

## Polish retail trade stalls as consumption remains key growth driver

Retail sales growth fell short of market expectations in Poland as consumers remain frugal and refrain from purchases that could be postponed or are not necessary or urgent. Still, with robust growth in real disposable incomes, households have the resources to increase their spending while still rebuilding savings



A shopping mall in Warsaw, Poland

Polish retail sales of goods rose by 4.4% year-on-year in July (below consensus of 5.2%), the same pace as in June. However, seasonally adjusted data indicates a 2.7% month-on-month decline in sales. Sales of cars (+30.1% YoY) and fuels (+9.9% YoY) continue to grow strongly. Sales in the 'other' category (+18.0% YoY) and sales of pharmaceuticals and cosmetics (+11.2% YoY) also saw a boost.

At the same time, the scale of annual declines in textiles clothing and footwear (-10.4% YoY) and furniture, consumer electronics and household appliances (-3.4% YoY) is slowing. Continued declines in sales of consumer durables (excluding cars) suggest that households are continuing to try to save on less urgent expenditures. The decline in food purchases also continues (-2.7% YoY in July).

July's data for industry, retail trade and construction fits into the scenario of a continued recovery in the Polish economy although its pace is likely to be slightly lower in the third quarter of this year than our earlier expectations, despite a better-than-forecast second quarter. Industry is under pressure from weak foreign demand, but consumption continues to grow at a solid pace. The weakness seen in exports and investment is a cause for concern, and today's German and eurozone manufacturing PMIs do not suggest a recovery in external demand. Economic growth is still essentially based on one pillar, and that's consumption. We estimate that the economy is still on track to achieve GDP growth of 3% in 2024.

## Author

### Adam Antoniak

Senior Economist, Poland

[adam.antoniak@ing.pl](mailto:adam.antoniak@ing.pl)

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