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

Better than expected

Retail sales in March

consensus at +9.7%

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

Worse than expected

Construction output in March

Consensus at -9.4% YoY

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.

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