

21 September 2018

# Economic Comment

## Retail sales remain strong

In August, retail sales rose 6.7% y/y in real terms, down from 7.1% previously. The result sits between the consensus (7%) and our forecast (6.4%). The details like sales of durable goods, with growth remaining above 10% y/y for a third month running, signal continued strong consumer demand. September business sentiment indices showed further deterioration of new orders.

### Durable goods sales growth holds above 10%

In August, retail sales rose 6.7% y/y in real terms, down from 7.1% previously. The result sits between the consensus (7%) and our forecast (6.4%). August saw a dip in wage bill growth (in the corporate sector), but it did not weaken the retail sales growth too much. Nominal retail sales grew 9% y/y vs 9.3% y/y in July and 8% on average in 1H18.

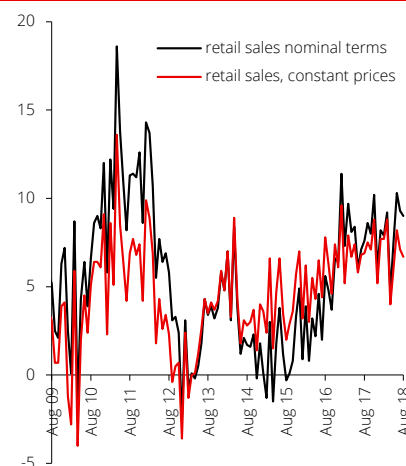
The details like sales in non-specialized stores (with y/y growth contribution still similar to the Jan-Jul average) and weighted growth of durable goods categories at 10.1% y/y vs 8.5% y/y on average in 2Q and 10.7% in July suggest the underlying consumer demand remains strong.

While industrial data for August confirmed we should expect a slowdown in this sector in 2H18, retail sales release and business sentiment in retail trade sector signal robust support from private consumption (still growing at c5% y/y) to economic growth also in 2H18.

### Further drop in business orders in September

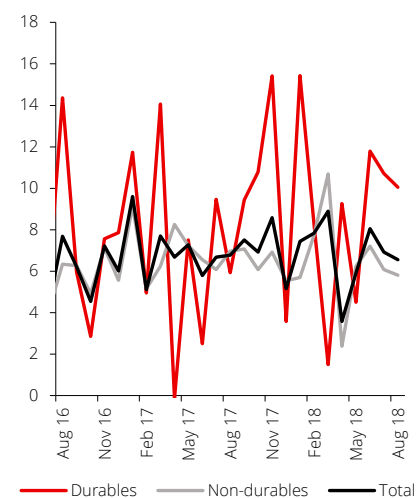
The business sentiment survey data for September showed further deceleration of new orders in manufacturing sector and services sector. A brighter point is construction, where the pace of deterioration slowed down. In retail sales, indices of expected sales improved, confirming our positive view on retail sales despite its August growth coming slightly below consensus.

Retail sales, %y/y



Source: Stats Office, Santander Bank Polska

Retail sales in main categories, % y/y



Source: Stats Office, Santander Bank Polska

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