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## Economic Comment

### Strong rise of retail sales

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Retail sales improved to -0.3% y/y in September from -2.7% y/y in August, after a strong rise by 2.2% m/m in seasonally adjusted terms. This was a second positive surprise in a row. However, the September print was under influence of strong one-off or untypical factors: strong fuel sales (low prices) and weak clothing sales (warm September). Still, data corrected for these factors show an upward tendency. Rebound in retail sales supports our expectations for an improvement in private consumption in 2H23. We think that annual growth rate of retail sales will turn positive as soon as in October.

In October almost all sectors signalled improved business sentiment, which is in line with our view about economic recovery manifesting itself still this year.

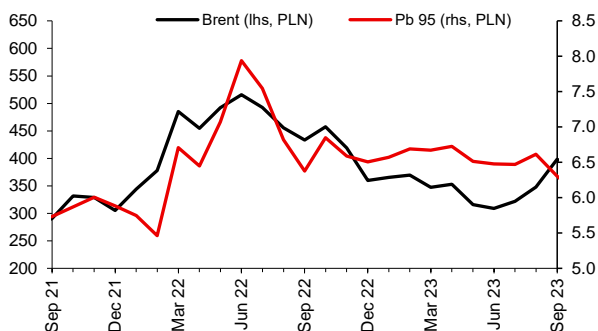
#### Retail sales did it again

Retail sales improved to -0.3% y/y in September from -2.7% y/y in August, after a strong rise by 2.2% m/m in seasonally adjusted terms. This was a second positive surprise in a row. Sales of durables improved to -2.6% y/y from -4.7% y/y and of non-durables to +0.3% y/y from -1.9% y/y

However, the September print was under influence of strong one-off or untypical factors. First, sales of fuels were exceptionally strong (+7.5% y/y after -3.5% y/y in August), which stemmed from very low prices, kept visibly below market equilibrium levels. This category added 1.9 percentage points to improvement in retail sales' annual growth rate. Second, sales of clothing were exceptionally weak (-16.3% y/y after -4.9% y/y in August), undermined by surprisingly warm September, which discouraged shoppers from buying the new autumn collection. This category subtracted 0.9 percentage points from the total sales' annual growth rate.

Thus, we can estimate that these one-off or untypical factors added less than 1 percentage points to retail sales. We think that the worsening of the weather in October might have triggered a rebound in clothing. Prices on petrol stations remained low, the related positive effect could have even gained some strength in October.

#### Oil prices vs petrol prices in Poland

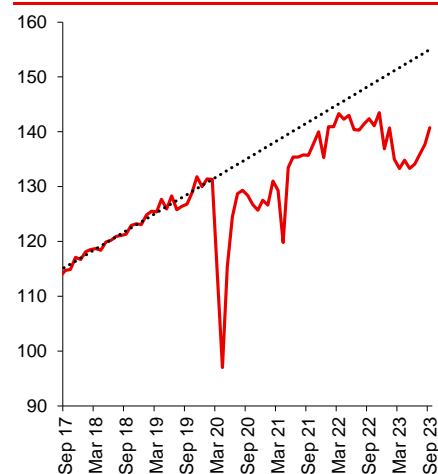


Source: Refinitiv, autocentrum.pl, Santander

We think that after accounting for these effects, retail sales would still show an upward tendency, in line with our expectations.

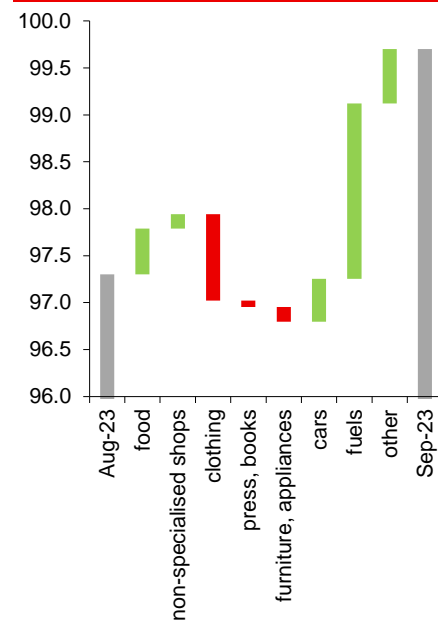
Strong performance was especially visible in cars (improvement to 9.8% y/y from 3.4% y/y), food (-0.1% y/y from -2.1% y/y) and pharmaceuticals (0.6% y/y from -2/9% y/y), while furniture and household appliances disappointed (-2.2% y/y after -0.6% y/y in August). However, we think that this category will soon be supported by the rebounding housing market.

#### Retail sales, sa index (2015=100) vs pre-covid trend



Source: GUS, Santander

#### Retail sales, breakdown of change in annual growth rates, corresponding period of the previous year = 100

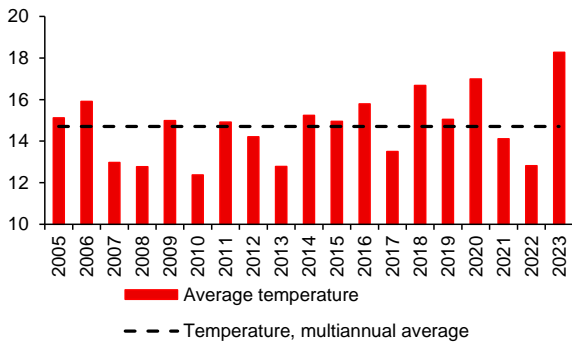


Source: GUS, Santander

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### Temperature in September in Poland, degrees Celsius



Source: *ekologia.pl, Santander*

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Rebound in retail sales supports our expectations for an improvement in private consumption in 2H23. We think that annual growth rate of retail sales will turn positive as soon as in October.

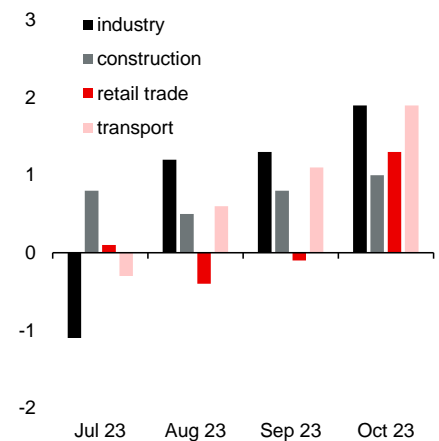
### Business sentiment is still on the rise

In the October round of the GUS business survey all sectors signalled improved sentiment, except financial and insurance institutions (we look at seasonally adjusted readings). For industry this was already the third month in a row of significant improvement, optimism has been growing in construction for a year already. Retail trade index pushed higher in October having stayed for three months close to the level of its long-term average.

According to the data regarding the diagnosis and prognosis components of the sectoral indicators, once we applied seasonal corrections, we spotted signals of improving current situation in industry and construction. Expectations improved in retail trade and transport. The worse print in finance and insurance sector was caused by a decline in its expectations component.

Such behaviour of business sentiment indicators in October is in line with our view about economic recovery manifesting itself still this year.

### GUS business sentiment indicators, m/m change, s.a. (pts)% y/y



Source: *GUS, Santander*

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