

Poland sees marked slowdown in private spending

In 3Q, Poland's GDP slowed to 3.6% YoY after a very solid first half. This was the result of a significantly lower contribution from private consumption. In contrast, the contribution from inventory changes was unexpectedly high. This could mean that companies were taken by surprise by low demand, or increased inventories as a precautionary measure

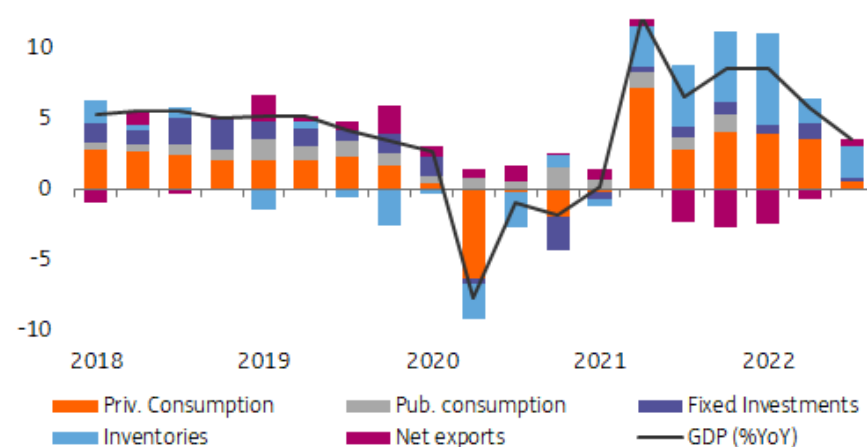


A shopping mall in Warsaw, Poland

The third quarter contribution from private consumption came in at just 0.5pp vs. 3.6pp in the second quarter. In year-on-year terms, private consumption growth declined from 6.4% in 2Q22 to just 0.9% in 3Q22. The reason is high inflation growth, which has almost continuously outpaced wage growth since May. This will not change in 1H23 and is one of the main reasons for the slowdown we expect for next year. Adding to this is generally worse household sentiment, which is curbing demand for durable goods. Perhaps this is a delayed impact of the outbreak of the war, as 2Q22 consumption was relatively strong.

GDP structure in Poland

A significant deterioration in consumption in 3Q22; inventories are still quite strong



The contribution from inventories was even higher than in 2Q22 (2.2pp vs. 1.8pp). This could mean that (a) companies were taken by surprise by low demand and were unable to adjust production in time, or (b) as a precautionary measure, they increased inventories in the face of supply shortages and accelerating inflation.

However, investment performed relatively poorly (adding only 0.3pp to GDP growth, down from 1pp a quarter earlier). This is partly due to the difficult situation facing the construction industry. Infrastructure investment work has been hurt either by a lack of access to the Recovery Fund, or a strong increase in the cost of work, which has prompted companies to walk off construction sites and made it difficult to award tenders. Residential construction, meanwhile, is facing a slump in demand, due to high interest rates and a collapse in mortgage lending, among other factors. In YoY terms, investment growth fell from 6.6% to 2%.

As expected, the contribution of net exports to GDP improved (from -0.7pp to +0.6pp). At the turn of the year, companies tried hard to increase inventories, fearing renewed disruptions in global supply chains. Import growth has been slowing for several quarters, while exports have begun to accelerate since 2Q22 amid softening domestic demand and the weakening zloty.

The overall economic picture in 3Q22 is lacklustre, despite the fairly strong YoY headline GDP growth and an acceleration in seasonally-adjusted GDP growth to 1% QoQ in 3Q22. We view this acceleration as a rebound after a strong 2.3% quarter-on-quarter decline in 2Q22. Significant weakness in consumer demand bodes poorly for the turn of the year, with companies more likely to look to adjust inventories as price increases slow down. We still think GDP growth should be close to 5% YoY this year (mainly due to strong 1H22), with GDP slowing to around 1% YoY in 2023.

Authors

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Rafal Benecki

Chief Economist, Poland

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>.