

Poland's retail sales in November are another sign of strong economic resilience

Retail sales rose 1.6% year-on-year in November, broadly in line with our forecast (1.5%) and better than market expectations (0.3%). Sales continue to rise for necessities such as clothing and footwear (18.9% YoY), pharmaceuticals (6.1% YoY) and food (4.8% YoY), to which the Ukrainian refugees probably contribute

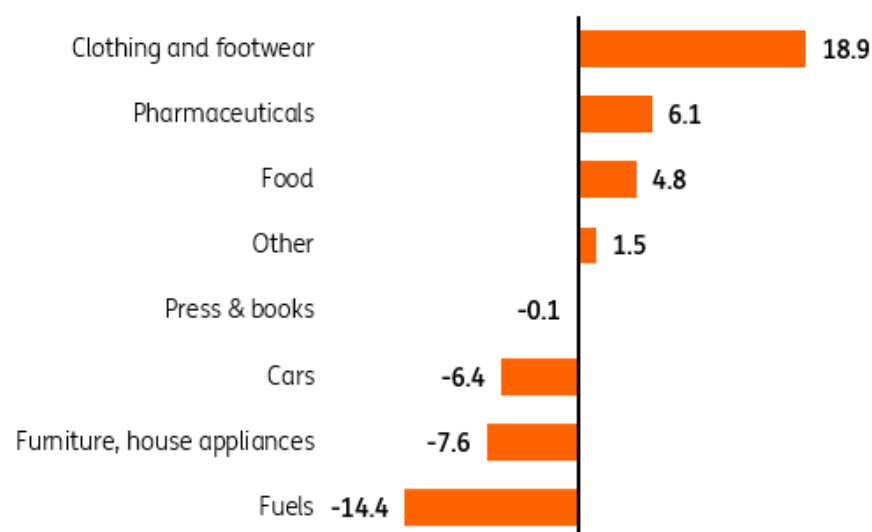


Shoppers at the Poznan City mall in Poland

Seasonally-adjusted retail sales were 2.0% higher in November than in October. Consumers are very cautious about buying durable goods, resulting in declines in sales of furniture and household appliances (-7.6% YoY), and motor vehicles, motorcycles and parts (-6.4% YoY), among others. This is consistent with low consumer confidence. An additional factor curbing the propensity to spend is the high level of prices. This is arguably the key element behind the persistent decline in fuel sales (-14.4% YoY in November), which has continued for many months.

Retail sales YoY dynamics

source: GUS



Inflation continues to reduce real disposable income, as indicated by the continued decline in real wages. Despite this, we continue to see increases in sales of goods, and the YoY consumption growth rate likely remained positive in the fourth quarter. We estimate that it grew around 0.5-1% YoY in the fourth quarter, remaining close to the 0.9% YoY pace recorded in the third quarter. This is still a good result considering that 3Q showed a strong deceleration (a drop in the annual pace from 6.4% to 0.9% YoY), and 4Q21 also provided a high base, making it difficult to record positive growth in 4Q22.

The statistical office confirmed that spending by refugees from Ukraine is being treated as resident spending and is included in the consumption data. At the same time, we know that some workers from Ukraine are not included in labour market statistics. This means that household disposable income may be underestimated. This calls for a cautious approach to data on household savings and the true situation in the household sector may differ from that recorded in the official data. If the real savings rate remains positive despite high inflation, it could support consumption in 2023.

November high-frequency data suggests strong economic resilience to shocks, as consumption continues to grow and the slowdown is gradual. We estimate GDP growth in 4Q22 at around 2.5% YoY, which means we could see economic growth of around 5% for all of 2022. The resilience of the economy to the shocks we have seen at the end of 2022 is a good proxy for GDP in 2023, where we see growth around 1% YoY, i.e. slightly above consensus.

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