

Why the gradual climb in Polish growth should be set to continue

Poland's GDP in the first quarter of the year grew by 1.9%, compared to 1.0% YoY in the final quarter of 2023. The data was slightly above the consensus of 1.8%. We project that the GDP recovery will continue in the course of this year and we maintain our 3% GDP growth forecast



Shoppers in Turun,
Poland

Because this is a flash reading, we don't have all the details of specific components yet. We'll learn more about those in early June. However, we estimate that private consumption was the main driver of GDP growth in Poland throughout the first quarter of 2024. Its rebound lagged strongly behind the registered improvement in real incomes – although the first quarter did see an improvement, as shown by an expansion of growth in retail sales (6.4% year-on-year in real terms).

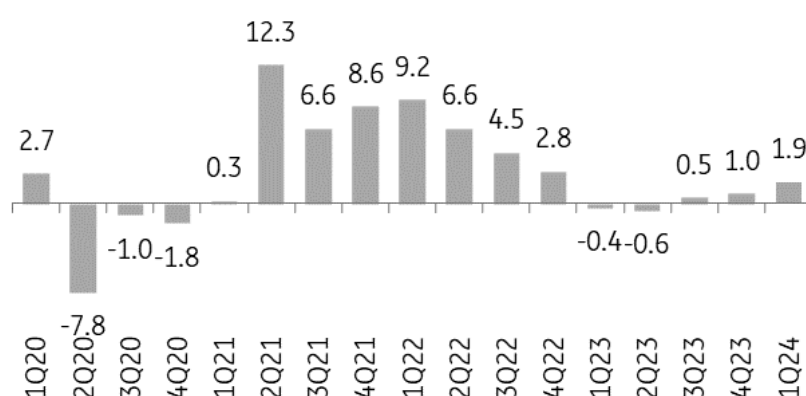
There was, however, a deterioration in investment activity throughout this period. Given the weak performance of construction, we cannot rule out a year-on-year decline in overall investment in the second quarter of 2024, and this would be a big change from the 13.1% growth seen in 2023. As a result of its dynamics in 2023, public investment is responsible for around three-quarters of this, and private investment for the remaining quarter. Among private investments, however,

outlays by large companies (including energy) were dominant, while investments of medium and smaller firms remained weaker. Such a large contribution of public investment is not replicable following the closure of payments from the previous EU multi-year budget and with the delays related to the implementation of the National Recovery and Resilience Plan, as shown by the large drop in construction output in the first quarter of this year.

We assume that Poland's GDP recovery will continue over the course of this year. The second quarter should see a further improvement in consumer demand, thanks to record high growth of real incomes (the highest since the late 1990s). Also, alternative data sources suggest an ongoing recovery in consumption in April and May. We also do not believe that exceptionally weak production in March means that the recovery in industry has collapsed, with logistics data suggesting that both Polish and German industry are continuing their gradual rebounds. We therefore maintain our full-year GDP growth forecast of 3.0% YoY.

In 1Q24, GDP in Poland grew 1.9% YoY and should continue its recovery over coming quarters

GDP (%YoY)



Source: GUS

Author

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.