

Cheaper fuel helps consumption rebound in Poland

Poland's retail sales have fallen less than expected as lower prices boosted gasoline sales. The underlying trend is also positive as the improvement is driven by recovering real disposable household income amid double-digit wage growth and falling inflation. Consumption is expected to be the main driver of economic growth in 2024



Lower fuel prices are helping consumption figures in Poland

September retail sales surprised to the upside on strong fuel sales

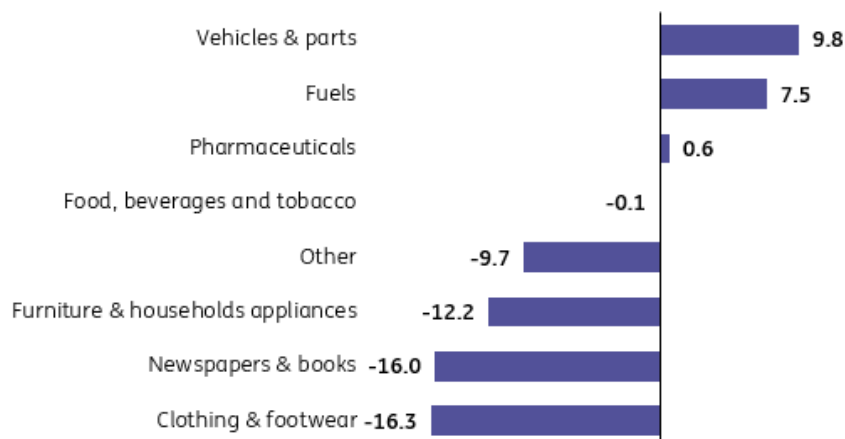
Retail sales were only 0.3% lower in September than a year ago (ING and consensus: -2.0% YoY), following a 2.7% YoY decline the previous month. Seasonally adjusted sales went up by a fourth consecutive month in MoM terms - this time by a hefty 2.2%. This was boosted by, among other things, a solid increase in fuel sales linked to a favourable reference base and lower prices, which encouraged local drivers and also people from neighbouring countries to fill up.

Car sales are recovering as well (+9.8% YoY). At the other extreme, clothing and footwear sales fell sharply (-16.3% YoY), largely thanks to warmer weather delaying new autumnwear sales. Last

year, the influx of Ukrainian refugees also probably supported clothing demand.

Sales were boosted by strong fuel purchases amid lower prices

Structure of real retail sales in September, % YoY



Source: GUS, ING.

Improving household disposable income is driving the consumption rebound

Double-digit wage increases have been accompanied by falling inflation, resulting in a recovery of households' real purchasing power. We expect this trend to continue, which should support a rebound in private consumption in the fourth quarter after a year of declines. In fact, consumption should be the main driver of growth acceleration in 2024.

This implies a return to an inflationary GDP structure. This is why it is so important to support domestic enterprise investments, which have been underperforming for many years, and to unlock RRF (the EU's Recovery and Resilience Facility) funds and 'pent-up' Foreign Direct Investment so a sustainable GDP structure can be restored thus boosting economic potential.

A brighter growth outlook ahead but its composition is set to turn pro-inflationary

We now have an almost full set of September data from the real economy; on Monday, the StatOffice will publish data on construction output. On that basis, we can assess the overall economic situation in the third quarter of this year. We estimate that GDP grew by around 0.4% YoY, following a decline in the first half of 2023. In the GDP composition, we expect a smaller decline in household consumption, slower investment growth, a less negative impact of any change in inventories and a less supportive role of net exports. The preliminary estimate of 3Q23 GDP will be released on 14 November. On Monday, we'll get the revised quarterly GDP data for 2022-23.

We are sticking to our forecast for GDP growth in 2023 at 0.4%. In 2024, we expect an acceleration to 2.5%. Should the new government reach a swift agreement with Brussels and be able to unlock the RRF funds and obtain payment of some of the delayed tranches, there is a growing chance for

higher economic growth in 2024-25.

Author

Rafal Benecki

Chief Economist, Poland

rafal.benecki@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>.