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Economic Comment

Sales beat forecasts, construction a bit weaker

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In June Polish retail sales surprised positively again, declining by only 1.3% y/y in constant prices vs -7.7% y/y in May. The y/y growth of durable goods sales turned positive, showing the influence of the demand overhang accumulated during lockdown. Construction output fell in June by 2.4% y/y, a bit below market consensus. It looks that the sector, which has been surprisingly immune in the early stage of the pandemic, now gradually starts feeling the hit. Taking together the key June data we should prepare to be positively surprised with 2Q GDP, given our forecasts of its decline by more than 10% y/y

Another positive surprise with the pace of retail sales recovery

In June Poland's retail sales decreased by only 1.3% y/y in constant prices vs -7.7% y/y in May and compared to market expectations at -2.5% y/y and our -4.1% forecast. This means a rebound of 8.1% m/m after seasonal adjustment. This is another significant positive surprise in the June set of data, following strong industrial output print and labour market releases.

The growth of durable goods sales turned positive: 3.8% y/y vs -11.4% previously while other categories saw a mild decline of 3.1% y/y (-7.3% previously). In June there was another large rise of the contribution of car sales and fuel purchases. The April collapse by c55% y/y in car sales has now been reduced to -6.4% y/y. Sales of furniture, household appliances and consumer electronics were 16.1% higher than a year ago, showing the influence of the demand overhang accumulated during lockdown.

The decline of share of internet shopping in total retail sales continued in June (to 7.7% from 9.1% as more lockdown restrictions were removed.

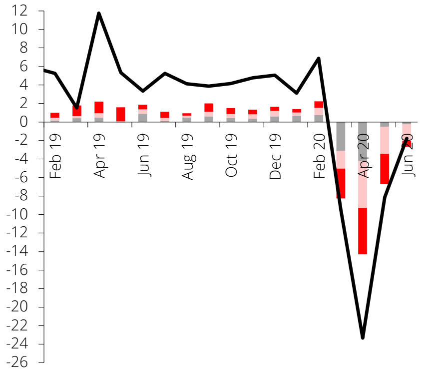
Construction output slightly weaker than expected

Construction output fell in June by 2.4% y/y, a bit below market consensus (-0.8% y/y) and our forecast (-1.8% y/y). Seasonally adjusted production decreased 4.5% y/y, which reflects the fact that June's numbers were boosted by higher number of working days. The biggest contraction took place in construction of buildings (-5.7% y/y) and in civil engineering (-1.2% y/y), while specialised construction works kept rising (0.2% y/y). It looks that the sector, which has been surprisingly immune in the early stage of the pandemic, now gradually starts feeling the hit. We think the slowdown may continue in the coming months, amid poor investment outlook and increasingly difficult financial situation of local governments, which may curb their infrastructure spending.

At the same time, data about house construction showed some improvement in June, with both the number of houses completed and new building permits rising by 19.2% y/y. The new house starts were clearly higher than in April-May, but still below last year's levels, though (-1.2% y/y).

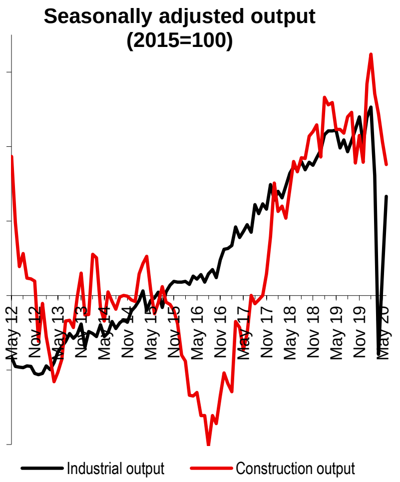
Following the key releases for June, the final month of the quarter, it seems we should prepare to be positively surprised with 2Q GDP, given our forecasts of its decline by more than 10% y/y.

Retail sales, contribution of selected categories, % y/y



Source: GUS, Santander

Industrial and construction production



Source: GUS, Santander

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