

## Poland's GDP growth decelerates sharply in the second quarter

According to the preliminary estimate, GDP in the second quarter grew by 5.3% year-on-year, compared to 8.5% year-on-year in the first quarter. The slowdown is worse than expected



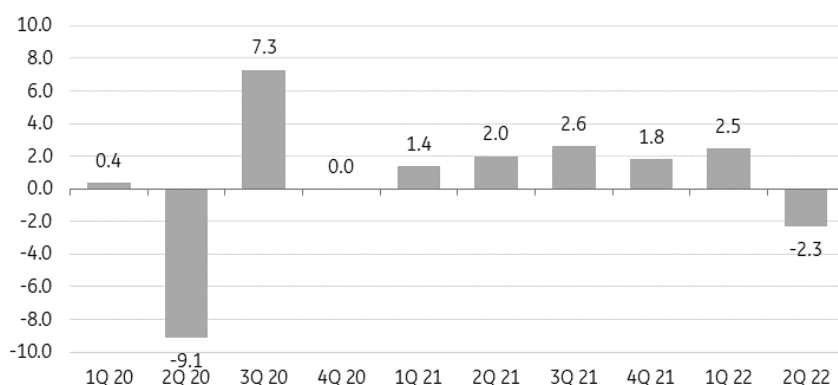
Poland's GDP outlook has improved thanks to falling gas prices

This GDP figure is significantly weaker than expected (6% according to a local survey). Seasonally-adjusted GDP fell 2.3% quarter-on-quarter, compared to a 2.5% increase in the first quarter of the year. A technical recession (a GDP decline in two consecutive quarters) is becoming increasingly likely.

We won't know the components of GDP until late August, but investment and net exports are likely to have performed poorly. Consumption remains strong, but this is largely due to the influx of more than two million refugees from Ukraine. Retail sales data generally show weaker demand for durable goods, for example, and strong demand for necessities. Today's reading, as well as incoming data from countries such as Germany, significantly raises the risk that year-on-year GDP growth will fall below zero in 4Q22 and 1Q23.

The weak GDP result for 2Q22, combined with the temporary stabilisation of inflation over the holiday period, significantly raises the risk that the Monetary Policy Council will not raise rates in September. However, our baseline scenario remains a 25bp hike.

## Poland's GDP growth, SA, QoQ, in %



Source: CSO data.

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