

# Poland: Robust 3Q growth but slowdown ahead

3Q18 GDP growth surpassed 5%, likely on improved investment



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## GDP growth significantly above the consensus

GDP grew by 5.1% year-on-year in 3Q – according to a flash estimate. That is above the consensus of 4.7% YoY and close to our call of 4.9% YoY. A detailed structure of growth is not yet available but we expect a somewhat lower pace of consumption (4.5% YoY vs 4.9% YoY in 2Q18) and a neutral contribution from net trade. Investment outlays most likely recovered to 8% YoY after a poor 2Q (4.5% YoY), driven by civil engineering projects (ahead of the local government elections) and rising outlays of large companies. The weak 2Q reading was most likely a one-off, caused by a national defence spending anomaly. This is the last time we expect to see growth above 5% YoY in the current cycle. In 4Q, we expect growth to slow to 4.2-4.4% YoY.

5.1%

3Q GDP growth (YoY)

Strong investments, slowing consumption

Higher than expected

## Global slowdown affects outlook

We have revised our 2019 call down to 3.5% YoY from 3.7%. Surveys report mounting pessimism among corporates and a deceleration in their spending plans. Moreover, robust public investment is expected to slow, reflecting increasingly negative base effects. Signs of an external slowdown have become more evident, as leading indicators signal a collapse in export orders not only in Poland, but among key trading partners as well. Hard data suggests a significant downturn in Asia, which affects export-oriented euro area economies and Polish companies linked in their value chains. We expect industrial production to slow to 3% YoY in 4Q18 from 6.1% YoY in 3Q18. Looking ahead, we anticipate a slower expansion of domestic demand as well. National Bank of Poland surveys reveal that wage hike plans are stabilising. Moreover, household spending will be hampered by fading effects from the 500+ programme, a benefit plan to encourage fertility and reduce child poverty.

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