

## Polish GDP expected to weaken as September retail sales slump

While we had expected third-quarter GDP growth to moderate below 3% year-on-year, from 3.2% in the second quarter, the decline in retail sales in September points to an even weaker economic performance. We revise our third quarter GDP growth forecast to 2.5%YoY (from 2.8%) and see downside risks to the 2024 economic growth forecast of 3%



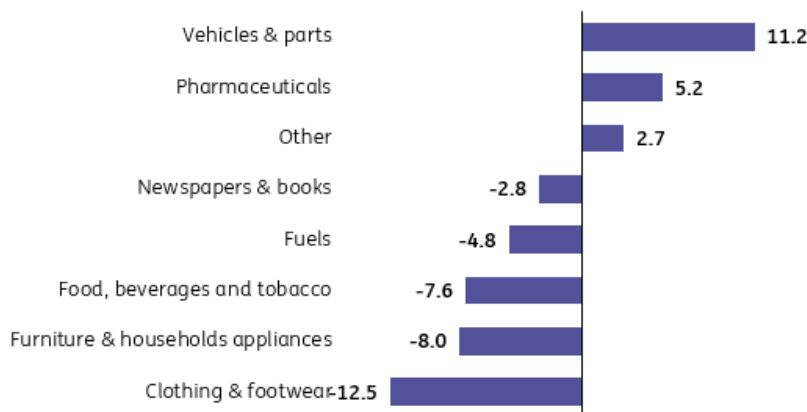
Retail sales of goods fell by 3.0%YoY in September (consensus: +2.6%), compared to a 2.6%YoY increase in August. Seasonally adjusted data points to a sharp 6.7% month-on-month decline in sales.

One of the main factors behind the weak sales performance was a sharp drop in food prices (-7.6%YoY), which reduced the annual growth rate of goods sales by approximately two percentage points. September saw a further decline in the annual growth rate of car sales (to 11.2%YoY from 15.7% in August), mainly due to a very high statistical base. Last September, car sales increased by 11.6% MoM.

September saw a return to the seasonal trend with fuel prices dropping by 8.4% month-on-month. Unlike last year, when low prices spurred increased purchases and created a high reference base of 1.7% MoM, demand for durable goods such as furniture, electronics, and household appliances remained weak.

## Broad-based deterioration in retail sales in September

Sales of goods (real), %YoY



Source: GUS.

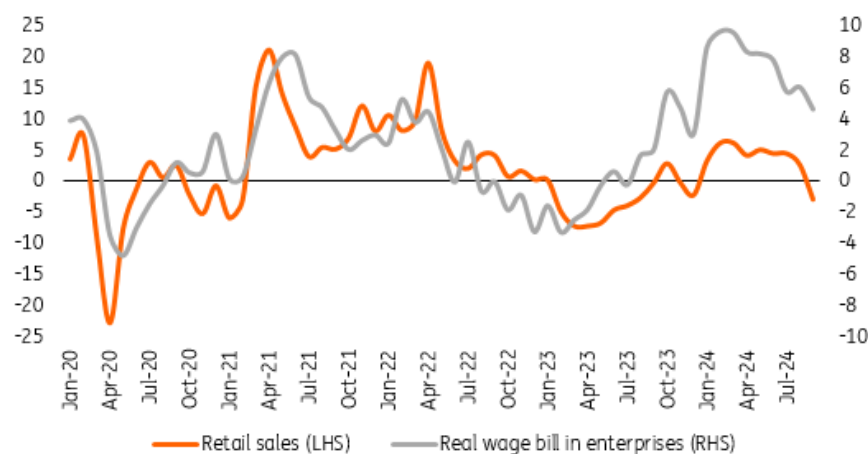
Today's data indicates that goods sales increased by approximately 1.3%YoY in the third quarter, compared to growth of around 5%YoY in the first half of the year. Therefore, we estimate that consumption growth slowed to around 3%YoY in the last quarter, from 4.7% YoY in the second quarter of 2024.

In our view, spending on services remained robust, but it was insufficient to compensate for softer demand for goods. The weaker consumption result in the last quarter is linked to the slowdown in the nominal wage growth rate and the rebound in inflation, which reduced the growth of real wages.

Additionally, higher gas and electricity bills following the withdrawal of the energy shield left less money for other expenditures in household budgets. Severe floods in South-West Poland could also be partially responsible for weaker sales in September. The months ahead should show if the September sales were a one-off or the start of softer consumer demand.

## Households' income base deteriorated amid higher inflation and slower growth of nominal wages

Wage bill in enterprises and retail sales of goods



Source: GUS, ING.

In light of today's data, we revise our forecast for household consumption in the third quarter to 3.0%YoY from the previously expected 3.8%YoY, and consequently, our GDP growth forecast for the last quarter to 2.5%YoY from the previous 2.8%YoY. Thus, downside risks to the GDP growth forecast of 3% for the whole of 2024 are increasing.

### Authors

#### Adam Antoniak

Senior Economist, Poland

[adam.antoniak@ing.pl](mailto:adam.antoniak@ing.pl)

#### Leszek Kasek

Senior Economist, Poland

[leszek.kasek@ing.pl](mailto:leszek.kasek@ing.pl)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.