

Economic Comment

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More data failed to meet expectations

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Retail sales slowed in November to -0.3% y/y from +2.8% y/y in October. We do not find this reading worrying and continue to believe that it confirms the ongoing recovery in consumer demand. Construction output was up 3.9% y/y in November, much below expectations, possibly due to weather changes. December business sentiment survey showed some weak spots, but it does not change the scenario of a positive economic outlook. November housing market data suggest that it still needs time to adjust to increased demand. In general, November data proved worse than expected, but in our view should not undermine further economic rebound.

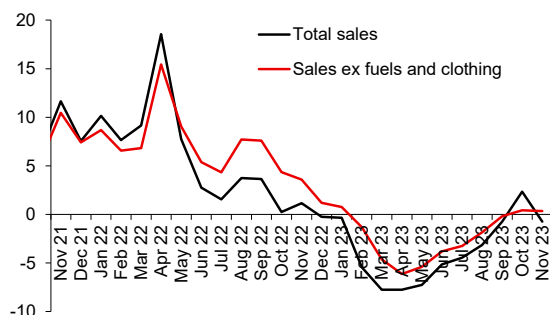
Retail sales undermined by fuels

Retail sales slowed in November to -0.3% y/y from +2.8% y/y in October, below expectations (us: 0.7% y/y, market: 1.8% y/y). On a seasonally adjusted basis, sales fell 0.8% m/m, following an increase of 2.1% m/m in October. Durable goods sales fell 0.9% y/y after a 0.8% y/y decline in October, with non-durables down 0.1% y/y after a 3.7% y/y increase in October.

We do not find this reading worrying and continue to believe that it confirms the ongoing recovery in consumer demand. Let us remind that October's headline figure was boosted by strong fuel sales, driven by the pre-election price cut. The normalisation of prices at the pump stations in November led to a correction in demand. The annual growth rate of fuel sales therefore fell from +16.7% y/y in October to -0.9% y/y (stronger than we had anticipated). This movement alone explains 3 percentage point difference between the retail sales growth rates in October and November.

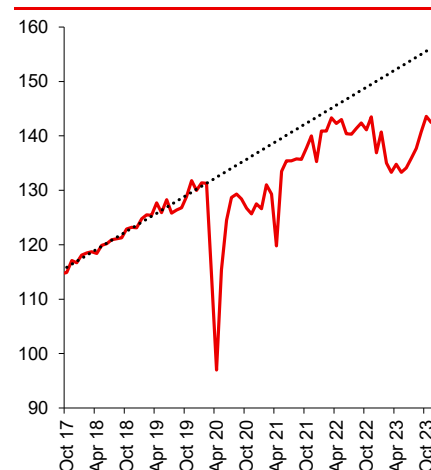
Food sales were also rather disappointing, falling by 2.6% y/y against a 0.8% y/y decline in October. Growth in clothing sales also declined slightly, to -4.4% y/y from -1.9% y/y, which, as we speculated earlier, was due to overly strong demand in October after the launch of the autumn collection was delayed due to a warm September. Car sales slowed slightly, to 11.8% y/y from 12.3% y/y. Sales in this category have quite clearly gained strength in recent months due to unblocked supply chains, we assume a normalisation and a possible slowdown in growth going forward. Sales of household goods performed well and showed a decline of 1.1% y/y against -1.9% y/y in October and the highest since January 2023. We expect a further improvement in this category. Pharmacy sales performance also looks strong, with an increase of 4.1% y/y vs. 2.3% y/y in October. In our view, this could be related to the increase in the incidence of Covid-19.

Retail sales, % y/y



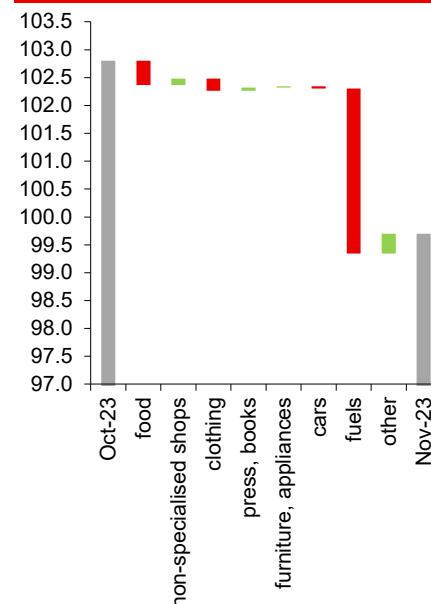
Source: GUS, Santander

Retail sales, sa index (2015=100) vs pre-covid trend



Source: GUS, Santander

Retail sales, breakdown of change in annual growth rates, corresponding period of the previous year = 100



Source: GUS, Santander

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We expect private consumption to gain momentum in the coming months, supported by high consumer confidence and growth in disposable income.

