14 February 2018
Snap

Poland: GDP above 5% in 4Q

Growth exceeded 5% year-on-year supported by a rebound in investment. The MPC is likely to stay dovish - we see present hike expectations as exaggerated

According to a flash estimate, 4Q17 GDP accelerated from 4.9%YoY to 5.1%YoY (slightly below market consensus of 5.2%YoY and implied dynamics from separately calculated 2017 annual figures of 5.2-5.3%YoY). Seasonally-adjusted figures showed a deceleration from 5.2%YoY to 4.3%YoY.

The detailed structure will be published at the end of the month. Annual data for 2017 suggest that private consumption maintained a solid pace (close to 5%YoY), while investment recovered from 3.3%YoY in 3Q17 to 11.4%YoY. We also expect neutral contributions from inventories, while net exports are likely to provide a negative drag after weak December data.

5.0%

GDP (YoY)
ING forecast for 1Q18

The solid performance is likely to continue in 1Q18 – we expect 5%YoY. Monthly data suggest still solid retail sales ahead (our short-term forecasting models suggest nearly 8-9%YoY growth in 1Q18 in nominal terms, close to 8.1%YoY in 4Q17), as well as industrial production (where we see deceleration from 8.2%YoY in 4Q17 to 5.0-6.5%YoY for the present quarter).

On the investment front, January and February data on construction production are non-indicative due to weather conditions and more important data should come in March. A similar pattern is visible in the case of EU funds payments – in Jan-18 BKG paid PLN90mn (+75%YoY), which constitutes less than 1% of PLN9.3bn December-17 spending (+17%YoY).

4.4%

GDP (YoY)
ING forecast for 2018

Overall, we expect annual GDP to decelerate modestly from 4.6%YoY in 2017 to 4.4%YoY in the current year. The underlying structure should be more balanced with a lower contribution from consumption over time and a greater impact from investments.

From the MPC's perspective, today’s release is unlikely to alter its dovish stance – the Committee places a rather low emphasis on above-potential growth (especially as seasonally adjusted figures were lower than 4.5%YoY, after a surge in 3Q17) as overshooting the bank's inflation target is unlikely. In our opinion, present rate hike expectations (nearly 75bp in 2019) seem exaggerated – we project 50bp increase.

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