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Economic Comment

Sales were not bad, but we hoped for more

Marcin Luziński, tel. 510 027 662, marcin.luzinski@santander.pl

Retail sales rose 6.1% y/y in March, unchanged from February and below expectations (market: 6.9% y/y, us: 9.5% y/y). In seasonally adjusted terms, retail sales fell 0.2% m/m. The effect of purchases ahead of Easter and the normalization of VAT rates proved weaker than our forecasts, and the negative effect of working days did not help sales of durable goods.

Despite weaker-than-forecast data in March, retail sales for the whole 1Q24 increased by 5.0% y/y (+2.2% q/q sa), which is significantly faster than in 4Q23 (0.0% y/y). We remain quite optimistic about the outlook for consumer demand in the coming quarters due to good consumer sentiment and strong real wage growth. Following retail sales and industrial output data, we see significant downside risks to our GDP growth forecast for 1Q24 at 2.1% y/y.

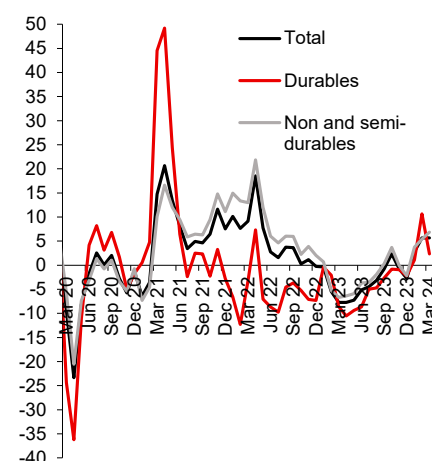
Retail sales advanced in March by 6.1% y/y, unchanged vs February and below expectations (market: 6.9% y/y, us: 9.5% y/y). On a seasonally adjusted basis, sales fell by 0.2% m/m.

We had hoped for a strong upswing in food and sales in other non-specialised shops (supermarkets) on the back of pre-Easter shopping and ahead of the normalisation of VAT rates. Such an effect is indeed visible in the data, but it was weaker than we had assumed: food sales accelerated to 6.6% y/y in March from 1.3% y/y in February, and sales in non-specialised shops to 8.1% y/y from 6.1% y/y. The annual growth rate of clothing sales also improved, to -15.2% y/y from -21.5% y/y.

The positive impact of the categories mentioned above on the headline was offset by the behaviour of durable goods, with their sales slowing to 2.4% y/y from 10.6% y/y in February, as household appliances slowed to -8.5% y/y from -5.2% y/y and cars to 13.5% y/y from 26.6% y/y. Durable goods sales are sensitive to the working days effect (-2 y/y in March vs +1 y/y in February) and this probably had a greater impact in March than we had expected.

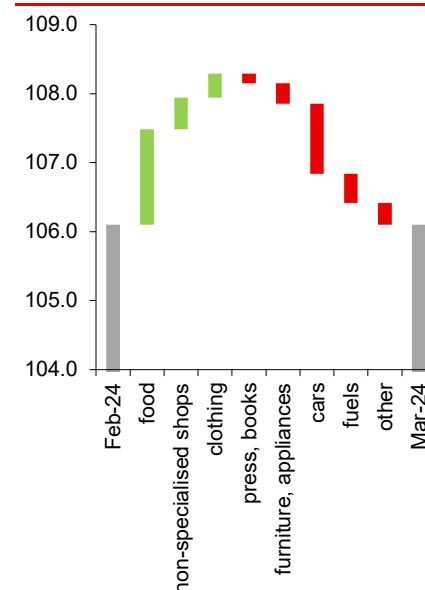
April data are likely to show a decline in annual sales growth, due to the reversal of the Easter effect. Despite weaker-than-forecast data in March, retail sales in 1Q24 as a whole grew by 5.0% y/y, which is significantly faster than 0.0% y/y recorded in 4Q23. We remain fairly optimistic about the outlook for consumer demand in the coming quarters due to good consumer sentiment and strong real wage growth.

Retail sales, % y/y



Source: GUS, Santander

Breakdown of annual growth rate in retail sales, % y/y



Source: GUS, Santander

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Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.