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In December, both industry and trade in the red

- We begin the week with an analysis of just-released data on retail trade and industrial production movements in December.
- After two consecutive monthly declines, industrial production stagnated m-o-m in December (0.1% m/m), with growth recorded in the production of intermediate products (0.7%) and capital goods (5.6%), while production of energy (-3.6%), and durable (-0.7%) and non-durable consumer goods (-1%) recorded a drop. According to the National Classification of Activities, after a 1.7% contraction of activity in November, the manufacturing industry recorded a growth of 0.8% in December.
- The decline in industrial production accelerated slightly y-o-y to -2.4% in December from -2.3% recorded in November, ultimately resulting in a y-o-y decline in industrial production of -1.5% in the last quarter of last year (-1.6% compared to the previous quarter), i.e., average growth of 1.6% at the level of the whole of 2022. At the same time, the manufacturing industry saw a decline of -0.3% y/y in December (for the second consecutive month after -1% in November), bringing the y-o-y growth rate in 4Q down to 0.6% (q-o-q 0.5%), while the average annual growth rate in 2022 dropped to 1.8%.
- The continuation of unfavourable developments is also indicated by the industrial production sentiment index, which plunged 5.6 points from December according to a January survey, thus touching the lowest level in 2022. The largest negative impact was the deterioration of the (export) order book assessment, which deteriorated by as much as 13.8 and 9.2 points compared to expectations from December, and, for the second month in a row, also the assessment of expected production in the next three months deteriorated further.
- Simultaneously, the published data on the decline in retail trade turnover in December by identical -0.8% m-o-m and y-o-y (for the first time since the end of 2020) confirms the slowdown in inflation-eroded domestic demand. Thus, in 4Q22, the annual real growth rate of retail trade turnover slowed to just 0.3%, and the average annual growth rate was rounded to 2.1%.

Month-on-month stagnation of industrial production in December...

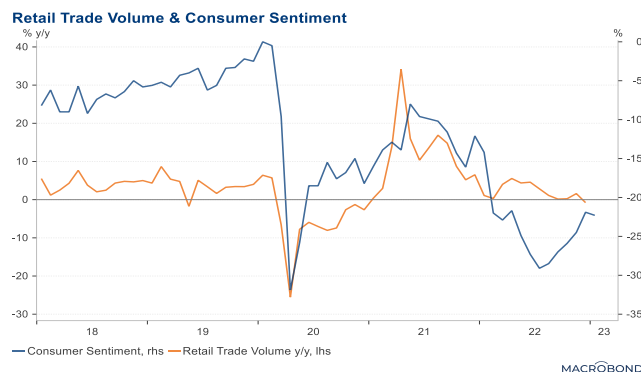
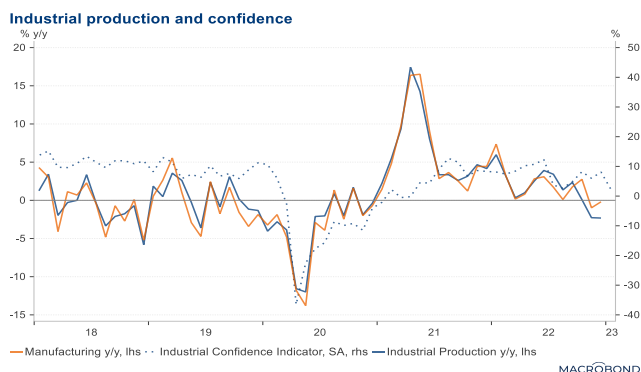
... and year-on-year decline ...

... was accompanied by a sentiment deterioration in January

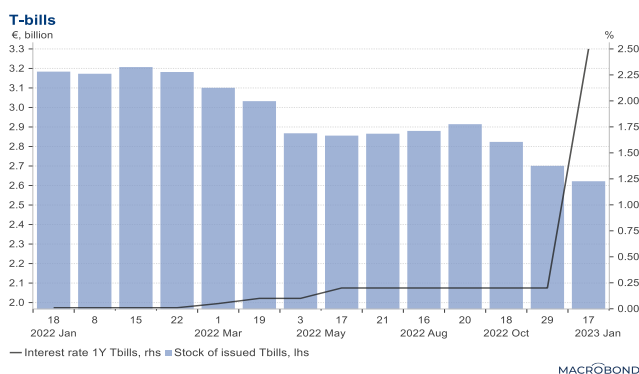
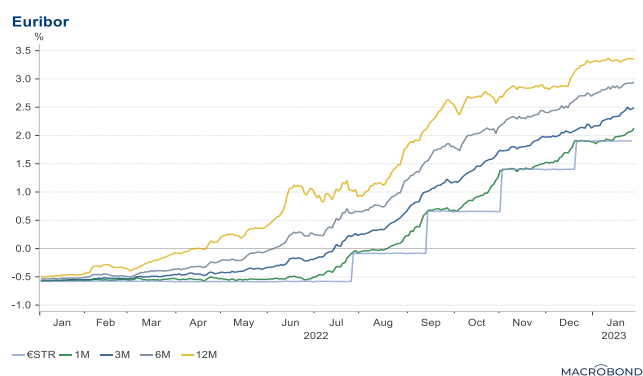
Retail trade decline in December both month-on-month and year-on-year ...

- In January, after five consecutive months of recovery, the consumer sentiment index recorded a slight deterioration due to a poorer assessment of households' financial situation over the past 12 months and reduced expectations related to planning for larger purchases over the next year, while the outlook for the expected financial and general economic situation in the next year was simultaneously improved, with a noticeable improvement in the expectation of subsiding inflationary pressures in the same time horizon.

... accompanied by a slight deterioration in consumer sentiment in January



- With the Fed and ECB meetings approaching, at which interest rates are expected to increase by 25 and 50 b. p., respectively, the dollar continued to slide slightly towards the euro. The week ended with an exchange rate of \$1.09 to the euro, up by 0.4% w-o-w.
- In anticipation of this week's ECB meeting, Euribor is experiencing slight w-o-w growth at all maturities. At the end of last week, the 3M rate reached 2.5% and the 6M rate reached 2.9%.
- Crobex reversed a trend driven by rising expectations that the eurozone and the U.S. would manage to avoid a recession, posting a 2.6% w-o-w growth, rising to 2,122.3 points on Friday. All the most important indices achieved growth; CROBEXindustry and CROBEXnutris of 3.8% to 1,173.9, and to 803.4 points, respectively, CROBEXtourist of 0.05% to 3,565.2 points. Crobis continued to stand still (at 94.7 points).



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