

Poland's economic recovery continues but consumption slows

Polish retail sales rose by less than expected last month and it looks as though consumption growth is easing after a strong first quarter. Economic recovery is underway, but it's slower than hoped for



A robot sells drinks at Warsaw's central station

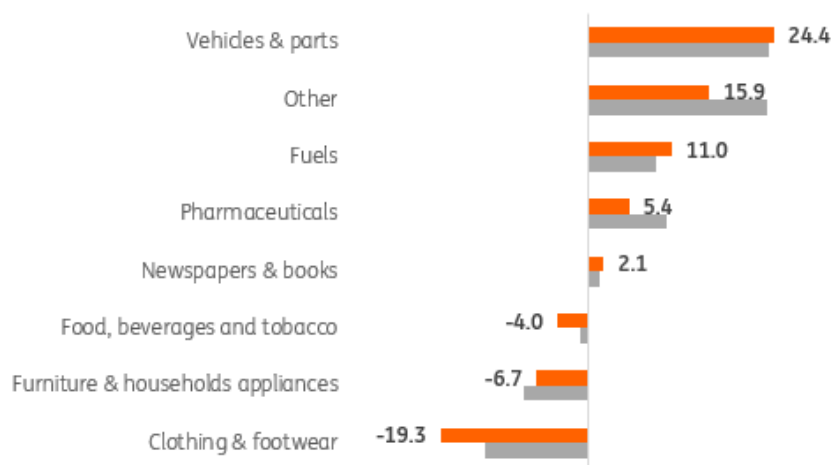
Polish retail sales rose by 4.4% YoY in June (ING: 5.1%; consensus: 5.3%), following an increase of 5.0% YoY in May. Seasonally adjusted data points to a 1.5% MoM expansion in sales.

Car sales remained strong in June (+24.3% YoY vs. +23.8% YoY in May), and the scale of sales contraction in other durable goods (furniture, consumer electronics, household appliances) was slightly lower than the month before (-6.7% YoY vs. -8.4% YoY). At the same time, there was a marked slowdown in the sales growth in the 'other' category (to +15.9% YoY from +23.5% YoY).

The relatively stable increase in fuel sales (+11.0% YoY vs. +9.0% YoY in May) was accompanied by a marked decline in sales of other necessities; purchases of clothing and footwear were 19.3% lower in June than a year earlier (down by 13.5% YoY in May). Food purchases resumed their deeper contraction – down by 4.0% YoY, following a 1.0% YoY decline in May.

Consumers remain cautious with spending

Real retail sales, %YoY



Source: GUS.

Overall, the data indicates that Polish consumers remain cautious despite very solid income growth. Recent consumer sentiment surveys also indicate an increase in household concerns about future economic conditions and their own financial situation. The latter factor may be linked to the partial withdrawal of the energy shield. The marked increase in electricity and gas bills expected by households may prompt them to cut back on other spending.

In the second quarter of this year, retail sales increased by around 4.5% YoY, following an increase of 5.0% YoY in the first. We expect that the rate of growth in household consumption in 2Q24 was slightly lower than in the very strong 1Q24 (4.3% YoY vs. 4.6% YoY). However, the two long weekends in May probably supported demand for services, notably hotels and restaurants.

The annual rate of decline in construction activity slowed in the second quarter versus the first, and industrial production rose in the second quarter in annual terms after five consecutive quarters of decline. This confirms that the Polish economy continued its recovery in 2Q24, but the improvement was somewhat smaller than we had previously expected. We forecast GDP growth of 2.8% YoY in 2Q24 compared to our previous forecast of 3.0% and 2.0% YoY in 1Q24. For 2024 as a whole, we continue to see economic growth of around 3%.

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