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Economic Comment

Poles went shopping

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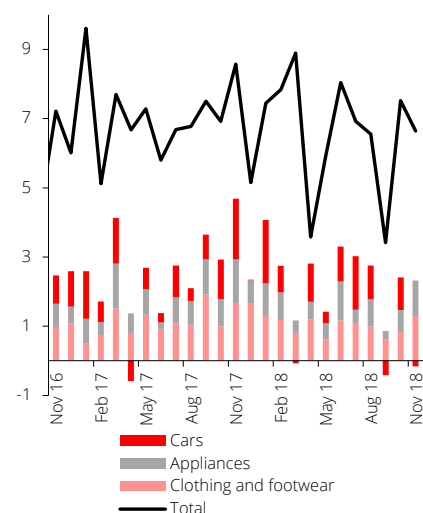
Retail sales rose 8.2% y/y in nominal terms in November, exactly as we expected and slightly stronger than market consensus (7.9%). Car sales weakness was offset by other categories, surprising us positively - mainly non-auto durables (home appliances, furniture) and semi-durables (clothing, shoes, other textiles). November retail sales are another data covering 4Q that suggest the economic slowdown could be really gentle in this period, with GDP growth still close to 5% y/y, albeit this time more likely below than above this level.

Retail sales rose 8.2% y/y in nominal terms in November, exactly as we expected and slightly stronger than market consensus (7.9%). November pace of growth was slightly higher than average year-to-date growth of sales (8.1%). We expected a rebound in auto sales (after the technical disturbances linked to new exhaust emissions standards), but this did not come in November. We expect auto sales to recover in December due to some legal changes regarding company cars are coming into force in 2019. Car sales weakness was however offset by other categories, surprising us positively - mainly non-auto durables (home appliances, furniture) and semi-durables (clothing, shoes, other textiles). This is a sign of healthy consumer demand.

November retail sales are another data covering 4Q that suggest the economic slowdown could be really gentle in this period. In both October and November retail sales, output and wages surprised positively. We assume that private consumption is running this quarter at a similar pace than in the previous periods, i.e. 4.5-5% y/y in real terms and GDP growth remained close to 5% y/y, albeit this time more likely below than above this level.

Still, this should not have any impact on MPC's relatively dovish stance. The Council builds its rhetoric that justifies extended period of unchanged rates on slowdown expectations in the coming years, and signals that 4Q18 was still quite strong are not a game-changer here, in our view.

Retail sales (% y/y) - contributions of selected categories



Source: Stats Office, Santander Bank Polska

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