

## Polish consumption quickly recovers but overall GDP recovery is slow

Initial estimates of Polish GDP growth in 3Q23 were revised to 0.5% Year-on-Year from 0.4%. It's the first quarter this year with YoY GDP growth. We saw a consumption recovery along with robust investment growth. The drag from inventories remains significant. We anticipate a more pronounced GDP growth in 2024 at around 3%, driven by private consumption



After two quarters of declines in household consumption, 3Q23 saw a rebound (0.8% YoY), driven by strong wage dynamics (in real terms, the third highest in the GBI index) and overall disposable incomes. Investment rose 7.2% YoY, following a 10.5% YoY increase in 2Q23. Inventory change continued to have a strong negative impact on GDP, subtracting as much as 7.7pp from the annual growth rate. In contrast, the positive contribution of net exports to GDP continued (5.9pp), driven by an improving foreign trade balance. In 3Q23, exports declined by 11.0% YoY, while imports contracted by 20.3% YoY.

The previous quarter brought a long-awaited economic rebound, although it was limited. Consumption, which had been under pressure from high inflation and the consequent erosion of

households' real purchasing power, is recovering. Meanwhile, solid investment growth continues, driven by large companies and the public sector. Investments are a bright spot during the current cycle, and they are driven by strong corporate profits, outlays in the energy sector, and high spending from EU funds before the conclusion of the 2013-2020 (t+3) multi-year EU budget and approaching local elections in Poland. On the other hand, the negative drag from the inventory adjustment cycle has not waned.

Data for October and our forecasts for November indicate that the recovery should continue in 4Q23, but its pace remains slow. In particular, the industrial sector remains under pressure, as well as trade related to durable goods (excluding the automotive sector) and exports. We expect GDP growth to accelerate to around 2% YoY in 4Q23 and see economic growth for the whole of 2023 at 0.4% YoY. We anticipate a more pronounced acceleration next year, mainly due to a further recovery in private consumption. Next year, we forecast GDP growth at 3%.

With a consumption-driven pro-inflationary GDP structure in the coming quarters, the aim of bringing CPI back to target should be challenging. The MPC will probably be in a 'wait-and-see' mode until at least March, pending new macroeconomic projections.

## Author

### Rafal Benecki

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@ing.pl)

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