

Poland: Retail sales rebound but full recovery may take longer

Retail sales fell by 7.7% year-on-year (in real terms) in May, much less than in April (-22.9% YoY) and better than market expectations (-12.9% YoY). The better reading was likely a result of pent-up demand from the lockdown period. Still, reaching pre-Covid-19 consumption levels will take a long time



Shoppers at the Poznan City mall in Poland

Retail sales recovered in all categories reported by the Polish statistical office. The upswing was especially visible in textiles, clothing and footwear, where sales more than doubled compared to April. Moreover, car purchases grew by 50% month-on-month in the same timeframe, while furniture and electronics were up by 33.2% MoM. The scale of the rebound was somewhat surprising because store traffic (e.g. from Google mobility reports) was still 30% down (YoY) in May. It would seem that less frequent shopping was accompanied by a higher value of average purchases. If this effect continues, retail sales might be flat in June despite 10-20% lower store traffic. GDP should still fall 8.5% YoY in 2Q, only slightly less than what we expected before today's reading (9.3% YoY).

However, the pent-up demand which has fuelled relatively high retail sales will fade over time. Thus it will take a long time to reach pre-Covid-19 levels of consumption. As a result of the

coronavirus, consumers have become more risk-averse, while the rapid deterioration in the labour market has made them less willing to spend. This prudence will be reinforced in the coming months by a fragile labour market. Recent data showed negative real wage growth and falling employment. For these reasons, 50% of retail store owners in shopping centres are failing to break even and remain sceptical about the medium-term profitability of their businesses.

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