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## Economic Comment

### Construction rebound, retail sales still growing y/y

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Retail sales and construction output data complete the picture of solid economic activity in April. They also show how important statistical calendar effects were that month and the month before. Retail sales slowed in April to 4.1% y/y from 6.1% y/y in March, somewhat more than expected (us: 4.6% y/y, market: 5.3% y/y), but to assess the result well one has to take into account Easter purchases made this time in March and stockpiling ahead of the VAT increase on food. Also of note is the strong increase in purchases of durable goods. Construction output rebounded to -2.0% y/y in April from -13.3% y/y in March, beating our forecast of -3.7% y/y and market expectations of -5.7% y/y. Much of this, in our view, is due to infrastructure investment. The number of dwellings under construction has increased for the fourth month in a row. Agricultural prices seem to be stabilising after declines.

#### Sales slightly below expectations, calendar effects are were in play

Retail sales slowed in April to 4.1% y/y from 6.1% y/y in March, somewhat more than expected (us: 4.6% y/y, market: 5.3% y/y). In seasonally-adjusted terms sales declined by 3.5% m/m.

This weak result was primarily due to Easter effect – as this holiday was at the very end of March, consumers made their food shopping in that month unlike in 2023. Thus, food sales slowed to -6.8% y/y from +6.6% y/y in March and sales in non-specialised shops to 0.0% y/y from 8.1% y/y. Effect of VAT normalisation could have also come into equation, as it encouraged consumers to buy more products in March. However, we assess that this effect was negligible.

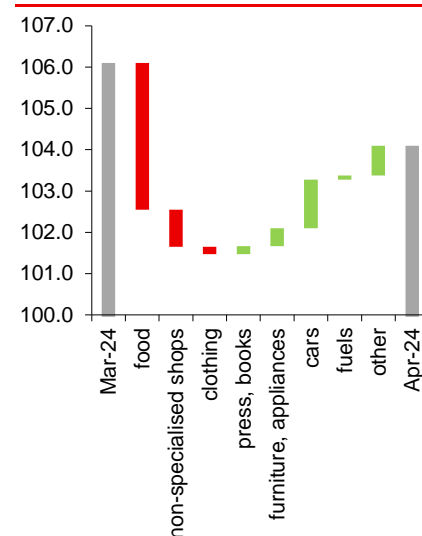
On the other hand, the positive working-day effect supported sales of durables, with car sales accelerating to 33.8% y/y from 13.5% y/y and sales of household appliances to -3.3% y/y from -8.5% y/y. Positive performance was also visible in “press, books and other specialised stores”, which accelerated to 4.2% y/y from -0.4% y/y and in “others”, which includes – inter alia – hardware stores, posting 29.7% y/y after 19.4% y/y in March.

Strong calendar effects in March and April clearly make retail sales more difficult to interpret, and cause major swings in underlying data: durable goods sales jumped to 13.3% y/y in April from 2.4% y/y in March, while other goods slowed to 2.0% y/y from 6.8% y/y. We think that the overall picture is positive and these numbers do show an ongoing improvement in consumer demand, especially given the upswing in durable goods. Positive real wage growth and still sanguine consumer confidence (though in deteriorated slightly recently) will be supportive for the private consumption in the months to come.

#### Construction output rebounded more than expected

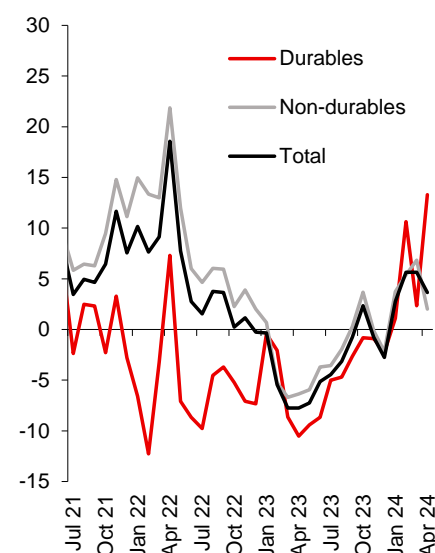
Polish construction output rebounded in April, with its growth rate rising from -13.3% y/y in March to -2.0% y/y, above both our forecast of -3.7% y/y and the market consensus of -5.7% y/y. The better-than-expected outcome was supported by civil engineering which returned to positive growth, at 7.8% y/y, after 3 months of declines. The recovery of civil engineering might have been supported by the record-high investments of the General Directorate for National Roads and Motorways (GDDKiA), which – according to the government agency’s press release from last week – rose by 16% y/y in the first four months of the year. Construction of buildings declined by 5.9% y/y (the growth rate up from -16.1% y/y in March) and output of specialised works fell by 10.5% y/y (down from -3.2% y/y in March). In seasonally adjusted terms, construction output rose by 2.3% m/m. Similarly to yesterday’s positive surprise from the industrial output data, the higher-than-anticipated results in construction were driven in part by the positive working-days effect.

