

## Polish GDP still below pre-pandemic levels, but resilience is rising

Poland's fourth-quarter GDP confirms what we have been saying for a while now. Despite the pandemic and contracting GDP, the economy seems to be adapting to the constraints and building resilience



Source: Shutterstock

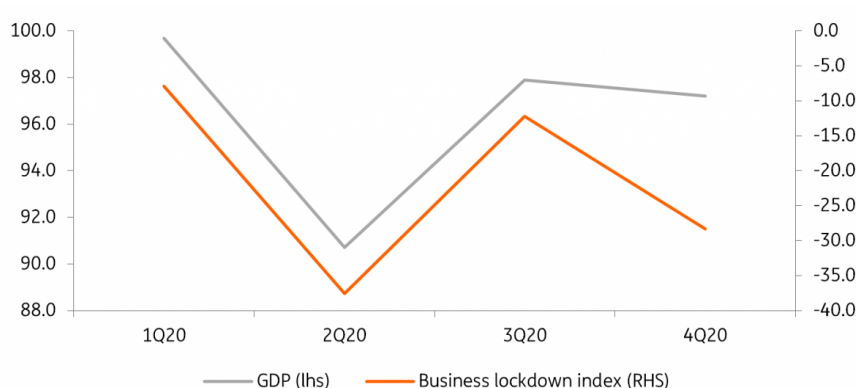
In 4Q20, Poland's GDP fell by 2.8% year-on-year versus the consensus at -3.0% and ING's forecast of -2.9%. Despite the deeper contraction than in 3Q20 (-1.5%YoY), the outcome shows increasing resilience to the pandemic.

In the fourth quarter, the number of Covid-19 cases in Poland were several times higher than in the spring, and our index of the closing of the Polish economy indicated that restrictions were a quarter to a half times less onerous, the quarter-on-quarter contraction in GDP (-0.7%) was only about 1/13th of the drop in 2Q20 (-9% QoQ).

The picture is similar in other economies, including Poland's major trading partners.

## GDP changes and business lockdown index in 2020

Source: CSO, ING



Source: CSO, ING

We do not know the structure of the growth in 4Q20, as that will be published on 26 February but we estimate that private consumption fell by around 3.0% YoY.

Currently, the growth in consumer spending seems to be limited by administrative barriers and to a lesser extend by households' budget constraints. The labour market remains strong, which is supportive for household income. Due to administrative restrictions, this situation has resulted in increased involuntary savings. When restrictions are lifted, we expect consumers to go on a shopping spree.

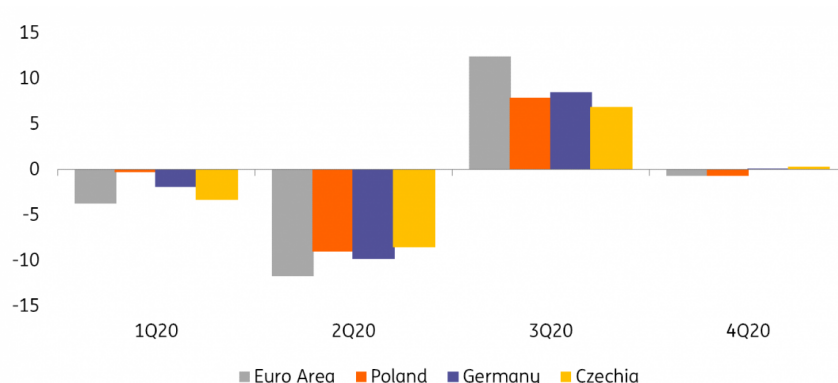
In our view, the uncertainty regarding the pandemic's course was reflected in weaker investments. We estimate that in 4Q20, investments fell by 10% YoY, close to -9/-10.7%YoY in 2-3Q20. Net exports made a positive contribution of about 1.5pp. This is a result of a rebound in the global industry. Also in Poland, manufacturing looks much better than other sectors. For several months, manufacturers have been reporting an increase in new orders, and labour shortages due to employees in quarantine have resulted in higher demand for labour.

The increasing resilience of the economies to Covid-19 can also be seen in other countries, including the largest trading partners of Poland. Globally, we see a shift in the structure of growth towards industry from the services. This is a factor that adds to growth in Poland, where the economy, despite recent changes, is still more manufacturing-led.

Globally, while restrictions increased in the autumn and winter, the mobility of individuals didn't fall as much as in the spring, which in addition to a strong industry accounts for the resilience to the pandemic.

## GDP – QoQ , Poland in comparison to selected economies.

Source: Eurostat



Source: Eurostat

With lockdowns extended, the beginning of 2021 may be slightly worse in the Eurozone while Polish and German exports will no longer be supported by stock building in late 2020 amid concerns about the impact of Brexit.

Slow vaccination progress in Poland and Europe is also a negative factor but our daily indicator of the economic situation based on population mobility or industrial activity suggest that in the case of Poland, activity in January was close to December activity, and even increased slightly in early February.

Our forecasts assume near-zero QoQ GDP growth in 1Q21 but after that activity should rebound.

We reiterate our forecast for GDP growth in 2021 at 4.5% YoY.

### Author

#### Rafal Benecki

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto: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 <http://www.ing.com>.