

Economic Comment

Sales blooming, construction drying up

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Retail sales accelerated to 19.0% y/y in April from 9.6% y/y in March. This is mainly due to the lockdown a year ago and the timing of Easter, but we also see confirmation of current strong demand in the data. The labour market situation will keep supporting consumption, but the positive base effect will be fading, taking retail sales growth down. Construction output showed in April a much lower growth than had been expected – the opposite of the March picture. The poor April reading may be an expression of supply side constraints. Demand will also be softening, taking the output growth below zero still this year.

Retail sales boosted by low base effect

Retail sales accelerated to 19.0% y/y in April from 9.6% y/y in March. Result was somewhat better than expected (us: 17.1%, market: 16.1%) and note that the acceleration was mostly driven by low statistical base created by last year's lockdowns (especially hitting clothing) and timing of Easter (17 April in 2022, 4 April in 2021). This boosted clothing sales to rise by 121.4% y/y, but we have to point out that the monthly momentum is also strong, indicating a robust demand. Also sales of household appliances were strong, rising by 27.9% y/y as compared to 2.8% y/y in March. We think that this may have been due to inflow of refugees and needs to buy new equipment for flats and/or change in TV signal standard into not compatible with older TV sets.

We are expecting the retail sales growth rate to go down in the months to come, as the statistical effect of pandemic will be waning. However, we think private consumption is likely to remain strong, given still positive growth of wages, sound labour market, inflow of refugees and fiscal packages aiming at supporting consumption.

Construction output – the contrast between March and April

In April Polish construction output showed a much smaller growth than had been expected, 9.3% y/y vs. 18.9% market consensus and our forecast at 18.5%. The reading comes after a huge positive surprise in March, when output was up 27.6% y/y instead of growing 14.8%. In m/m SA terms the decline in April was equal to the March rise of 5.1%.

There was a notable slowdown in construction of buildings (from 15.4% y/y to 7.1%) and civil engineering (from 8.2% y/y to 0.5%), both categories stealing some 8pp each from the headline y/y growth compared to March.

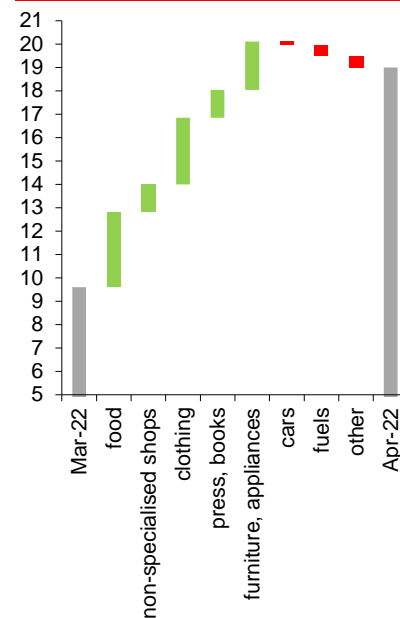
The construction sector is highly exposed to supply disruptions related to the war in Ukraine, depending on imports of steel, cement and wood from the Eastern countries. The poor April reading may thus be an expression of supply side constraints. The demand side may also be turning weaker now, especially the housing part, because of the tightened monetary policy and economic uncertainty. As a consequence construction output y/y growth could decline further and cross the zero line in late 2022.

Housing market - House starts stats are going down

In April the housing sector showed again the house starts numbers going down by more than 20% y/y. There was also a small decline (-1.8% y/y) of house completions. Building permits recorded some rise (+2.3% y/y) after four months of negative y/y growth.

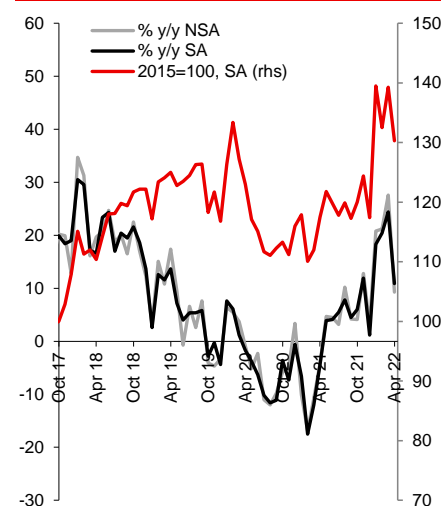
Our indicator of houses under construction has made a turn downside.

Change in annual growth rate of retail sales, %/y



Source: GUS, Santander

Polish construction output

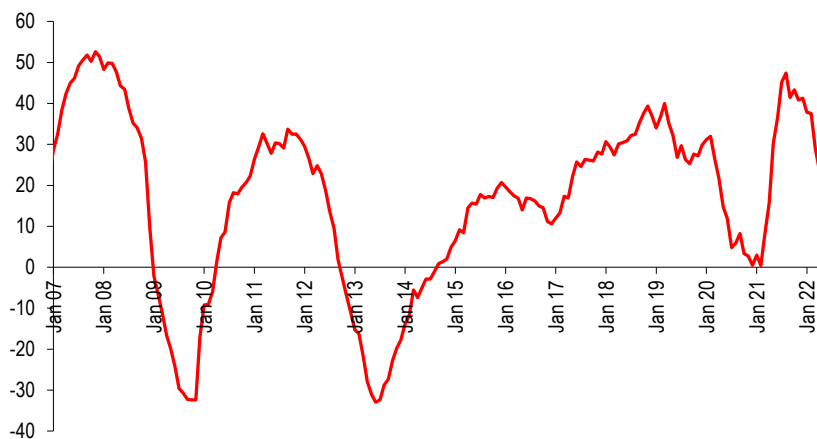


Source: GUS, Santander

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Housing, indicator of houses and flats under construction (house starts minus house completions), 12M moving sum, k



Source: GUS, Santander

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