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Economic Comment

Retail sales surprised to the upside

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Retail sales surprised to the upside in January and advanced by 4.8% y/y vs our expectations at 1.3% y/y and market call at 1.5% y/y. To illustrate the scale of the positive surprise, it can be noted that the print was well above even the most optimistic of market forecasts. The solid data confirm our call that the consumer situation remains robust and consumption should be an important contributor to 2025 GDP growth.

In January, farmgate prices dropped by 6.7% m/m, breaking a five-month streak of significant price increases. A m/m drop of this size or larger has only happened once in the last seven years, in January 2023. Despite the significant fall in the farmgate price index in January, we still believe that upward pressure on retail prices included in CPI inflation calculations may be coming from the wholesale market this year.

Retail sales strongly surprised to the upside

Retail sales surprised to the upside in January and advanced by 4.8% y/y vs our expectations at 1.3% y/y and market call at 1.5% y/y. To illustrate the scale of the positive surprise, it can be noted that the print was well above even the most optimistic of market forecasts. Growth of durable goods sales accelerated from 9.2% y/y and that of non-durable goods sales from 0.2% y/y to 1.6% y/y. After seasonal adjustment, sales rose 0.6% m/m.

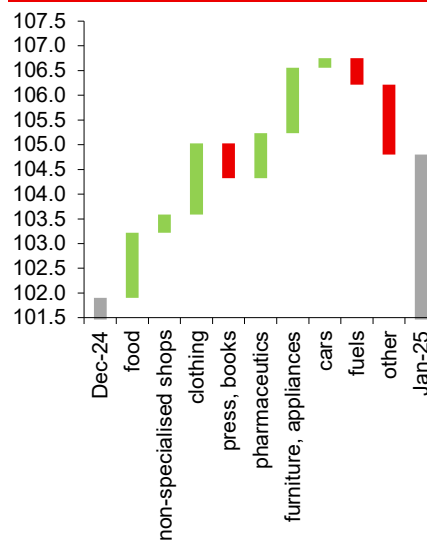
The acceleration of year-on-year sales growth had its source in the sales of food, clothing, household appliances, and pharmaceuticals. In the case of clothing, the increase of sales growth from -12.2% y/y to 8.8% y/y was mainly an effect of low base, caused by changes to the stats office's classification from January 2023. In food, which accelerated to 0.6% y/y from -4.3% y/y, a strong rebound after a relatively weak December is evident. A similar development can be seen in sales of household appliances, which showed an acceleration to 13.6% y/y from -4.0% y/y. In contrast, the good performance of pharmaceuticals, up 12.8% y/y against 1.7% y/y, can be linked to the strong increase in flu cases.

The solid data confirm our call that the consumer situation remains robust and consumption should be an important contributor to 2025 GDP growth.

Agricultural product prices collapsed in January

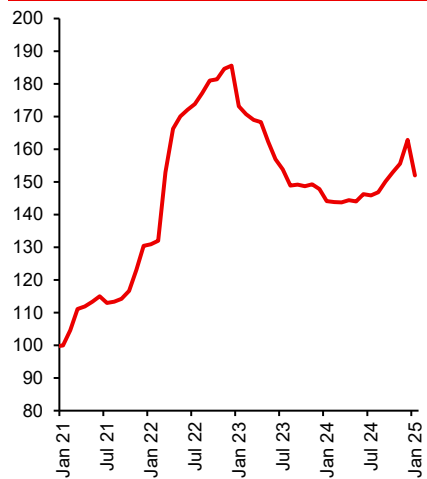
In January, farmgate prices dropped by 6.7% m/m, breaking a five-month streak of significant price increases. A m/m drop of this size or larger has only happened once in the last seven years, in January 2023. This significant decline came just after December's 4.7% increase - the largest recorded since 1H22. In y/y terms, farmgate prices increased by 5.0% y/y in January, compared to 9.6% y/y in December. The strongest monthly price falls occurred for cow's milk and pigs, potatoes, maize, milk and rye. Despite the significant fall in the farmgate price index in January, we still believe that upward pressure on retail prices included in CPI inflation calculations may be coming from the wholesale market this year.

Breakdown of retail sales growth in constant prices, % y/y



Source: GUS, Santander

Agricultural prices index, Dec-2017=100



Source: GUS, Santander

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