Poland's retail sales weaken as real wage growth slows

Growth in retail sales of goods is slowing in Poland as real wage growth has eased amid higher inflation, given more expensive electricity and natural gas as well as softer growth in nominal earnings. Consumers remain frugal, postponing purchases other than necessities. Consumption growth is to slow in 2H but should remain the main driver of GDP in 2024

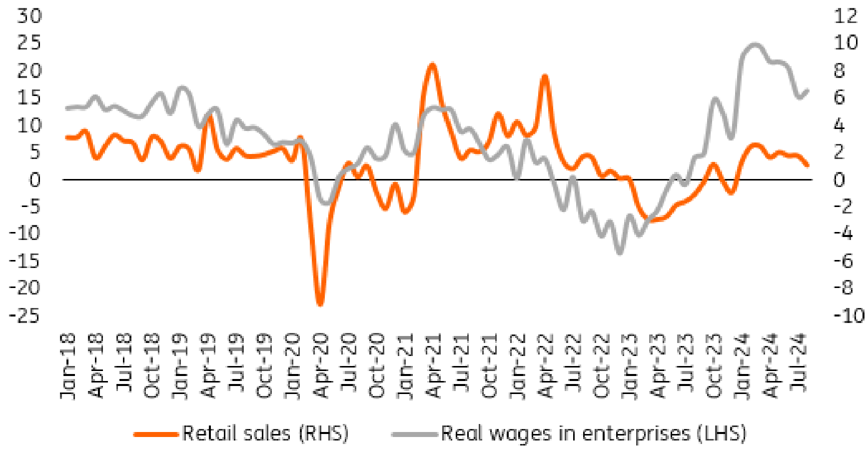
A shopping mall in Warsaw, Poland

August retail sales rose by 2.6% year-on-year i.e. clearly below the market consensus (3.6% YoY), following an increase of 4.4% YoY in July. Car sales, which had been impressive in previous months, slowed markedly (+15.7% YoY in August vs. +30.1% YoY in July). Still, growth in sales of motor vehicles, motorcycles and car parts accounted for more than half of the increase in total goods sales in August. Sales in most other categories continued to disappoint. The decline in sales of food (-0.4% YoY) and consumer durables in the form of furniture, electronics and house appliances (-5.3% YoY) continues. Since the beginning of the year, sales of clothing and footwear have been shrinking at a double-digit rate (-13.6% YoY in August). This suggests that consumers are postponing less urgent purchases while the propensity to save remains elevated. The recovery in savings is likely to be underpinned by their earlier decline and the high level of interest rates.

The growth rate of retail sales of goods has slowed down in recent months, but this has not been negatively reflected in the growth of consumption, which increased by 4.7% YoY in 2Q24 i.e. at a higher rate than in 1Q24 (4.6% YoY). This suggests a shift in some consumer demand away from goods towards services. Summer is generally conducive to this trend.

Slower growth of real wages to weigh on sales

Retail sales and real wages, %YoY



Source: GUS, ING.

Real wage growth has slowed somewhat due to the jump in inflation since July (higher energy and gas bills) and slightly slower nominal wage growth. At the same time, the propensity to save remains elevated. Therefore, we expect annual consumption growth to slow down in the second half of the year compared to the first half. For 2024 as a whole, consumption will remain the main driver of economic growth and GDP growth should reach 3%, but August data from trade, industry and construction means that downside risks to this forecast are rising. Some support for GDP growth in the second half will come from an increase in military spending and post-flood reconstruction, although the latter may not be a significant factor at the macro level.

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