

Poland: Strong retail sales and construction output

Retail sales and investment in big companies outperformed expectations. Construction output also remained decent. Overall, the data points to strong GDP growth in 2Q and signals upside risk to our forecasts for the second half of the year



Source: Shutterstock

Retail sales:

Retail sales at constant prices accelerated in April from 1.8% to 11.9 YoY, well above the consensus forecast at 8.3%. There are two factors behind the surprise.

1. Spending related to the Easter holidays was much stronger than a year ago – food sales and unspecialised store sales (megastores) accelerated by approximately 20% YoY, while fuel was up by 10% YoY.
2. Durable goods sales continued their upward trend. Sales of household appliances and RTV equipment expanded by 20.3% YoY, while car sales rose by 9.1%. We expect strong sales in these categories in the next few months as well, given the introduction of fiscal programmes including a retiree lump sum payout in May and an extension of child benefits in July. Overall, private consumption should accelerate from approximately 4.2% in 1Q (ING

estimate) to 4.4% in the current quarter and exceed 5% YoY in 3Q.

Construction:

Similarly construction output improved from 10.8% to 17.4% YoY, close to consensus forecasts. The strong increase was related to spending on infrastructure projects – growth in this category expanded by 32.7% YoY. On the other hand, construction of buildings was soft (3.9% YoY), likely due to a slowdown in housing activity.

We expect a moderation of infrastructure spending in the coming months and still soft growth in the construction of dwellings. Therefore investment is projected to decelerate from approximately 7% in the first half of 2019 to 5% in the second half.

Surprisingly, some support may come from the private sector, despite general economic uncertainty. According to initial GUS data, investment outlays in big companies (employing 50+ workers) rose by 21.7% YoY mainly due to expenses related to transportation vehicles and the construction of buildings. We can't tell from the initial report if the increase is sustainable (e.g. it could be related to bulk expenses of national railways), but the numbers look encouraging.

GDP implications:

After today's figure, we forecast GDP growth in 2Q at 4.4 to 4.5% YoY (our previous forecast stood at 4.3%). This is slightly below 4.6% in 1Q. Robust consumer sentiment and surprisingly strong private investments outlays in the previous quarter pose an upside risk to our 2019 forecast (4.1%) as well.