

## Polish GDP continues to shrink in 2Q23

In 2Q23, Polish GDP fell by 0.5% YoY (ING: -0.3%), following a 0.3% YoY decline in 1Q23. We see room for a downward revision to our GDP growth forecast for 2023 at 1%. The weak economy and inflation approaching single-digits will be arguments for the MPC to start interest rate cuts after the summer.



Seasonally adjusted GDP showed a 3.7% QoQ decline in economic activity, following a 3.8% QoQ increase in the previous quarter. Detailed data on GDP composition in 2Q23 will be released on 31 August, but our estimate is that the decline in household consumption worsened markedly in 2Q23 and was close to -3% in annual terms. We expect investment to have continued to grow, driven by the public sector and large companies, among others. Balance of payments data suggest that, in 2Q23, foreign trade had a positive contribution to annual GDP and should more than offset the negative impact of inventory changes.

The global environment (weak Chinese economy and dismal German industry performance) suggests that the recovery will be slow later this year and we will not see a markedly better economic performance before 4Q23. In the context of today's data, we see room for a downward revision of our GDP growth forecast for 2023, from the current 1%. We will provide a final estimate after the analysis of GDP composition in 2Q23.

The weak economy and inflation approaching single-digit levels will be arguments for the MPC to start a cycle of interest rate cuts after the summer. The 2Q23 GDP reading turned out to be worse than forecast in the July NBP projection (-0.1% YoY), and the outlook for 2H23 is also subject to rising downside risks. We expect the MPC to cut interest rates by 25bp in September.

## Author

### Piotr Poplawski

Senior Economist, Poland

[piotr.poplawski@ing.pl](mailto:piotr.poplawski@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 [www.ing.com](http://www.ing.com).