

## Poland: 1Q GDP signals end of recession

GDP declined 1.2% year-on-year after a 2.7% drop a quarter earlier, but in sequential terms, GDP grew 0.9% so we can say that the recession in Poland has ended. We expect a further robust recovery when the economy reopens leading to full-year growth of +4.8%, and fiscal stimulus in 2022



Source: Shutterstock

In our view, 1Q21 marks the end of the recession and the beginning of a lasting recovery. This recovery started even before the local lockdown was lifted, underscoring the increasing resilience of the economy to local restrictions.

No detailed data is yet available, but we estimate that activity was diversified between the sectors. Industry expanded by 5-7% year-on-year from 4Q20 to 1Q21. During the same period, market services shrank by the same amount. This part of the economy is mostly impacted by pandemic restrictions, as it encompasses leisure, hospitality, recreation, transport (also local personal) etc. In those sectors, we see the highest growth of restructuring, and bankruptcies to a lesser extent.

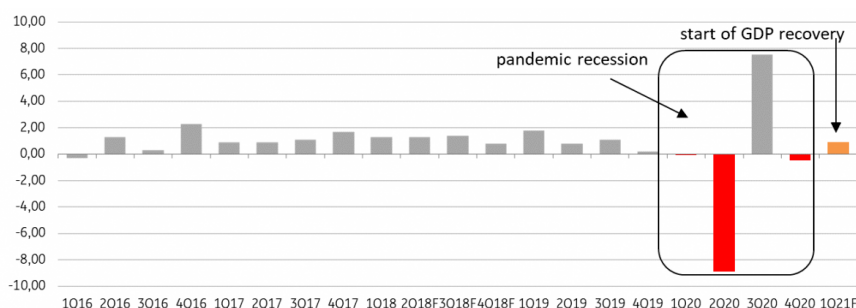
Industry is in recovery, as evidenced by strong production and export figures. It is benefiting from improving demand across Europe and high activity in global trade. We also see a recovery in demand from the UK after weakness in early 1Q21 (UK companies and households relied on

stockpiles, accumulated in fear of a hard break-up with the EU), as well as heavy interest in durable goods, both domestically and from abroad. Recently, we've also seen a significant recovery in the automotive industry and its subcontractors, although in April some shutdowns were reported, linked to the global semiconductor shortage.

We expect a further recovery in the months to come, reflecting pent-up demand, both domestically and abroad. The countries leading in vaccinations provide a useful template, which suggests the recovery should continue quickly and surprise on the upside. In addition, we're expecting another fiscal impulse in 2022 coming from EU Recovery Funds as well as the local budget. We see fiscal space in the Convergence Report for new expenditures, possibly a new social programme. Unfortunately, this should galvanise inflation. We stick to our above consensus 2021 GDP forecast at 4.8% YoY and also see 5% YoY GDP in 2022.

The situation in global commodity markets, as signalled from local producers, points to high growth in prices. Hence the economic recovery should be accompanied by high inflation. We [expect 2021 average CPI above 4.0% YoY](#) and inflation should remain elevated in 2022 as well, as suggested by the ongoing economic recovery, high commodity prices and fiscal stimulus. The MPC should keep ramping up its hawkish rhetoric in coming months.

## Poland: GDP Q/Q seasonally not adjusted



Source: GUS, ING forecasts

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