

Poland: Recovery has started even before lockdowns end

Polish retail sales in March came in above market consensus while construction numbers were slightly worse. Given the robust data for manufacturing, we estimate GDP growth in 1Q21 at around 1.5% QoQ. This is a solid figure and shows that the GDP rebound has started even before lockdowns have been completely lifted



Source: Shutterstock

+15.2% YoY Retail sales in March
consensus at +9.7%

Better than expected

In March, Polish retail sales increased by 15.2% year-on-year following a 3.1% drop in February.

The details show a strong rebound in sales of cars (+50.5% YoY) and an even more substantial

rebound of clothing (+90.3% YoY). The overall figure was much better than both the consensus (+9.7%) and our forecast (+11.5% YoY). The low base of the previous year helped and the fact that restrictions eased temporarily between the end of January till 20 March.

Seasonally adjusted data show a fading effect of pent-up demand. The substantial jump in sales in February (+5.3% MoM) was followed by a slight decline (-0.2% MoM) in March. This reflects tighter restrictions at the end of the month.

-10.8% YoY

Construction output in March

Consensus at -9.4% YoY

Worse than expected

In March, the construction output fell by 10.8% YoY, which was more than our and market consensus of around 9.0%.

Construction responded relatively later to pandemic constraints last year. Hence, the low 2020 base does not apply in this case and is likely to be seen in 3Q21 at the earliest.

The details show a temporary stagnation of infrastructure works (tenders indicate that a rebound is a matter of time). In seasonally adjusted terms, construction output rose by 1.5% MoM in March after a sharp 7.0% MoM decline in February.

A return to MoM growth is a good sign for the future and confirms that the February figure was under pressure due to harsher winter.

After better-than-expected manufacturing and sales data in March and slightly weaker construction data, we estimate that GDP in 1Q21 fell by ca. 0.9% YoY compared to a -2.7% decline in 4Q20.

On a quarter-over-quarter basis, this implies GDP growth of around 1.5%, which is a very strong figure for 1Q21. It shows that the GDP rebound would have started before the lockdown ends. This is thanks to exports, a strong rebound in the automotive sector, returning demand from the UK and strong consumer demand for durables goods in Poland and abroad. The economy is coping better month by month with the administrative restrictions.

After today's data, we again see risks of higher GDP growth in 2021 than 4.5% YoY. This is our forecast, which we haven't lowered despite the third wave of the pandemic.

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 www.ing.com.