

## Poland's retail trade improves as goods inflation eases further

The decline seen in Poland's retail sales moderated in June as the implied retail deflator subsided further. The domestic economy most likely reached the bottom in the first half of the year, and we should see some recovery in the second half. For 2023 as a whole, we continue to count on GDP growth of around 1%, with risks tilted to the downside



Real retail sales of goods fell 4.7% year-on-year in June (consensus: -5.0%), following a 6.8% YoY decline in May. Seasonally adjusted data point to a 0.6% month-on-month increase in sales, following a decline of more than 1% in May. On an annual basis, the deepest decline was in the category of newspapers, books, other sales in specialised stores (-17.6% YoY). The only category where we did not observe a decline in sales volume was in pharmaceuticals, cosmetics, and orthopaedic equipment (0.0% YoY). The implied retail sales deflator maintained a downward trend and fell to 7.1% YoY from 9.2% YoY in May.

We've now seen almost a full set of monthly data for the second quarter of the year, with the year-on-year numbers for industrial production, construction output and retail sales all coming in

softer than seen in the first quarter. The annual pace of GDP in the second quarter was not significantly different from what we saw in the first. The scale of the decline in household consumption most likely deepened, and the consumption recession is – along with falling energy commodity prices – one of the factors currently driving disinflation.

The domestic economy most likely reached the bottom of the current business cycle in the second quarter, and we should see some recovery in the second half of the year – albeit at a rather sluggish pace. A key element to note is the decline in inflation and the recovery of real household purchasing power. A narrowing foreign trade balance, which translates into a positive contribution of net exports to GDP, will continue supporting growth. It is much more difficult to assess the impact of changes in companies' inventory adjustments on activity. In 2022, this was a supporting factor for GDP (unblocking supply chains) but is now clearly weighing on economic growth. For 2023 as a whole, we continue to count on GDP growth of around 1%, with downside risks dominating.

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