

Poland's retail sales and construction slow in July

Today's reading of high-frequency indicators for July – retail sales and construction production – turned out to be quite disappointing



Retail sales growth slows in July

Retail sales grew by just 2.0% year-on-year in real terms in July, following an increase of 3.9% in June (after an upward revision of 0.7pp), against a consensus forecast of 2.5%. As in previous months, spending grew rapidly on non-durable goods including food and beverages (5.4% YoY), pharmaceuticals (10.2%) and textiles, clothing, footwear (13.3%), as well as 'other' (10.5%). This can be linked to additional demand from more than two million Ukrainian refugees who continue to live in Poland. There was a strong decline in sales of durable goods: cars, motorbikes and car parts (down 15.1%), and also furniture and white goods (down 5.3%).

The weak retail sales data show the scale of the loss of purchasing power of Poles' incomes and social benefits, whose increases can barely keep up with rising CPI inflation (wages 15.8% YoY, inflation 15.6% YoY in July) and high PPI producer price growth (almost 25% YoY in July). Savings built up during the pandemic are melting away at a rapid pace in real terms, and with the war just over the Eastern border, consumer sentiment is at a record pessimistic level (last week's CSO data show that this applies both to assessments of one's own household prospects and the country's overall economic situation).

These factors are contributing to a weakening in consumption, as also shown by seasonally-adjusted data. Retail sales fell 0.1% month-on-month in July – they had already been losing momentum in previous months – after stronger increases at the beginning of the year.

Construction in July weaker than expected

In July, construction output rose 4.2% YoY, down from 5.9% in July. This result was once again below expectations (6.6%). While construction of buildings performed relatively strongly (11.7% YoY vs 15.2% a month earlier), categories typically associated with infrastructure investment, namely civil engineering (2.2% YoY) and specialised works (-1.4% YoY), performed poorly.

It appears that real estate developers are trying to accelerate the completion of their investments, fearing further increases in contractor prices and a decline in residential real estate prices. This, combined with a collapse in mortgage demand (down nearly 70% YoY in July) will put pressure on housing prices. Meanwhile, another weak month of categories related to infrastructure investment suggests that, among other things, rising costs and a lack of Recovery Fund access are making it difficult to carry out new projects or complete investments already underway.

Authors

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.