

## Poland: 2Q activity stays resilient despite slowdown worries

After recovery of retail sales and surprisingly resilient industrial performance, we revise our 2Q18 GDP forecast up to 5% from 4.6-4.8% YoY



Source: Shutterstock

Nominal retail sales accelerated in May from 4.6% year on year to 7.6%YoY in line with market consensus and our forecasts.

Surprisingly strong calendar effects caused the weak growth a month ago (in April). Easter shopping last year took place in April while they took place in March in 2018, resulting in a strong slow down of food stores and megastores sales this year - a similar situation to the one in 2014. In May, the dynamics returned to a more typical level.

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*After monthly release of all indicators we revise our 2Q18 GDP forecast to 5% year on year from 4.6-4.8%*

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Still, the consumption of durable goods, i.e., cars, radio and televisions and households appliances decelerated while semi-durable goods sales remained stable. Such tendency should also be visible

in the forthcoming months as overall we expect sales volume to decelerate in 2Q18 from 8.1%YoY to 5.2%YoY.

We expect a similar trend in private consumption data – in previous quarters the solid dynamics was supported by fiscal policy (child benefit program), which is not fully compensated by growing wages. Secondly, consumption in 1Q18 was also boosted by transitory changes in spending pattern caused by the introduction of the retail trade ban on Sunday.

All in all slowing contribution of private consumption should not be surprising.

**5.0** 2Q18 GDP  
ING forecast (%YoY)

But the lower retail sales and private consumption were offset by stronger production and construction sector activity. The industry data shows surprising resilience despite significant weakening of leading indexes in Poland and trade partners.

After the monthly release of all indicators, we revise our 2Q18 GDP from 4.6 - 4.8%YoY to 5%YoY, slightly below the 5.2%YoY in 1Q18.

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