

Poland: GDP moderates below 4%

Consumer spending remains the main driver of GDP but has failed to accelerate as households build some precautionary savings. The net export performance likely remained neutral but the German slowdown has affected industry's contribution to GDP and the propensity to invest



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The breakdown

According to the flash estimate of 3Q GDP, growth decelerated to 3.9% year-on-year from 4.6% in 2Q, in line with our call and slightly below consensus expectations (4.1%). At this point, the statistical office does not provide information regarding the growth structure.

Recent data suggests that the biggest driver of GDP growth is still private consumption. Spending growth likely stabilised in the third quarter at close to 4.4% YoY. Retail sales data has shown that growth of goods sales actually slowed in the third quarter despite very generous election transfers (in the second quarter, a pension bonus was delivered and in the third quarter the child benefit programme was expanded). Consumption growth has failed to accelerate and we have seen some precautionary household savings. Strong deposits seen in the M3 data suggest that households have a higher propensity to save and a lower propensity to consume than expected.

Net exports likely had a neutral or slightly positive contribution. Yesterday's current account data suggests a strong performance from exports. So far, production in Poland has outperformed Germany and the rest of central and eastern Europe, but some moderation is visible i.e. 3Q production slowed to 3.4% YoY vs 4.8% YoY in 2Q19.

Meanwhile, the construction data suggests investment is decelerating - we expect a drop from 9% to 5.2% YoY in 3Q. Private outlays are suffering from both economic uncertainty in the eurozone and rigorous domestic tax policy.

The outlook

We do not expect a stronger deceleration in the current quarter or first quarter of 2020. We forecast 4.2% YoY GDP growth for the whole 2019. A moderation should occur next year - we expect a 3.3% expansion given the lower contribution from both investments and consumption.

Overall, the GDP data shows the economy is off its peak, though it should return to potential next year.

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