

## Poland: Retail sales close to estimates, construction much worse

Poles rushed to buy clothes and footwear in February, which finally allowed retail sales to return to pre-pandemic levels. However, construction was below expectations, which exacerbated the slump in this sector of the economy



Shoppers at the Poznan City mall in Poland

# -3.1%

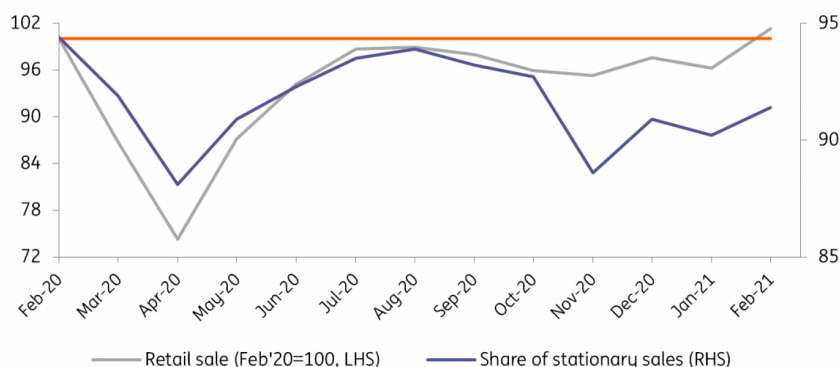
## Retail sales in February (YoY)

Consensus at -2.7% YoY

As expected

In February, retail sales fell 3.1% year-on-year after a 6.0% decline in January. This result was close to our and the market's expectations. Seasonally adjusted sales growth came as a positive surprise. In February, this amounted to 5.3% month-on-month compared to a 1.4% drop in January. As a result, seasonally-adjusted sales finally surpassed the level seen in February 2020, i.e. the period before the pandemic.

## Retail sales, volume against the share of stationary sales



Source: CSO

The strong MoM growth was driven by the reopening of shopping centres. In February, Poles rushed to the stores to buy clothes and shoes, which increased sales by 12.9% YoY (in January the rate fell by 40.8%). Demand for furniture, household appliances and consumer electronics also continued to grow, with sales up by 9.0% YoY in February after a 7.2% increase in January. Poles still prefer to shop in conventional stores rather than online.

**-16.9%**

Worse than expected

Construction in February (YoY)

Consensus at -9.5% YoY

In February, construction and assembly production fell by as much as 16.9% YoY. This is worse than expected (-9.5%) and worse than the January reading (-10%). A deterioration in growth was recorded in all segments of the construction industry, most notably in the construction of buildings. This is a result of a more severe winter than last year.

The 7.0% MoM decline in construction output adjusted for seasonal factors is worrisome. So far, we have had some surprises on the upside here. In January, construction output increased by 1.7% MoM, and in December by 1.9% MoM. It seems that we may have to wait for better weather in March for these results to improve.

We already have a set of short-term hard data on the Polish economy for February. Industrial production surprised on the downside, although the outlook for the whole year remains good. Construction and assembly production also came as a negative surprise. Employment data was slightly better than in January. Today's retail sales data were broadly in line with expectations, and the strong MoM rebound, once seasonally adjusted, provides a good base for the coming months.

March should bring stronger YoY growth despite the third wave of the pandemic and tighter administrative restrictions. However, this will be the effect of a low base from last year rather than

a more pronounced rebound. Therefore, we remain cautious about our forecasts for 1Q21. We are reiterating our estimate of close to zero quarter-on-quarter GDP growth. We assume that, as vaccinations progress and restrictions are loosened, growth should rebound in 2Q21, although it should be stronger in 2H21.