

Polish households remain cautious on spending

April retail sales data surprised to the downside amid a decline in food sales. The majority of Easter spending most likely took place in March, and the return of VAT on food in April potentially led to some stock building in advance. We still expect a gradual improvement in private consumption over the course of 2024



Poland's current account position is expected to deteriorate in 2025

Polish retail sales rose by 4.1% year-on-year in April (consensus: 5.2%), following an increase of 6.1% YoY in March. Seasonally adjusted data points to a 3.5% month-on-month decline in sales after they stabilised in March.

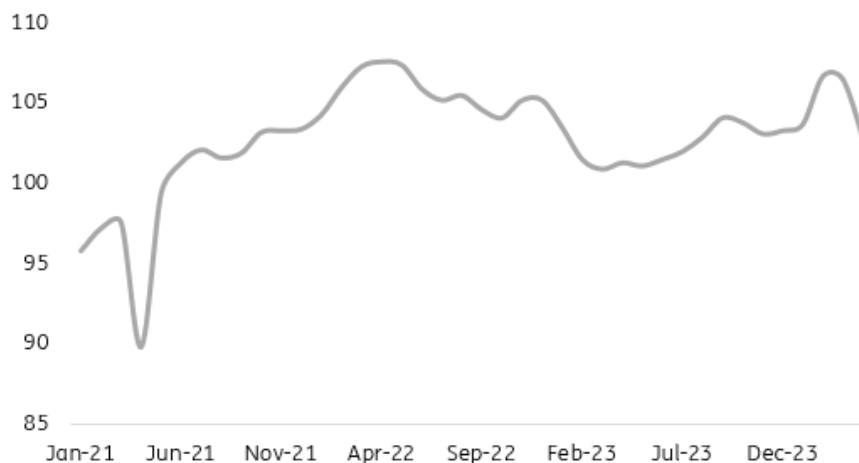
On an annual basis, impressive growth was reported in car sales (33.8% YoY). The sales of durable consumer goods – which experienced a boom-and-bust period both in the pandemic and again recently – is finally recovering. The decline in furniture, consumer electronics and house appliances sales moderated to -3.3% YoY in April from -8.5% YoY in March.

The biggest negative surprise was the decline in food sales (-6.8% YoY). This may have been due to an early Easter in 2024 and a high base from last year, as most Easter spending probably occurred in March. It also cannot be ruled out that some consumers stocked up food products for fear of

price increase due to a return of VAT on food in April, although March's figures do not indicate this.

Softer retail sales at the turn of 1Q24 and 2Q24

Real retail sales, 2021=100, SA



Source: GUS

After better-than-expected April industrial production data, retail sales data disappointed somewhat – although they do point to a continuation of the country's economic recovery. The systematic recovery in real household disposable income still does not fully translate into purchasing activity. Consumers are most likely still uncomfortable with the currently very high price level, and in turn they prefer to build savings. Anecdotal evidence suggests that the fear of war is elevated, which translates into a lower marginal propensity to consume and an increased tendency to accumulate savings. In our view, May will see a further improvement in consumption, supported by strong wage growth, the calendar and the weather. We expect consumption growth to keep recovering in the second quarter of the year.

Our forecasts of 2024 economic growth remain unchanged at 3%. We expect the expansion to come about on the base of consumption, driven by improving real household income amid lower inflation, robust wage growth and an increase in social benefits.

With an improving economy, sticky core CPI and rising headline inflation, the Monetary Policy Council (MPC) should not be in a hurry to begin the monetary easing cycle. We expect interest rates to remain unchanged until at least the end of 2024.

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