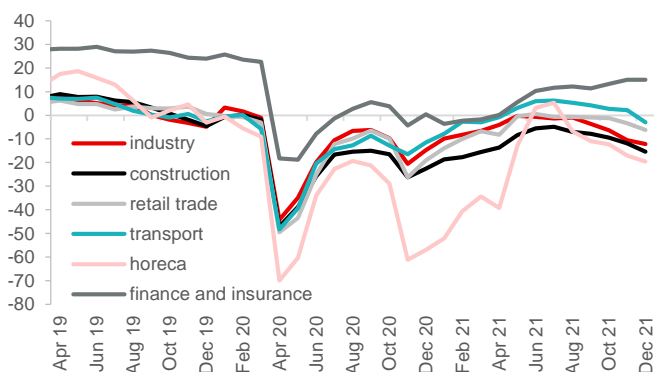


Source: GUS, Santander

Mixed business sentiment in December

In general the sectoral business sentiment indicators moved lower in December, but in s.a. terms some of them managed to improve a bit (wholesale trade, to a minor extent also industry and construction), but this did not break the mild downside trend seen since the middle of the year. Industrial and construction companies were less positive on their current and expected performance despite the strong November output readings.

Sectoral business climate indicators, n.s.a.



Source: GUS, Santander

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