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## Economic Comment

### Retail sales robust, confidence trending down

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Retail sales expanded by 5.7% y/y in December, in line with our expectations and slightly below the market consensus. We see some minor slowdown in retail sales and consumption to come, but private consumption will remain the main growth driver given rising social benefits. The implications from January consumer survey data are similar – in general, the sentiment is going down gradually, but the indicators regarding openness to larger expenditures remain robust.

#### Retail sales remained moderate

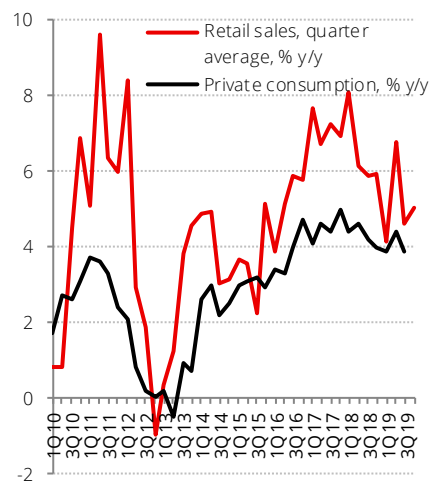
Retail sales expanded by 5.7% y/y in December, in line with our expectations and slightly below the market consensus. The growth breakdown was also in line with our forecasts, with a strong contribution from durables (8.1% y/y) and moderate growth in non-durables (4.1% y/y). Retail sales deflator accelerated strongly, to 1.7% y/y from 0.7% y/y in November and was the highest in 2019. This jump was mostly caused by a statistical base effect in fuel prices. We are expecting the deflator to go further up in the months to come together with rising CPI inflation and this will be undermining the consumers' purchasing power.

We see some minor slowdown in retail sales and consumption to come, but private consumption will remain the main growth driver given rising social benefits, which seem to be used to smooth consumption and buy durable goods. The implications from January consumer survey data are similar – in general, the sentiment is going down gradually, but the indicators regarding openness to larger expenditures remain robust.

#### Consumer confidence trending down

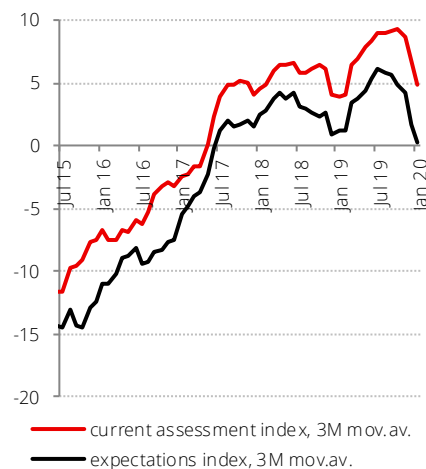
In January consumer confidence measures kept trending lower: the current assessment indicator is below the 2019 range, the forward-looking indicator was slightly higher than the previous reading (which was the lowest in a year), but means a further decline in terms of 3M moving average. The main driver for the fall of consumer sentiment are the views regarding economic situation, current and expected (both indicators collapsed in December to the lowest in more than two years and remained depressed in January). The survey questions about own financial situation show slower pace of decline of 3M averages than the questions about economic situation. Unemployment worries remained near the highest values of the last three years, but consumers seem still open to major purchases (the index is still close to the all-time high set during 2019).

#### Retail sales and consumption, % y/y



Source: GUS, Santander

#### Consumer confidence indicators, pts



Source: GUS, Santander

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