

Instant comment

Lower GDP, higher deficit

22 April 2013

The General Government deficit in 2012 was higher than expected and too high to lift the excessive deficit procedure for Poland this year by the European Commission. This information did not trigger significant market reaction, neither did the revision of GDP data. Poland's Statistical Office significantly revised down GDP growth and investments for 4Q2012, lifting data on private consumption. However, these data do not change our forecasts for forthcoming quarters. We think that the bottom of the economic cycle is just behind us – GDP growth in Q1 2013 was, in our opinion, more or less similar as in the last quarter of 2012 (or even a bit better), while in coming quarters we foresee a gradual rebound (up to nearly 2%YoY in 4Q2013).

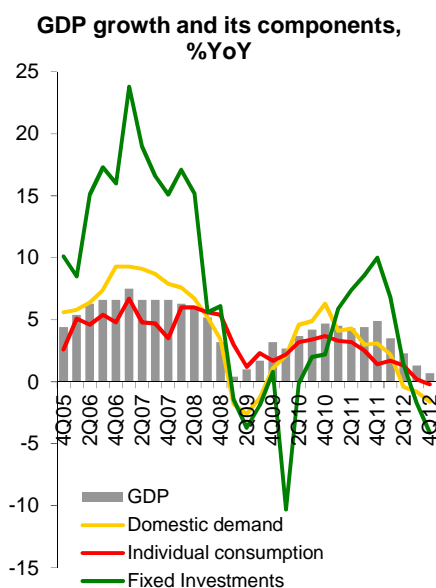
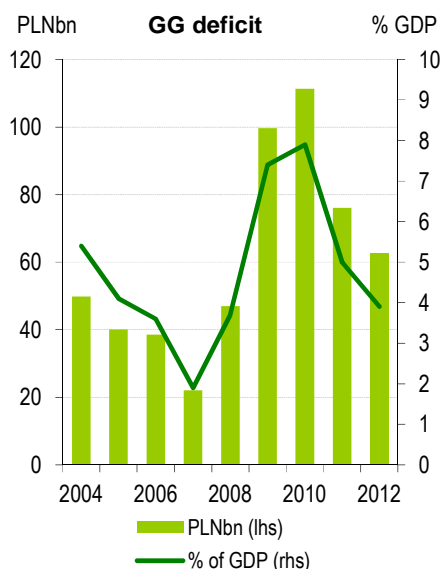
Fiscal deficit in 2012 declined less than expected

In 2012 the general government deficit reached 3.9% of GDP while public debt reached 55.6% of GDP. Although the deficit declined clearly as compared to 2011 (5.0% of GDP), it was visibly higher than 3.5% of GDP declared some time ago by the Ministry of Finance. This means that the European Commission is rather unlikely to abrogate the excessive deficit procedure (EDP) for Poland this year, in contrast to earlier declarations. Minister of finance Jacek Rostowski confirmed he does not expect such decision, but he did not exclude this is possible next year after deficit-to-GDP ratio for 2013 will reach 3.5%. Information on higher than anticipated deficit did not trigger any visible market reaction.

Weaker GDP and investments in 4Q2012

The CSO released today revised data on GDP for 2008-2012, showing that economic growth in 2012 amounted to 1.9% rather than 2.0% estimated earlier. Data for 2011 were revised upwards – to 4.5% from 4.3%. The most considerable correction was applied to results of 4Q2012 – GDP growth slowed down more considerably than estimated earlier – to 0.7%YoY (vs 1.1%YoY in earlier release). Domestic demand plunged more than previously calculated – it posted a decline by 1.6%YoY, not by 0.7%YoY in 4Q2012. This was primarily due to lower growth rate of fixed investments, as they fell by 4.1%YoY vs earlier estimates at -0.3%YoY. At the same time, individual consumption drop proved to be less severe and amounted to -0.2%YoY (-1.0%YoY earlier). All in all, it appeared that revised GDP data on final quarter of 2012 was closer to our forecasts from January (we expected GDP growth at 0.5%, increase of consumption by 0.4% and decline of investments by 4.4%) than preliminary estimates of the CSO released in early March (GDP growth 1.1%, consumption -1% and investments -0.3%).

The revision of GDP data does not currently prompt us to change forecasts for next quarters. We expect a gradual acceleration of pace of economic growth – from ca. 0.8%YoY in 1Q to ca. 2% in 4Q. In the entire 2013 we predict GDP growth at 1.2%. The Ministry of Finance informed today that it expects 1.5% GDP growth, however it “does not imply a need to amend the budget”.



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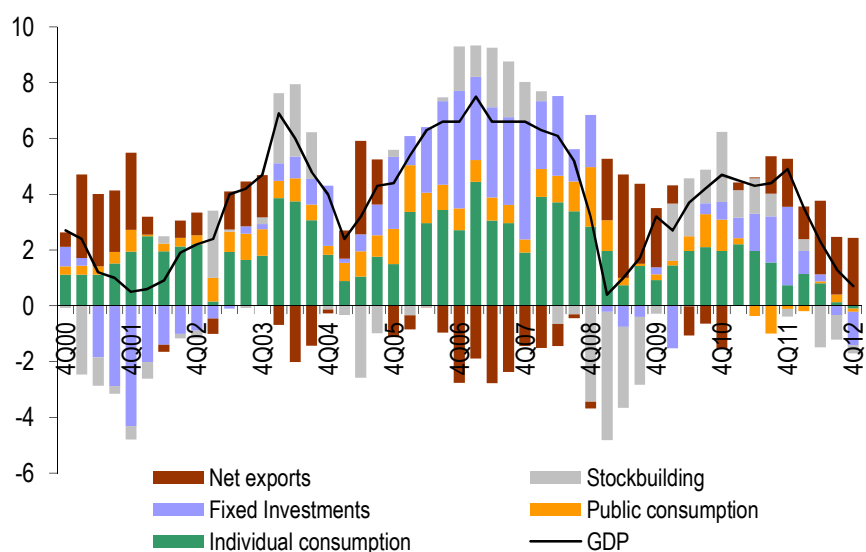
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GDP growth and its components (%YoY)

	2009	2010	2011	2012	4Q11	1Q12	2Q12	3Q12	4Q12
GDP	1.6	3.9	4.5	2.0	4.9	3.5	2.3	1.3	0.7
Domestic demand	-1.1	4.6	3.6	-0.2	3.1	2.2	-0.4	-0.8	-1.6
Total consumption	2.0	3.4	1.6	0.6	0.9	1.1	1.1	0.5	-0.3
Individual consumption	2.1	3.2	2.6	0.8	1.4	1.7	1.3	0.2	-0.2
Public consumption	2.1	4.1	-1.7	0.0	-0.6	-1.0	0.4	1.6	-0.6
Gross accumulation	-11.5	9.3	11.2	-3.3	8.5	9.2	-6.0	-5.7	-4.9
Gross fixed investment	-1.2	-0.4	7.7	-0.8	10.0	6.8	1.4	-1.7	-4.1
Net exports*	2.7	-0.7	0.9	2.1	1.7	1.2	2.7	2.1	2.4

* contribution to GDP growth (in pct. points)

Breakdown of GDP growth (%YoY)



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