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# Poland: Record 3Q GDP recovery ahead of another slowdown

GDP jumped 7.7% quarter-on-quarter in the third quarter after a record decline (9% QoQ) in the second. New restrictions warrant a drop of about 4.5% QoQ in the fourth quarter



Source: Shutterstock

### GDP close to consensus

The GDP reading was in line with our estimates and close to the consensus. In year-on-year terms, the economy contracted by 1.6% after shrinking by a record 8.4% in 2Q. In QoQ terms, GDP jumped by 7.7% in 3Q after a record decline of 9% QoQ in 2Q20.

No details are yet available, but we estimate that the recovery largely reflected a rebound in household consumption, which grew about 1% YoY. This was caused by the lifting of lockdown measures after 2Q and a generous fiscal impulse which greatly limited the rise in unemployment and amplified pent-up demand.

Current account figures also point to a positive contribution from net exports. Public consumption likely expanded as well. In our opinion, private investment had the largest negative contribution to GDP in 3Q, possibly contracting at a similar pace to that recorded in 2Q (-14% YoY). Public

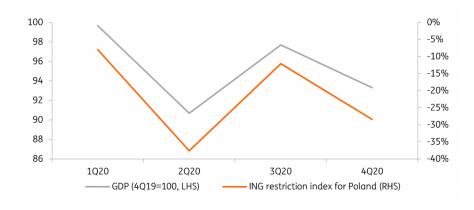
investment likely expanded by more than 10% YoY, as indicated by a rise in EU funds' absorption by 35% YoY (14.3% in 2Q).

# More pain ahead

A new wave of Covid-19 across Europe suggests another GDP contraction in 4Q in QoQ terms. Based on the index, which is gauging the impact of the pandemic on the economy and encompasses mobility data and official new restrictions, we see that the economy freeze at the beginning of November reached the average level seen in 2Q. Also, banking transactions data revealed a strong collapse in sectors particularly affected by the restrictions - the same as those which suffered in 2Q.

On the positive side, retail transactions reveal that in late October and early November, a jump in sales was recorded, likely ahead of a feared national lockdown. Moreover, external demand is substantially stronger compared to 2Q. The restrictions in the euro area are still substantially less severe, and personal mobility less affected, than in 2Q. Also European industry, particularly German, is more resilient, reflecting for example, demand from Asia.

If our restriction index remains at the current level for the rest of the year, the 4Q GDP decline would be about half that seen in 2Q (in QoQ terms), translating into a 6% YoY decline in the quarter and about 3.5% YoY decline in 2020



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