

Polish retail sales collapse in April

Polish retail sales plunged by 22.9% year on year, but it wasn't far from our expectations. We think the high-frequency data point has reached its bottom, so we should see some recovery in May



Source: Shutterstock

Retail sales

Retail sales plunged by 22.9% year on year in April, close to our forecast of 19%. The lockdown restrictions were in place for a full month – therefore the drop was much more significant than the 9%YoY seen in March.

Data shows that households limited consumption in every group. The biggest contraction was visible in the case of clothing and footwear which plummeted by 63.4%YoY as retail stores were closed.

Sales of big-ticket items also collapsed e.g. car sales decreased by 54.4%YoY. Another big slowdown was seen in the case of fuel as social mobility was constrained. On the other hand, a smaller contraction was visible in the case of electronics (households bought IT products to prepare for on-line lessons and home office) and pharmaceuticals. We expect gradual recovery from May onwards, but retail sales should still remain in the contraction territory in year over year terms.

The mobility reports show that consumers trips to shops are still 30% below the usual levels

despite the easing of lockdown measures.

Construction output

The statistical office published information about construction output.

In the case of this sector, the contraction was modest (-0.9%YoY) which is in line with our expectations. Infrastructural investments expanded by nearly 10%YoY, likely supported by public spending and EU co-funded projects. On the other hand construction production in housing was rather weak.

GDP implications

Consumption should gradually recover from June or 2Q20 onwards, as this is typical for post epidemic recovery, but the return to pre-Covid circumstances will take a while.

The strong GDP growth before Covid-19 was mainly boosted by consumption and social transfers. So this kind of stimulus may be less effective now, even before the Covid-19 households propensity to spend was decreasing and propensity to save bottomed out.

The concerns about a new wave of the epidemic will make households cautious, which is one of the assumptions underlying our below-consensus GDP forecasts for 2020 -4.5%YoY.

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>.