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Economic Comment

Consumer durables in dire straits

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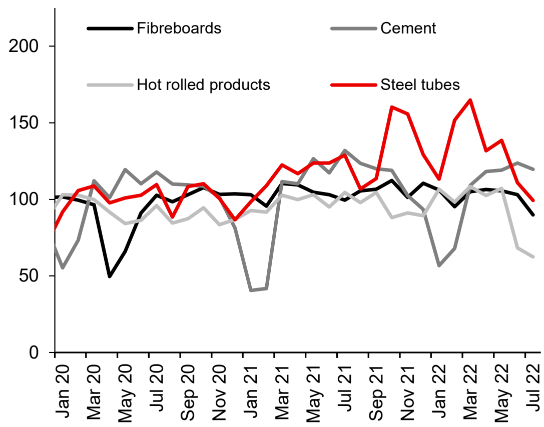
Recent data indicate a slump in production of consumer durables, particularly these related to home furnishings (cookers, televisions, refrigerators). In our view, this is a consequence of the weakening of consumer demand in Poland and in Europe and the marked downturn of the housing market following interest rate hikes. We believe that the market situation will not improve soon.

Worsening economic outlook and high inflation translate into a marked slowdown in private consumption. Households in such a situation usually tend to smooth out their spending, and thus we expect to see a decrease in personal saving rate this year, but still a drop in expenditure on non-essential goods, especially durables, can be expected. In addition, Poland is a large exporter of such goods to the European market, which is also experiencing a marked slowdown right now.

Lower demand for durable goods is already taking its toll on the manufacturing sector. Production data by type of goods clearly show that output of durable consumer goods has already been underperforming other sectors for several months. Moreover, high interest rates have hit mortgage demand, which in turn reduced housing market activity and undermined demand for types of goods, which are bought to furnish new homes. Output of these goods in many cases (cookers, TV sets, vacuum cleaners, washing machines, refrigerators) is already clearly below 2019 average; in case of TV sets and gas cookers, their production in July 2022 was even smaller than at the peak of the pandemic slump in April 2020. We expect the weak situation in this sector to continue.

The lower activity of the construction sector is also having an effect on the production of goods used on construction sites, although clearly the effect is not (so far) as strong as in the case of consumer goods. While, for example, the production of hot-rolled products (e.g. construction components) has collapsed in recent months, the production of cement is still strong. However, we believe that these products too will soon start to feel the effects of the slowdown in construction production.

Output of construction-related industrial goods, 2019=100



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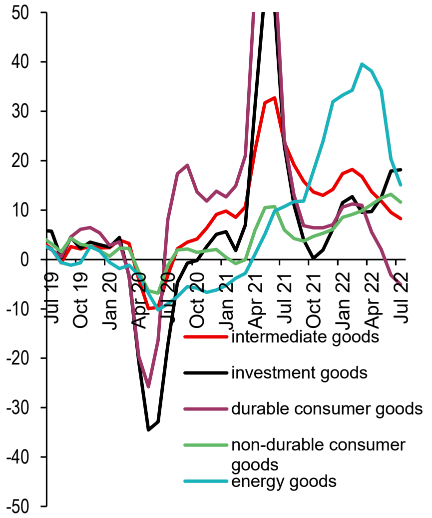
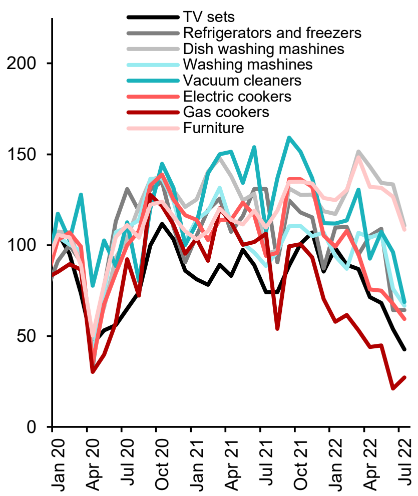
Source: GUS, Santander

Output by main product groupings, % y/y, 3-month moving average



Source: GUS, Santander

Output of main durable consumer goods, 2019=100



Source: GUS, Santander

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