Poland made up pandemic GDP losses in 2Q

The detailed data shows strong domestic demand in 2Q21, but mostly from consumption, while investment fell below pre-pandemic levels again. The 1Q rebound seems to be a one off so far

Source: Shutterstock

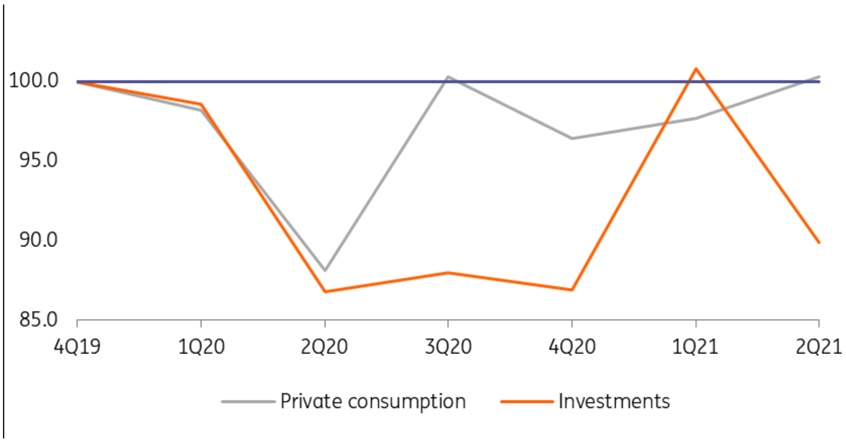
+2.1% GDP in 2Q21 (quarter-on-quarter)

In line with flash estimate

GDP in 2Q21 grew by 11.1% year-on-year, and 2.1% quarter-on-quarter after seasonal adjustments, in line with the flash estimate. The statistical office also released details about the composition of growth, which showed that consumption represented two-thirds of GDP growth, growing by 13.3% YoY. Investment grew by just 5% YoY, still poor given the low base in 2020 and strong investment from large companies for 2Q21. The remaining parts of the investment category, such as outlays by SMEs and public investment, are presumably still weak. Importantly, in sequential and seasonally-adjusted terms, gross fixed capital formation fell by

10.8% QoQ, cancelling out most of the gain from 1Q21. While household consumption has already recovered from its pre-pandemic losses, investment in real terms is again below 4Q19.

Path of recovery in consumption and investment (4Q19=100)

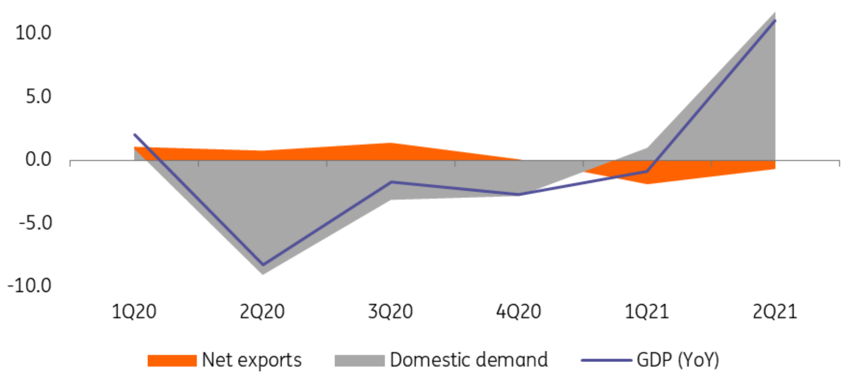


Source: CSO

We are concerned about the structure of investment: details from the corporate sector show that growth is mainly seen in property, transportation and storage facilities. Investment in the manufacturing sector, which is the largest exporter, barely managed to post positive growth despite a very low base last year. Additionally, investment growth in the whole economy (5.0% YoY) is much lower than in large corporations (ca. 16% YoY), which means that domestic SMEs are still weak.

Weak investment, accompanied by strong consumption, reinforces the unfavourable structure of growth in Poland. This is slowly being reflected in a deteriorating current account balance. In terms of the GDP structure, this could be reflected in a second consecutive negative contribution to GDP growth from net exports.

GDP: structure of YoY changes

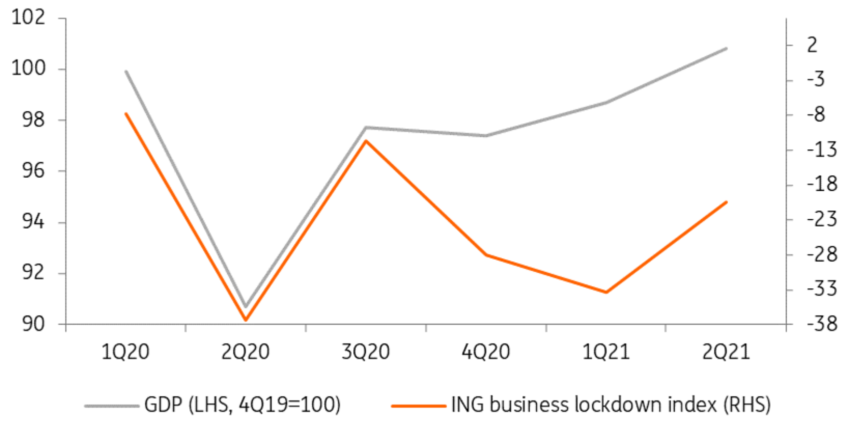


Source: CSO

On the supply side of GDP, industry remained the main driver in 2Q21 increasing by 27.2% YoY. However the second engine of growth, market services, also picked up after health restrictions were eased in late April.

As we pointed out in our comment on 1Q21 data, the Covid recession in Poland ended in 4Q20, a quarter earlier than in the eurozone. Companies in Poland have managed to operate more efficiently under the Covid constraints. The economy has gradually become more resilient to successive waves of the virus. Since the beginning of the year, Polish GDP has been on an upward trend, which accelerated with the loosening of restrictions at the end of April.

GDP (4Q19=100) vs business lockdown index



Continued disruptions in supply chains and rising Covid cases due to the spread of the Delta variant may somewhat slow the pace of the rebound in 3Q21. In our view, however, the GDP outturn should still be strong. We maintain our forecast of GDP growth of 5.4% YoY on average in 2021.

Author

Rafal Benecki
Chief Economist, Poland
rafal.benecki@ing.pl

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