

Poland: Bumpy recovery in production and retail sales

Strong year-on-year growth in production and retail sales is due to the low base from a year ago, but the month-on-month changes indicate some short-term noise. In May, we should see a further rebound; the full effect of reopening in the eurozone and Poland is still ahead of us



Shoppers at the Poznan City mall in Poland

+21.1%

Retail sales in April (year-on-year)

Consensus at 25.5%

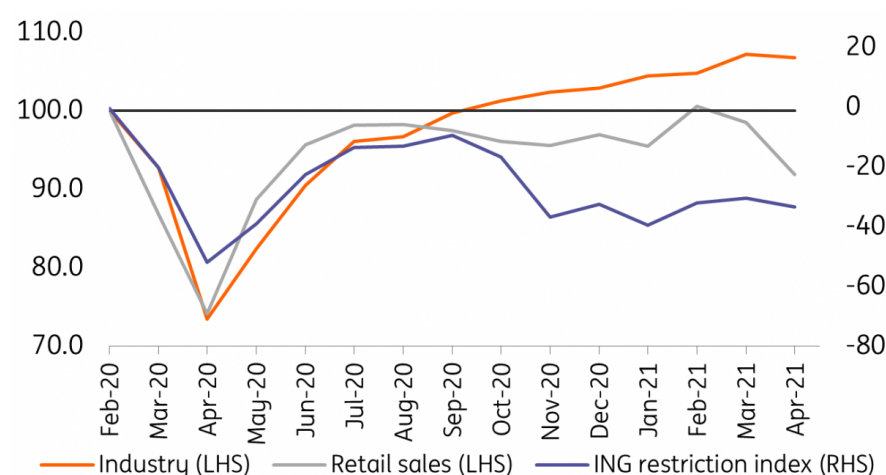
Lower than expected

In April, retail sales rose by 21.1% year-on-year (the market expected +25.5%, ING +23%). This is the second month in a row that sales have grown at a double-digit rate. This is the effect of a low reference base from April 2020. The backdrop of retail sales indicates a continuation of the strong year-on-year rebound in car sales (+118%) and in clothing sales (+75.9%). In April 2020, car sales fell by 54.4% YoY; clothing sales by 63.4%.

Despite a strong YoY recovery, the real level of retail sales (adjusted for seasonality) is again below pre-pandemic levels. In April, sales fell by 6.8% MoM and the gap to the pre-pandemic level widened to 8.2% from 1.5%. Consumers in Poland have gradually adjusted their buying habits to the existing restrictions. However, the sales performance, more than in industry, depends on the intensity of local restrictions. The third wave of the pandemic and the trade restrictions at the end of March brought a reduction in sales in April.

But this is temporary. May should bring a rebound, as restrictions have been lifted again. Households have enough savings, which should let them catch up with spending, fuelling the pent-up demand effect. We saw an indication of this in February (temporary unfreezing of trade), when sales grew as much as 5.3% MoM. In May, we expect a strong rise of sales (in MoM terms), which should support the high YoY growth rates.

Industrial production and retail sales (February 2020=100).



Source: CSO, ING

+44.5%

Industrial production in April (YoY)

Consensus at 44.0%

Higher than expected

In April, industrial output grew by a record 44.5% YoY (consensus: 44%, ING: 45% YoY). The production of cars and furniture expanded rapidly (respectively by 90.4% and 125.8% YoY). The export-orientated sectors continued to lead manufacturing for another month. Such a high YoY result is due to the 2020 base, when industry plunged even more than retail sales. The strong YoY recovery is seen in all segments. Production of consumer goods expanded by 146.3%, investment goods by 109.5% and intermediate goods by 43.3% YoY.

However, in MoM terms, industrial output contracted for the first time since April 2020, by 0.4%, compared to +2.3% in March (after seasonal adjustment). We see some slowdown in the automotive sector, where the MoM seasonal decline is deeper than usually.

Despite the small MoM contraction in April, industrial output has been above pre-pandemic levels since October. Manufacturers have adjusted their production processes to the pandemic reality. They were also not directly affected by official safety restrictions. Also, they benefit from a global recovery, as well as a shift in demand from unavailable services to goods. The component shortages, particularly of chips, may provide some volatility in monthly data, but should not derail the recovery given the very diversified structure of Polish production and much lower share of the automotive sector than its Central and Eastern European neighbours.

According to surveys, supply chains disruptions, driven by shifts in the demand structure, in tandem with growing commodity prices, are resulting in mounting cost pressures. This is forcing companies to raise prices of finished products. In April, PPI in Poland accelerated to 5.3% YoY.

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