

## 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).

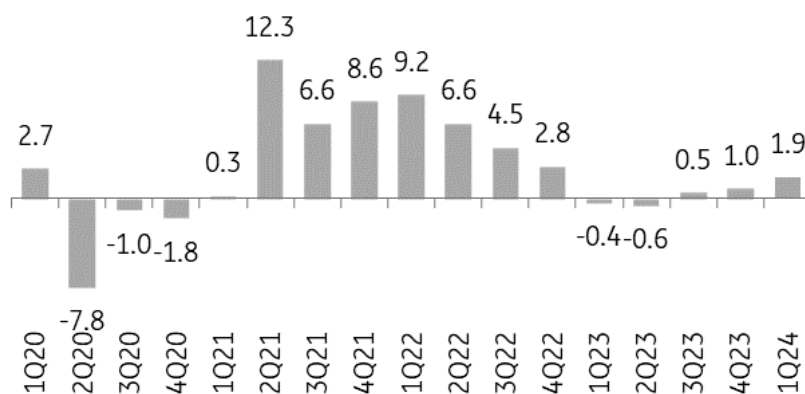
There was, however, a deterioration in investment activity throughout this period. Given the weak performance of construction, we cannot rule out a year-on-year decline in overall investment in the second quarter of 2024, and this would be a big change from the 13.1% growth seen in 2023. As a result 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

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