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## Economic Comment

### Retail sales growth marks the bottom

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Retail sales dropped in April by 7.3% y/y, the same as in March and less than expected. The seasonally adjusted data even showed an improvement by 1.1% m/m. We think that retail sales will soon begin to rebound, driven initially by more sanguine consumer confidence and then also by improving real wages. Polish construction output rose by 1.2% y/y in April, a bit less than we had expected, but the sector may keep showing positive output growth this year. Negative trends still dominate the housing market.

#### Retail sales supported by fuels

Retail sales printed -7.3% y/y in April, unchanged versus March and above expectations (we: -10.0%, market: -8.1%). Seasonally adjusted numbers showed a rise by 1.1% m/m.

We were betting that temporary returns of Ukrainian refugees from Poland to Ukraine during Easter will undermine sales in food and non-specialised stores and this proved true, with annual growth rates in these categories down to -8.0% y/y from -4.6% y/y and 10.9% y/y from 13.9% y/y, respectively. However, this effect was offset by strong sales of fuels, which declined by 14.5% y/y after -20.7% y/y in March. Sales of fuels were actually quite strong in April, and this could potentially be linked to warmer weather and declining fuel prices, encouraging more travels.

As regards other categories, car sales were rather weak (decline by 5.1% y/y after -1.2% y/y in March), while the rest was more or less in line with the seasonal pattern.

The March and April data may have marked the bottom of y/y growth. We think that retail sales will soon begin to rebound, driven initially by more sanguine consumer confidence and then also by improving real wages.

#### Construction output back to positive growth

Polish construction output rose by 1.2% y/y in April vs. market consensus at +1.9% and our 1.8% forecast. This means a rebound back to the positive territory in the annual growth rate vs. the March (-1.5% y/y). Seasonally adjusted data showed +3.8% y/y and +0.1% m/m, coming after -2.0% m/m in March.

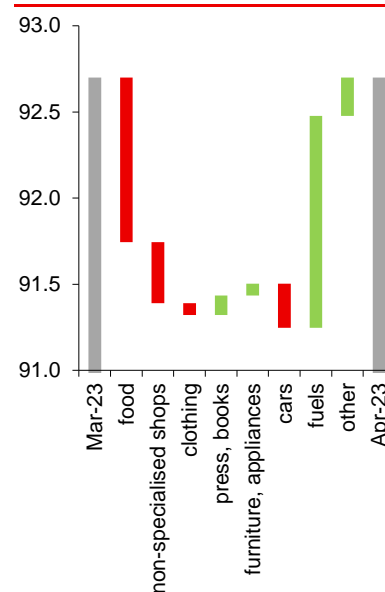
Construction of buildings fell less than in March (-6.4% y/y, after -10.5% y/y) which drove the rebound of the headline output, together with recovery in specialised works (+7.0% y/y vs. -2.7% y/y previously). Civil engineering remained an important contributor (it was the pillar of construction growth from November to March) but this time added a bit less to the total (up 4.8% y/y vs. 9.5% previously).

The construction sector surprised in April by increasing its employment and we feel it may keep showing positive output growth this year.

#### Housing market

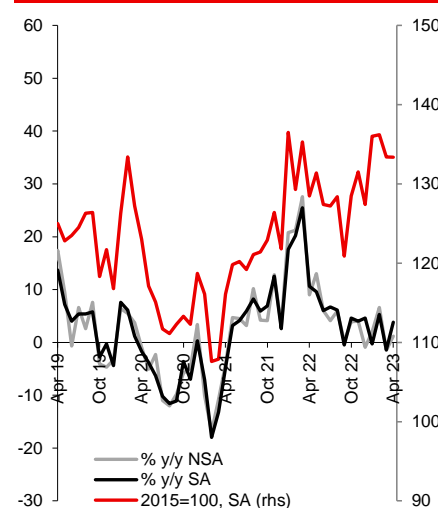
In April, the growth rate of dwellings completed increased (to 10.6% y/y from 5.4%), mainly due to completions of individual projects (+29.9% y/y) with a decline in completed projects for sale and rent (-3.1% y/y). The number of housing permits remained much lower than a year ago (-26.9% y/y), but at the same time its growth rate was the least negative since last November and there was a m/m increase in the data, which is unusual for April. The number of housing starts was 28.3% lower than a year ago and the number of dwellings under construction fell by 7.0% y/y. All in all, our index of projects in progress continued its marked

Retail sales, annual growth breakdown, corresponding period of the previous year = 100



Source: GUS, Santander

Construction output in Poland



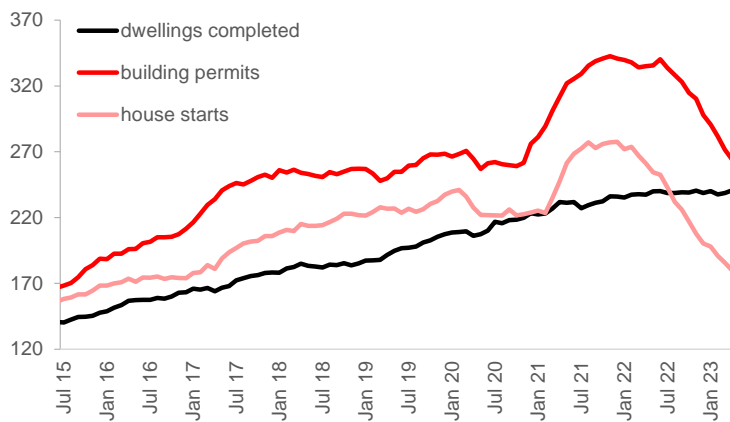
Source: GUS, Santander

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decline in April. However, we see a gentle improvement on the demand side (signs of a rebound in mortgage loans).

### Housing market data, 12M rolling sum, in thousand dwellings



Source: GUS, Santander

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