

## 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)

## 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>.