CEE Economics

Poland

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Economic Comment

Retail sales did not impress

Adrian Domitrz, tel. +48 571 664 004, adrian.domitrz@santander.pl
Marcin Luziński, tel. +48 510 027 662, marcin.luzinski@santander.pl

Retail sales slowed to 2.2% y/y in June from 4.4% y/y in May, surprising to the downside (us: 4.6% y/y, market: 3.9% y/y). Detailed data show a rather disappointing performance of sales of durable goods. Yet the disappointment in June came after stronger than expected data for April-May. We generally remain sanguine about the consumption outlook, given a strong growth in real wages and improving consumer confidence, and we think that the underlying trend remains solid, which should be reflected in a steady consumption expansion, around 3% y/y this year.

The July business tendency survey conducted by GUS does not change the current assessment of the economic situation. The overall economic climate in most industries remained similar to recent months, with a slight deterioration in retail trade and the accommodation and catering sectors, while improvement in transportation and storage.

Industrial output fell despite expectations for a rise

Retail sales slowed to 2.2% y/y in June from 4.4% y/y in May, surprising to the downside (us: 4.6% y/y, market: 3.9% y/y). Still, seasonally-adjusted data pointed to an increase by 0.7% m/m

Detailed data show a rather disappointing performance of sales of food (-1.0% y/y vs +1.5% y/y in May), in non-specialised shops (-3.6% y/y vs +5.5% y/y), furniture and household appliances (10.2% y/y vs 18.9% y/y) and cars (7.7% y/y vs15.7% y/y). On the other hand, sales in fuels, clothing and "others" were quite robust.

Slowdown in food and non-specialised shops is not really bothering, given that these categories recorded elevated volatility in the previous months, and that they are pretty resistant to swings in business conditions. That having said, slower sales of durables are not a good sign. Durables slowed to 8.8% y/y from 17.2% y/y in May, posting the lowest growth rates since February 2025.

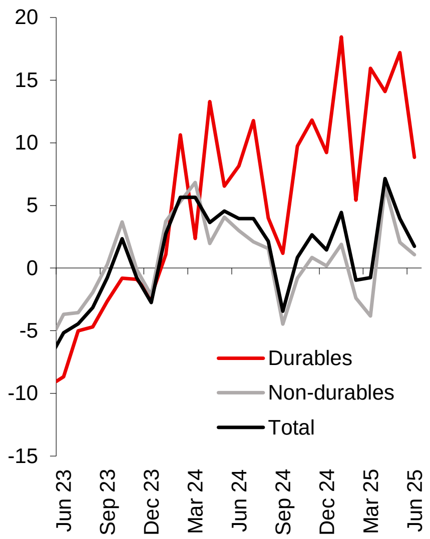
Yet, it is worth to note that the disappointment in June came right after stronger than expected data for April-May. We generally remain sanguine about the consumption outlook, given a strong growth in real wages and improving consumer confidence, and we think that the underlying trend remains solid, which should be reflected in a steady consumption expansion, around 3% y/y this year.

The climate among companies shows no signs of improvement

According to the July business tendency survey published by GUS, the situation in most sectors remained similar to previous months. The overall economic climate in manufacturing and construction remains negative but stable, while retail and the accommodation and catering sectors have deteriorated slightly. Transportation and storage, on the other hand, have rebounded, resulting in a slightly positive index result. Extra survey questions give insights that depending on the sector, between 6 and 13% of companies continue to experience serious consequences of the war in Ukraine (similar to earlier waves of survey, most in transport, least in accommodation and catering).

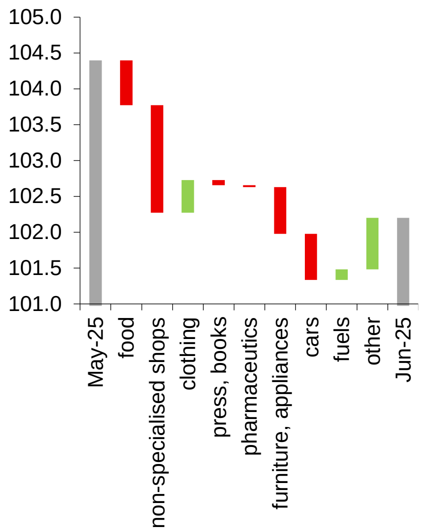
In terms of evaluating pricing processes, between 9 and 14% of companies expect an acceleration in the growth of materials prices, just under half expect growth, albeit at a slower pace than before, and 32-45% expect price stabilization. As before, the most significant factors affecting operating costs are energy and fuel prices, as well as labour costs. We believe that these data are consistent with the economic situation observed so far, and we expect a gradual, moderate improvement in the climate in the coming months

Retail sales, % y/y



Source: GUS, Santander

Industrial output breakdown by exposure to foreign demand, % y/y



Source: GUS, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: santander.pl/en/economic-analysis
Piotr Bielski +48 691 393 119
Bartosz Białas +48 517 881 807
Adrian Domitrz +48 571 664 004
Marcin Luziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division. Economic Analysis Department. al. Jana Pawła II 17. 00-854 Warsaw. Poland. phone +48 22 534 18 87. email ekonomia@santander.pl. http://www.santander.pl.