

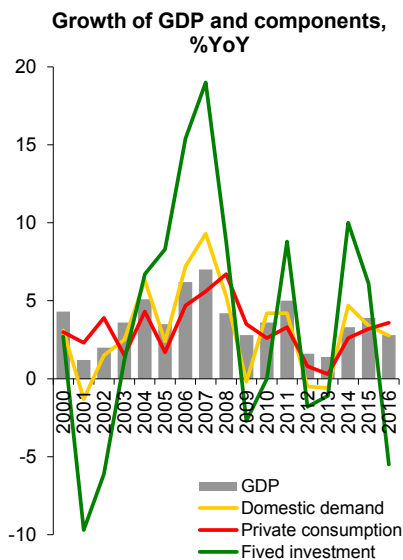
INSTANT COMMENT

31 January 2017

GDP growth in 2016 slightly above expectations

GDP growth in 2016 amounted to 2.8% and was slightly better than expected. According to our estimates, GDP growth in 4Q was close to that recorded in 3Q and amounted to 2.5% y/y.

Even though private consumption and investment in the fourth quarter were slightly weaker than we expected, GDP growth proved a bit better, mostly due to stronger public consumption and net exports. We do not change our forecasts of economic growth for 2017 substantially yet – we are still expecting GDP acceleration thanks to strong consumer demand (likely to weaken in H2) and gradual improvement of investment (yet still below zero in the first two quarters of the year). Faster export growth will be accompanied by a similar tendency in imports, so the net impact of foreign trade on GDP will most probably remain close to zero.



According to flash reading of GDP in 2016, economic growth amounted to 2.8% versus 3.9% in 2015. This result was better than we and the market expected (2.7%). Based on the data for the whole year and earlier releases on the first three quarters of the year (and assuming no revisions in earlier data), we estimate that the GDP growth in 4Q16 was close to 2.5% y/y, i.e. similar to one recorded in 3Q.

Private consumption was the main engine of growth in 2016, rising 3.6% in real terms despite some disappointment in 4Q, when it reached c4.0% y/y, only slightly more than in 3Q. Inventories added as much as 1pp to the growth in 2016 and even 1.3pp in 4Q. This is an interesting phenomenon, as usually during economic slowdown inventories contributed negatively to economic growth, not positively, as this time. Another interesting fact is that contrary to our expectations the public consumption growth remained positive in 4Q (in 2-3% y/y range) despite a very high “base” from the last year. Investment fell by 5.5% in the entire 2016, which means -5.8% y/y in 4Q (we were expecting a bit better reading, at -4.5% y/y). Net exports contributed 0.1pp to growth in 2016 and 0.4pp in 4Q.

Summing up, although private consumption and fixed investment were apparently slightly weaker in 4Q16 than expected, the GDP growth turned out to be a bit better mainly due to public consumption and net exports. Our GDP forecast for 2017 does not change much - we still expect a gradual acceleration of GDP thanks to the strong consumers' demand (which could somewhat weaken in the second half of this year) and a gradual improvement in fixed investment (although in the first two quarters of 2017 it should be still below zero). Faster growth of exports will, in our opinion, be accompanied by similar trend in imports, so the contribution of net exports to GDP growth is still likely to remain close to zero.

GDP growth and its components (% y/y)

	2014	2015	2016	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16**
GDP	3.3	3.9	2.8	3.9	3.4	3.7	4.6	3.0	3.1	2.5	2.5
Domestic demand	4.7	3.4	2.8	3.0	3.1	3.0	4.3	3.9	2.2	2.9	2.2
Total consumption	2.8	3.0	3.6	2.8	2.5	2.5	4.1	3.3	3.4	4.1	3.6
Private consumption	2.6	3.2	3.6	3.2	3.3	3.3	3.1	3.2	3.3	3.9	4.0
Public consumption	4.9	3.5	3.8**	1.3	-0.2	-0.2	7.1	4.2	3.9	4.9	2.5
Gross accumulation	12.8	4.9	-0.3	3.9	5.5	5.3	4.7	7.6	-2.8	-1.7	-1.0
Fixed investment	10.0	6.1	-5.5	12.1	6.1	4.7	4.5	-2.2	-5.0	-7.7	-5.8
Net export *	-1.3	0.6	0.1*	1.0	0.4	0.7	0.4	-0.7	1.0	-0.4	0.4

* contribution to GDP growth (percentage points); ** BZ WBK estimate

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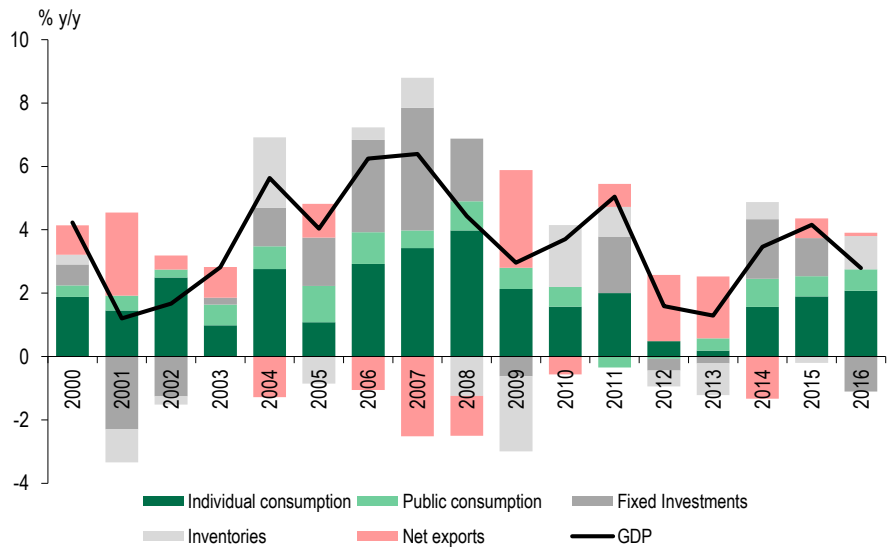
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GDP growth and its main components



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