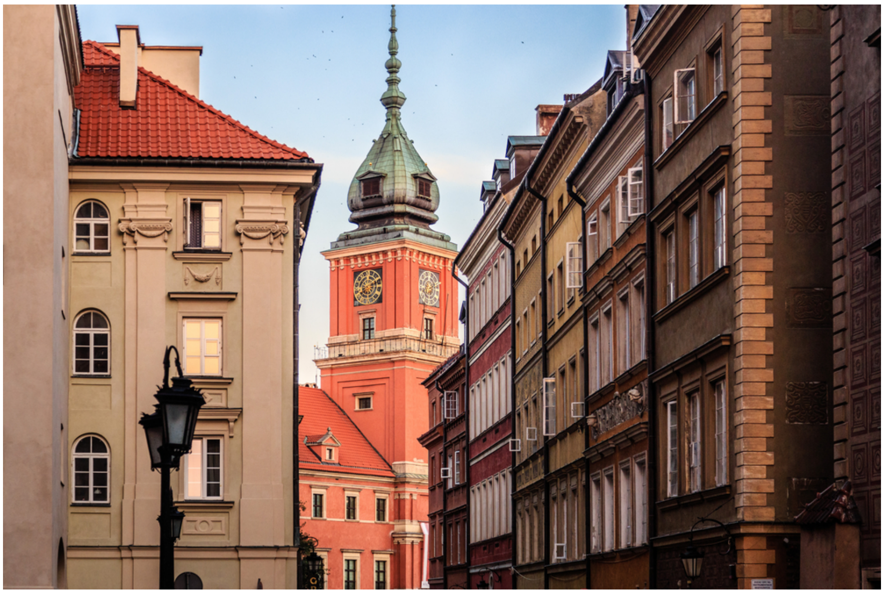
Polish retail sales collapse in April

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



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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 plummetted 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.

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