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Economic Comment

Another dose of strong January data

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Retail sales accelerated to 10.6% y/y in January from 8.0% y/y in December versus our forecast at 13.1% y/y and market consensus at 10.5% y/y. In seasonally-adjusted terms sales advanced by 3.6% m/m. Annual growth rate was partially under positive influence of low statistical base from January 2021, when lockdowns, especially of shopping malls, were detrimental to some sales categories. This was particularly negative for clothing. We are expecting retail sales to remain solid in the upcoming months, yet can register some slowdown. Sales will be supported by positive labour market situation and slightly positive real wage growth.

Construction output advanced by 20.8% y/y, way above the market consensus. High volatility of January growth rates is characteristic for construction, but even despite that the reading is supporting for expectations that GDP growth may have remained close to 7% y/y in 1Q22.

Retail sales supported by base effect

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Note that January numbers were partially under positive influence of low statistical base from January 2021, when lockdowns, especially of shopping malls, were detrimental to some sales categories. This was particularly negative for clothing, which now recorded a +97.7% y/y growth rate. In general sales data seem to be quite robust, with two exceptions: car sales (down by 13.5% y/y vs -8.5% y/y in December) and fuel sales (down 1.5% y/y vs +3.2% y/y in December). Retail sales ex these two categories accelerated to 15.9% y/y from 10.9% in December. In our view car sales are limited mostly due to supply problems in the industry, while fuel sales could have been negatively affected by cut in VAT on fuels introduced in February. In our opinion it is possible that some drivers postponed buying fuel to take advantage of lowered prices.

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Retail sales deflator climbed to 8.5% y/y from 8.2% y/y in December. In our view this measure is likely to go slightly down in the following months.

Construction surprised with scale of rebound, this can be "January effect"

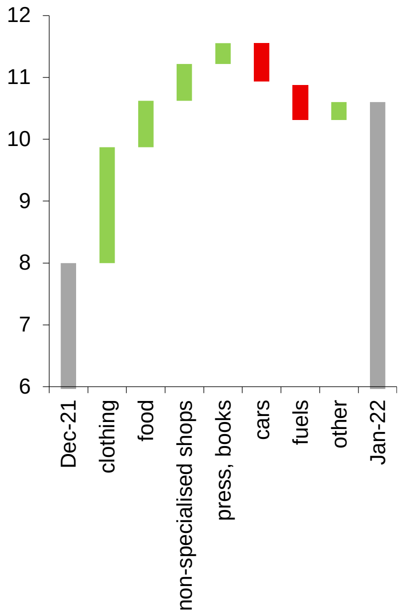
January construction output came very strong at +20.8% y/y, way above market consensus (market median 4.3%, our estimate 2.9%), adding to the strong message from industrial output on Friday and strengthens the case for 1Q GDP coming close to the 4Q print of 7.3% y/y, and not visibly lower (6.6%) as we had expected before January data. Construction of buildings was the main contributor (adding +14 pp to the headline), while infrastructure (related to public investment, blocked so far by issues with the Polish recovery plan) and specialized works were not that striking.

In construction, Januaries (and Februaries) are prone to huge swings of y/y growth (like the unexpected 30%+ y/y in 2018) due to the high seasonality of the value of output (it is 3-4 times lower in January than in December). The current huge rise does not mean that we should expect the following months to be equally strong and we prefer to treat it as a one-off.

Housing market took a breather

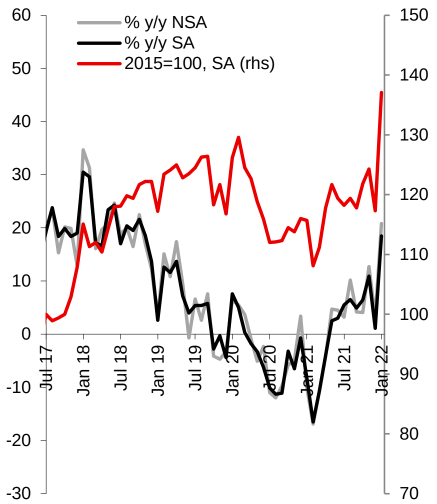
In January the housing market activity was low: 15.3k flats were finished (down by 12.5% y/y). Building permits amounted to 22.2k (down by 5.4% y/y) and house starts to

Retail sales, breakdown of annual growth rate



Source: GUS, Santander

Construction output



Source: GUS, Santander

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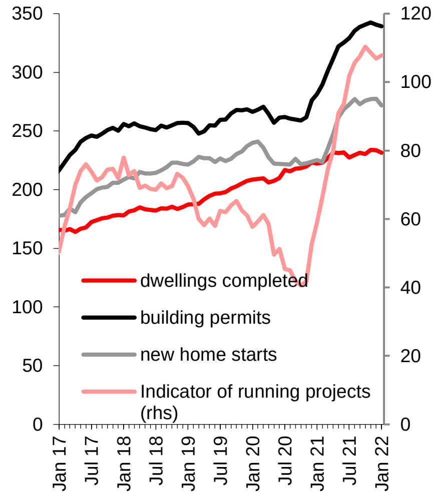
11.8k (down by 32.3% y/y). Rising interest rates will contribute negatively to demand for flats, which is likely to encourage developers to limit the supply. Let us note, however, that there are a lot of housing market projects going on currently, so supply is likely to remain high in the upcoming quarters.

Housing market indicators, 12M moving sums



Source: GUS, Santander