

## Despite Covid-19, Polish economy fares better than expected

So far, the second wave of Covid-19 has had a much milder impact on Polish economic activity. We expect the slowdown in 4Q20 to be much shallower than in 2Q20 and overall estimate that GDP will fall by about 2.8% in 2020



Source: Shutterstock

# -5.3%

## Retail sales in November YoY

Consensus: 7.4% YoY decline

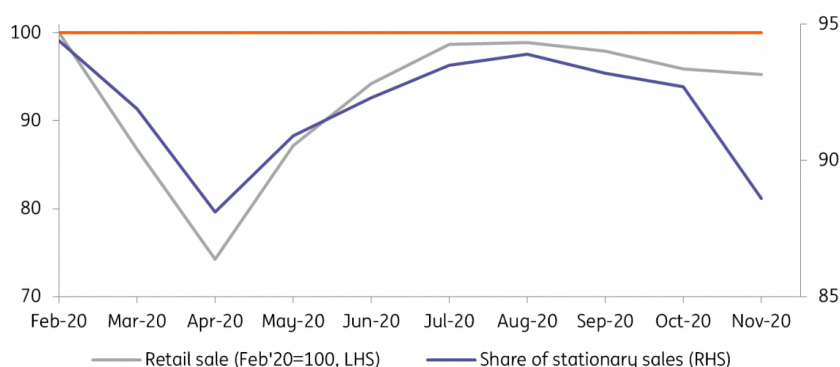
Better than expected

Polish retail sales fell by 5.3% year-on-year in real terms in November in comparison to the 2.3% YoY fall in October. The consensus forecast was a decline of 7.4% YoY, while our estimate was 6.5%.

This is the third consecutive month of substantial sales decline and the seasonally adjusted level is almost 5% lower than the pre-pandemic levels. But having said that, the figures are still 20% above the April low, which will most likely be the case for a while. Our aggregating data index on administrative restrictions and population mobility indicated the same direction of sales.

In November, mobility restrictions were tightened again, which has meant the share of internet shopping rose to 11.4% compared to 7.3% in October, but it still remains below the levels seen in April. Despite the shift, internet shopping has not yet completely replaced brick-and-mortar shopping, and part of the shifting demand has been accompanied by a decrease in total sales volume.

## Retail sales, the volume against the share of stationary sales



Sales dropped for all products - the highest for clothing (21.9% YoY) and fuel (14.7% YoY), which represents the warm winter and restricted mobility.

The smallest drop was in furniture, electronics and household appliances - only 0.6% YoY, although the scale of the deterioration was significant (from +11.9 YoY in October to -0.6% YoY in November). A relatively better standing in durable goods is an effect of shifting demand from inaccessible services.

The November drop in sales was only a quarter of the April figure, while the restrictions reached about 1/2 to 3/4 of the ones seen earlier in spring, which means customers are less afraid of contagion risks.

**-4.9%**

## Construction and assembly production in November

Consensus was 5.2% YoY decline

Better than expected

The output of the construction and assembly production in November also performed better than expected dropping by 4.9% YoY compared to a market consensus of -5.2% and -5.9% in October.

November brought some improvement in this sector, including the group of specialised works. This, along with increased EU-funds payments, suggests an acceleration of infrastructure investments in the coming months.

November figures for the Polish economy suggest the industry has surprised on the positive side, the labour market remains strong and although retail sales were worse than October, they still surpassed market expectations.

*The slowdown in the Polish economy in 4Q20 should be much shallower than in 2Q20*

December should bring an improvement in most categories. Industrial output will be supported by a low base and calendar effects, while retail sales should improve as restrictions are eased and the additional trading Sunday in December.

The second wave of Covid-19 has so far had a much weaker impact on economic activity than the first wave. The slowdown in the Polish economy in 4Q20 should be much shallower than in 2Q20. We expect the GDP decline in 4Q20 to be less than 3% YoY, compared to -8.4%YoY in 2Q20.

Overall, we estimate that GDP will fall by about 2.8% in 2020, which is much better than our initial forecast and shows the economy has adapted.

## Author

### Rafal Benecki

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto: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>.