

22 January 2019  
Snap

## Poland: Weak retail sales in December

Retail sales surprised negatively due to one-off changes. The consumer spending outlook in the coming months remains firm – demand for durable goods is still sound and moderately expansive fiscal policy should provide a boost

Retail sales growth decelerated in December from 6.9% to 3.9% YoY (at constant prices), strongly below the market consensus (7%). The negative surprise in our opinion is related to temporary factors. The greatest deceleration occurred in sales of clothing and textiles (from 18.5% to 7%YoY), where weather effects (untypical warm December) played a major role. The headline figure was also lowered by weaker food consumption (slide from 3% to -2.4%YoY).

Consumer demand for durable goods remained solid. Sales of radio & television equipment and household appliances dropped moderately from 11.4% to 8.1%YoY. Car sales outperformed our expectations with an increase from -1.4% to 6.8%YoY. The official GUS survey suggests solid consumer spending will persist in the coming months – household intentions of purchasing a new car oscillate around historical highs and the component detailing planned household renovations or purchasing new household appliances is trending higher.

Therefore we consider the December reading as a one-off. We expect only a modest deceleration of private consumption from 4.5%YoY in 3Q of 2018 to 4.4% in 4Q and 4.2% in 1Q of 2019. As a result, consumption expenditure should provide the biggest contribution to GDP growth. Furthermore, the government will announce new proposals for tax reform and social programmes in February. A more expansive fiscal policy should provide another boost for consumption in the second half of the year.

Jakub Rybacki

Economist, Poland

+48 22 820 4608

[Jakub.Rybacki@ingbank.pl](mailto:Jakub.Rybacki@ingbank.pl)

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