

## Poland: Weaker retail sales and construction in May

Retail sales and construction sectors disappointed slightly in May. That said, we think the chances are high that we'll see GDP growth reaching 5% in the second quarter



Shoppers at the Poznan City mall in Poland

Retail sales in Poland decelerated in May from 11.9% to 5.6%YoY at constant prices, below the consensus (6.9%). The growth structure suggests no lasting slowdown; lower results were visible in the sales of fuel, clothing and miscellaneous goods. At the same time, cars and durable goods sales continued an upward trend. We expect re-acceleration of dynamics in June given record consumer confidence and spending related to the government social project – an additional lump sum for retirees paid in May.

Simultaneously, construction dynamics decelerated from 17.4% to 9.6%YoY, also below market expectations (14%). Growth relied solely on infrastructural projects, while the construction of buildings was nearly flat (0.9%). We expect a similar picture in the coming months – the growth of issued dwelling permits has been depressed since the beginning of the year. The number of construction initiations is also decelerating.

## GDP implications:

After today's data, we still expect relatively solid GDP growth in 2Q and forecast an acceleration from 4.7% to 5%YoY, thanks largely to increased consumer spending. We forecast private consumption to grow from 3.9% to approximately 4.5%. On the other hand, weaker results from the construction sector confirm a deceleration of investments and we expect those dynamics to decline from 12.6 to 8.5%YoY.