Polish GDP grows 5.1% in 2018

Polish GDP growth came in just above the 5% consensus figure year-on-year, according to initial estimates. Growth structure was a bigger surprise with net trade being neutral despite strong internal demand and weaker euro activity

Source: Shutterstock

Household consumption slowed compared with 2017

Household consumption slowed in 2018 to 4.5% year-on-year vs. 4.9% a year earlier. Assuming no revisions to previous quarters this suggests the 4Q18 figure will be 4.0% YoY (vs. 4.5% a quarter earlier). Given moderating wages we'd look for further deceleration this year. But given a fiscal stimulus planned for this year, which could even add 1 percentage point to overall GDP growth, household spending dynamics should remain close to 4% YoY.

5.1%

Higher than expected

Polish GDP growth, YoY 2018

Strong growth in internal demand

Private investment likely subdued in 4Q18

Investment recovery was also weaker than we anticipated – rising to 7.3% YoY from 3.9%; we were expecting a little more. This suggests the 4Q18 growth at 6.5% YoY, down from 9.9% a quarter earlier. Given very high EU funds payments to beneficiaries (suggesting robust public investments) in the year-end, this suggests poor private capital outlays in late 2018. Given declining spending plans of local governments, we remain sceptical of further public investment recovery this year. Private outlays are dubious as well, given external uncertainty (e.g. US trade policy) and shaky sentiment in the euro area.

Neutral net trade despite the Eurozone slowdown

Neutral net trade contribution to 2018 growth indicates a strong positive contribution in 4Q18 – surprising given poor PMI export orders over the period and further euro area downturn. This year, net trade contribution is most likely going to be negative (we estimate -0.4pp). So far there are no clear signs on recovery in the euro area and 2019 internal demand should remain reasonably strong (given the fiscal stimulus), encouraging imports.

Hence 2019 growth is expected to slow to 3.6% YoY despite the impending fiscal stimulus. The data, particularly internal demand - somewhat less buoyant than expected - supports a neutral NBP stance.

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