

Polish retail sales, a key driver of 2024 GDP, keep growing in May

Retail sales increased in May by 5.0% year-on-year, maintaining the trend from 1Q24 (5.4% YoY). The data was close to the consensus (5.0% YoY) and better than a month ago (4.1% YoY). Seasonally adjusted data also indicates solid growth of 3.3% month-on-month, after a slightly weaker April reading



A shopping mall in Warsaw, Poland

Car sales continue to grow at strong levels. There was also a strong rebound in the 'other' category (e.g. sales in DIY stores).

Sales of other durable goods (clothing, furniture, electronics) and food remain weak and in contraction territory. We explained the weak food sales in April by an earlier Easter. But the annual decline in this category also continued in May; possibly due to some consumers stocking up before the reintroduction of VAT on food, which will reduce food sales in subsequent months.

In our view, strong income growth signals a continuation of consumption growth. This is very important given that the recovery in GDP this year will rely mainly on domestic demand.

This is shown by data already published from Germany. Unfortunately, a weak Ifo reading has

confirmed the weakening in industry shown earlier by the PMI. Data from the end of 1Q24 suggested that the recovery in German industry had finally come to pass, but the latest indicators from Poland (weak production for May) and Germany contradict this.

We see a risk that the GDP rate in 2Q24 will be lower than the 3.0% YoY rate we have forecast so far. Still, GDP should mainly rely on domestic demand and rising retail sales is a positive indicator, though manufacturing faces downside risks given the downside risks for exports.

Author

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

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