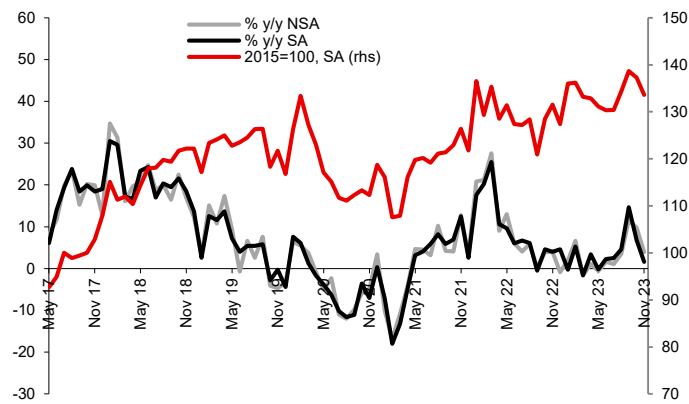
Construction output went up, but not enough to meet expectations

Construction output was up 3.9% y/y in November, much below market consensus (7.4% y/y) and our call (7.3% y/y). The slowdown from October's 9.8% y/y was caused by much lower output growth in civil engineering (5.3% y/y, previously 17.6%) and specialised construction works (-5.6% y/y, down from +7.1%). The rebound in construction of buildings (+10.7% y/y, previously +1.1% y/y) failed to offset the move in the other main categories. Seasonally adjusted output was down 2.0% m/m, which made the 3M average monthly growth fall to zero.

We may have underestimated the impact of weather conditions – September and October were exceptionally warm and rather dry, November saw more than average rainfall and snowfall and temperatures a bit below multi-year average.

Sentiment indicators for the construction sector are generally on the rise and we should still see some growth in the sector (we expect the average to be 5.9%). Note that the winter prints tend to be quite volatile and do not necessarily reveal the economic conditions in the sector.

Construction production in Poland



Source: GUS, Santander

Housing market catches some breath

In November, the number of completed dwellings fell from 19,5k to 18.9k, 27.0% less than a year ago. The number of granted permits broke its upward trend and declined to 20.7k, 14.2% less than in October, but maintained a positive annual growth rate, at 6.6%. A decrease was also recorded in new building starts, which fell from 19.7k in October to 16.1k, its lowest since July, and in the number of dwellings under construction, which dropped to 808.2k from 810.9k. Still, it should be noted that the annual growth rate of the latter measure continues to gradually accelerate, reaching -4.6% y/y after -5.8% y/y in October, which was reflected in in our proxy indicator of running housing construction projects which continued to rise, reaching 16.4 pts after 8.2 pts in October.

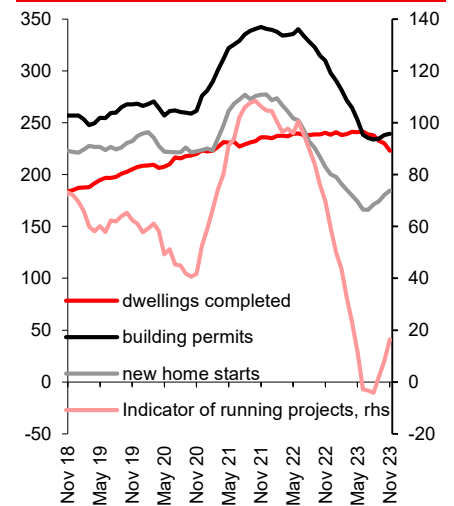
Overall, the newest data - which for most part were worse than a month ago - clearly show that the housing market still needs time to develop more momentum and properly adjust to the increased housing demand (which is evident the credit data). Until that happens, further increases in house prices should be expected.

Mixed picture in December business sentiment

Some improvement was seen in December in the sectoral business sentiment survey in transport, retail trade, hotels and restaurants. The mood in construction was a bit worse (it came after 13 consecutive m/m increases) and there was a reversal of November improvement in industry – in both cases it was the current situation component that drove the sectoral index lower, while expectations components in industry and construction are going up systematically (since June and March, respectively).

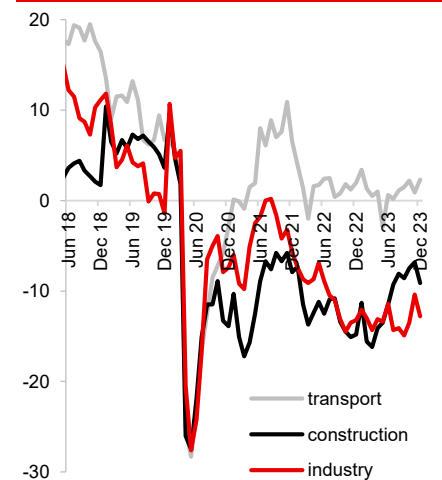
The business sentiment survey for December is compatible with further rebound in real data down the road, but the worse assessment of current conditions in industry and construction may mean that not every print of output will be able to shine in the coming months, just like the November ones failed to reach growth rates expected by the market.

Polish housing market tendencies, 12M moving sum, in thousand units



Source: GUS, Santander

Business sentiment indices, current situation, non-seasonally adjusted, pts



Source: GUS, Santander

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