

Poland: Sales slightly above expectations, construction weaker

Retail sales, which were more affected by the pandemic than industry, have gradually begun to pick up. Unless new restrictions are announced in response to the fourth wave of Covid-19, this may mitigate the weakness in industry stemming from supply chain bottlenecks. Construction output may be affected by rising prices of key components



Shoppers at the Poznan City mall in Poland

+8.6%

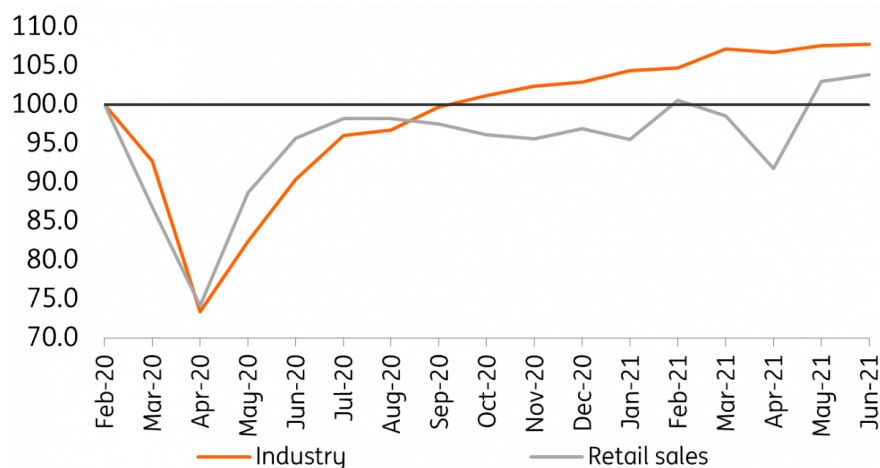
Retail sales in June (YoY)

consensus at +8.4%

In June, retail sales increased by 8.6% year-on-year. The figure was lower than in May (+13.9%), but slightly better than the consensus (+8.4%). On an annual basis, most of the sales groups (with the exception of the "others" category) saw growth rates deteriorate, most notably car sales, where the growth rate slowed to 7.7% YoY from 51.2% in May.

On a seasonally-adjusted basis, June sales increased by 0.8% MoM, significantly less than in May (+12.2%), when the pace was boosted by a weak April base. On average, sales grew by 6.5% MoM in May and June, showing the benefits of the economy opening up. The level of sales for the past two months remains significantly higher than in February last year, the period before the pandemic. The relaxation of health restrictions and the opening of more physical stores have allowed sales to catch up to production. This has been easier recently as production has been dragged down by supply chain disruptions.

Industrial production and retail sales (February 2020=100).



Source: CSO

Retail sales have increased month-on-month for the second month in a row. This confirms that Poland has another engine of growth besides industry; trade, and probably market services. Consumers in Poland have the funds to spend and an improving labour market should increase the propensity to consume.

Worse-than-expected construction & assembly production results

In June, construction & assembly production increased by 4.4% YoY compared to 4.7% in May (consensus at +7.1%). For the second consecutive month, civil engineering works (+0.4%) and specialised construction activities (+18.3%) increased on an annual basis. We consider this to be a sign of accelerating infrastructure investment. Construction of buildings fell again, by 0.3% YoY in June after falling 5.7% in May. In our opinion, this is a sign of a growing barrier to residential construction caused by increasing prices of construction materials.

The weaker results in the construction of buildings have dampened the positive trends in construction over the past two months. On a seasonally-adjusted basis, construction & assembly output fell by 1.5% MoM in June compared to growth of 3.9% in May and 5.0% in April.