

25 November 2019

Economic Comment

Retail sales did not disappoint

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In October, Polish retail sales grew 4.6% y/y in real terms vs 4.3% market consensus. Such result eases somewhat the worries about consumer spending that arose after the disappointing previous reading, but confirms outlook of continuing slowdown. In our view, additional social transfers and cut of the PIT tax rate should prevent retail sales from a major deceleration.

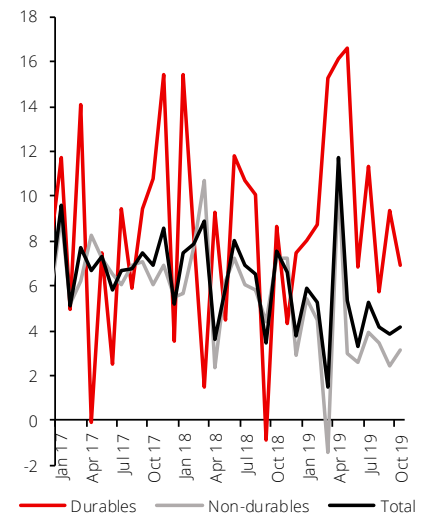
In October, Polish retail sales grew 4.6% y/y in real terms vs 4.3% market consensus. Such result eases somewhat the worries about consumer spending that arose after the disappointing previous reading. However the two large categories that performed poorly in September – food and other sales in non-specialised outlets – were still weaker than we had thought in October, but to a much lower extent. Contribution from durable goods was still fine, but at the same time the lowest in nine months.

Sales of clothing and footwear could have been negatively affected by weather – October was quite warm. Sales of press and books could have been boosted by the Nobel prize won by Polish writer.

Real retail sales grew 5.8% y/y on average in 1H19, 4.8% in 3Q, so the October 4.6% result suggests the gradual slowdown continues. Consumer confidence seems to be turning lower already (after months of records), based on rising worries about economic outlook and unemployment risk, and labour data are coming slightly softer than expected of late.

However, additional social transfers and cut of the PIT tax rate should prevent retail sales from a major deceleration. These factors could help keep consumption growth at c4.5% in 2H19 and 1H20, but after that the slowdown of this category might be more visible.

Retail sales, broad categories, % y/y



Source: GUS, Santander

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