#### Retail sales, breakdown of change in annual growth rate, same month of the previous year =100



Source: GUS, Santander

#### Retail sales, constant prices, % y/y



Source: GUS, Santander

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Despite the declines in construction output observed over the first quarter, today's results suggest that annual construction growth may return to positive values already in June/July.

### Another month with more housing starts than completions

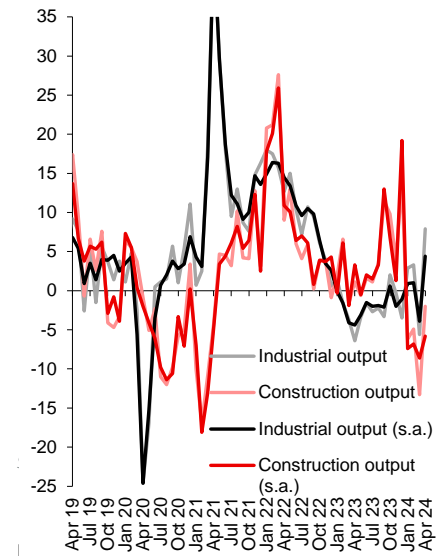
In April, 15.9k dwellings were completed, down 23.8% y/y and down 15.2% y/y in case of the January-April total. The 12-month moving sum of dwellings completed, at 209.7k, was the lowest in four years. At the same time, however, activity on the side of getting permits and launching new housing projects continued to increase. In April, building permits issued were 21.9% higher y/y and housing starts were up 46.3% y/y (for the fourth consecutive month, there were more housing starts than completions). The number of dwellings under construction, estimated by GUS, has been rising m/m for four months now and has also increased y/y for the first time since mid-2022.

The lending activity we have observed following the end of the government support programme suggests that demand in the housing market remains elevated. Activity on the housing supply side has adjusted upwards, but it will take several quarters before this translates into an increase in apartments and houses ready to be occupied. In the meantime, upward pressure on real estate prices may continue.

### Agricultural prices up slightly

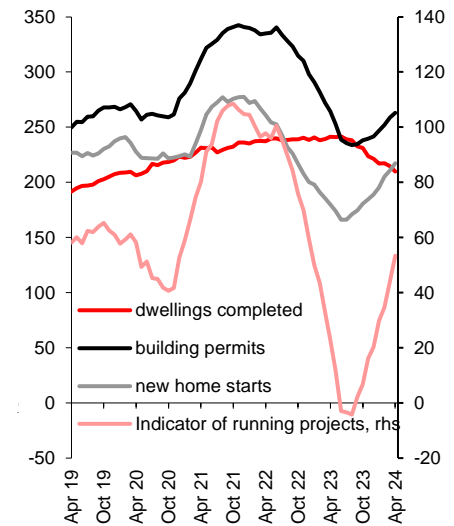
In April, the prices of agricultural products increased by 0.5% m/m and were 13.8% lower y/y. On a monthly basis, cereal prices fell slightly, but meat and potatoes, among others, saw higher prices. After strong declines in the first half of 2023, agricultural prices have been stabilising in recent months, which we believe means that retail food prices will not have a downward effect on CPI inflation in the coming months.

### Industrial and construction output, % y/y



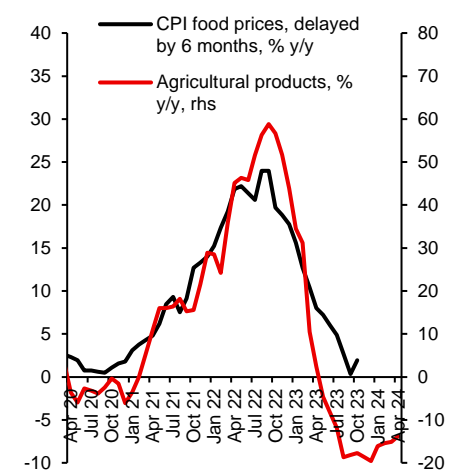
Source: GUS, Santander

### Polish housing market tendencies, 12M moving sum, in thousand units



Source: GUS, Santander

### Agricultural prices vs. food prices in CPI



Source: GUS, Santander

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