

Polish retail sales surge to pre-pandemic levels as construction rebound continues

Relaxation of economic restrictions in May triggered another growth engine in Poland: trade. We should soon see a rebound in broadly defined market services. Construction activity continues to improve



Poles have been hitting the shops since lockdowns have eased

+13.9%

Retail sales in May YoY

consensus: +12.9%

Better than expected

Polish retail sales rose by 13.9% YoY in May compared with +21.1% in April. This result was better than our and consensus forecast. The pace of car sales remains high (+51.2% YoY). The same applies to clothing (+46.1% YoY). Although these growth rates are lower than in April, this was mainly due to a higher base last year.

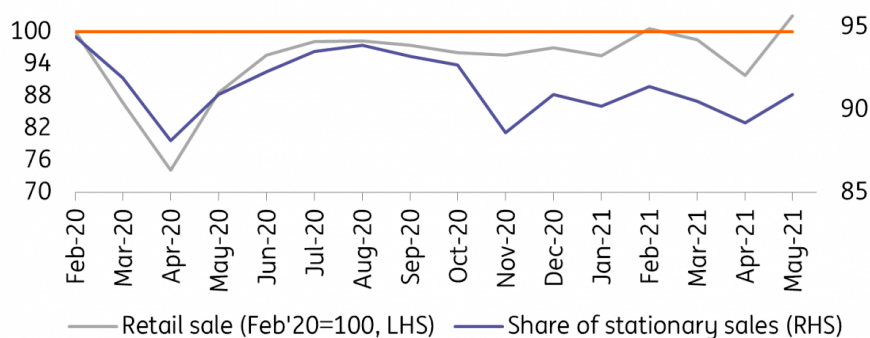
More important for the sales outlook in the coming months is the seasonally adjusted sales growth. It reached 12.2% MoM in May against a 6.8% drop in April. We expected a good result, but

the strength of the rebound exceeded our expectations. The pace of growth was sufficient to cover the declines of March and April (in MoM terms). Only in May 2020, after the first wave of Covid-19, was the rebound stronger.

Sales are again above the pre-pandemic level. The strong recovery in May shows how important it is for consumers in Poland to have access to bricks-and-mortar stores. Periods of tighter trade restrictions, despite the ability to shop online, have typically led to sales declines.

Retail sales

Volume against the share in 'bricks & mortar' stores



Source: CSO

Today's data signals that the Polish economy is now driven not only by manufacturing but also by trade and market services. Consumers had enough savings to hit the stores as soon as they could. We should also soon see a rebound in wider market services, which have so far been hardest hit by the coronavirus restrictions.

Our internal bank data shows that market services in the second quarter of 2021 may have grown by close to 7% YoY after a more than 4% decline in 1Q21.

We expect a solid GDP reading this year, at around 5.4%. That figure should be 5% next year. The negative output gap is expected to close at the turn of 2021/2022 and then expand on the positive side. That will continue to increase inflationary pressures in Poland next year.

+4.7%

Construction in May YoY

consensus: 1.2%

Better than expected

Construction output rose by 4.7% YoY in May after a 4.2% drop in April. Year-on-year growth rates improved for civil engineering (+4.7%) and specialised construction (+19%). This suggests an acceleration in infrastructure investment. However, construction of buildings fell by as much as 5.7% YoY. In the context of continued high demand for housing, this result may indicate that

construction companies are beginning to face capacity restraints, such as lack of construction materials and cost pressures.

After adjusting for seasonality, construction and assembly output increased in May by 3.9% compared to April. Although the growth was slightly faster in the previous month (+5.0% MoM), the economic activity in the construction industry is still improving.