

## Economic Comment

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### Polish consumer entered 2024 with impetus

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Retail sales advanced by 3.0% y/y in January, markedly above forecasts (we: 1.0% y/y, consensus: 1.4% y/y) and -2.3% y/y in December. After the negative surprises from industrial and construction production, this allows us to stay confident in the scenario of a gradual economic recovery this year, with household consumption demand as the main driver. This will be supported by consumer optimism and strong real growth in disposable income (real wages in January grew at the fastest rate since 2008). Also consistent with such a scenario are the results of the GUS business sentiment survey, which showed an improvement in expectations in February. Procurement prices of agricultural products fell markedly in January, suggesting further downward pressure on food prices.

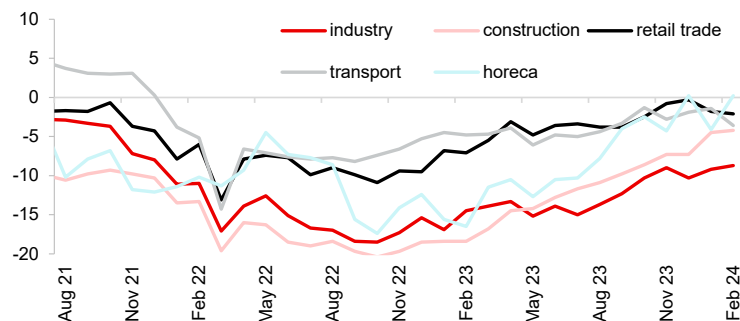
#### Retail sales show its strength

Retail sales advanced by 3.0% y/y in January, markedly above forecasts (we: 1.0% y/y, consensus: 1.4% y/y) and -2.3% y/y in December. Sales of durables improved to 0.5% y/y from -2.2% y/y and of non-durables to 3.5% y/y from -2.2% y/y. In seasonally-adjusted terms sales expanded by 0.4% m/m.

Car sales were particularly strong and grew by 22% y/y, the highest since 2015 (and 2021, but back then the high growth was due to a low pandemic base). This is consistent, in our view, with an improvement in the important purchases index published as part of the consumer sentiment data. Fuel sales were also strong and rose by 13.1% y/y. In our view, this was largely due to cold temperatures in January and was consistent with our assumptions. Sales in the "other" category also accelerated very strongly, to +18.9% y/y from -6.4% y/y in December. This was accompanied by a slump in clothing sales, to -24.7% y/y from -4.1% y/y in December. The unusual behaviour of the monthly growth rates in these categories tells us that either there is an error in the data or there has been a reclassification within the categories. Sales of household goods were not too bad either. Although its annual growth rate fell to -16.8% y/y from -11% y/y in December, the blame can be put on the high base of January 2023.

These numbers support our call that consumption will remain strong this year, driven by high consumer confidence and strong real growth of household incomes (January real growth rate of wages was the strongest since 2008).

#### Sectoral business sentiment indicators, seasonally adjusted, pts

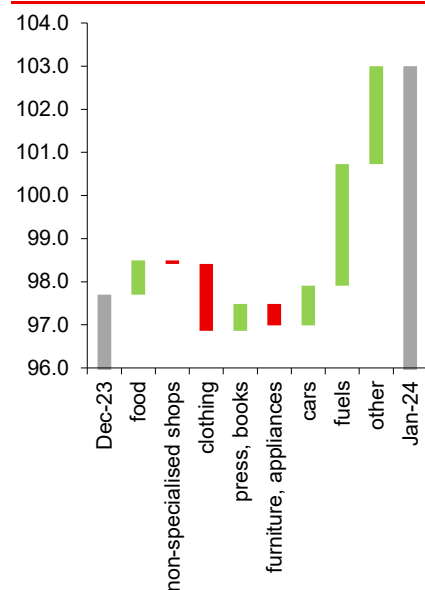


Source: GUS, Santander

#### February business sentiment indicators revealed mostly positive changes

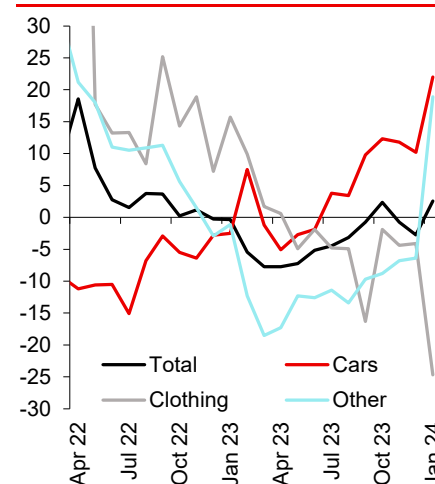
Industry, construction, wholesale trade, as well as hotels and restaurants sector reported m/m more optimism, while transport companies signalled worse conditions (this might just reflect the strikes of farmers and blockade at the Ukrainian border that affected shipping). A common pattern in the February sentiment data is that expectations components of sectoral

#### Breakdown of change in annual retail sales growth rate, % y/y



Source: GUS, Santander

#### Retail sales, main categories, % y/y



Source: GUS, Santander

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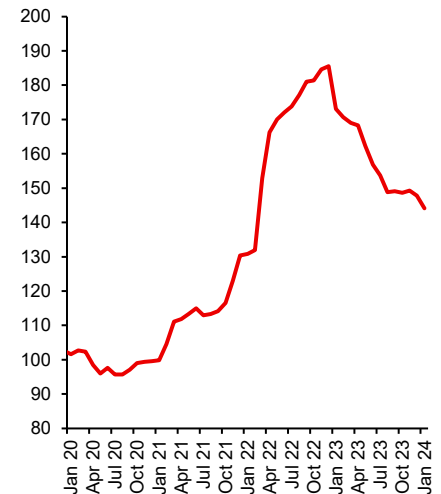
indices went up quite significantly (also in transport) while current situation was mostly assessed as weaker than in January.

The business sentiment data are consistent with economic recovery but at the same time do not pressure us to steepen the path of our GDP forecasts.

### Prices of agricultural products continue declining

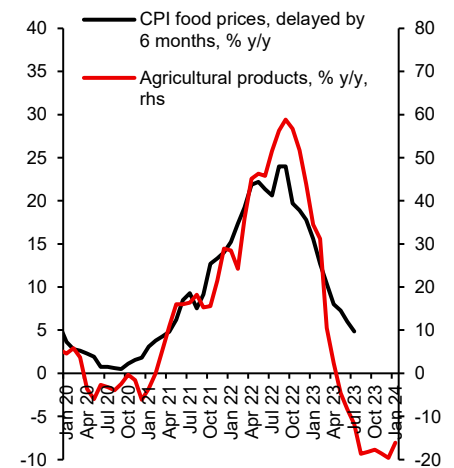
Procurement prices of agricultural products declined in January by 2.5% m/m after -1.0% m/m in December, in no small part due to decreases in prices of milk and most types of meat. Prices of cereal grain again exhibited mixed tendencies, with prices of wheat, rye as well as barley continuing their decline, and prices of oats and maize rising. Further increases were also registered in prices of potatoes. In annual terms, procurement prices of agricultural products fell by 16.1%. The declines of procurement prices may put downside pressure on retail food prices.

Prices of agricultural products, index



Source: GUS, Santander

Prices of agricultural products vs. retail food prices, %y/y



Source: GUS, Santander

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