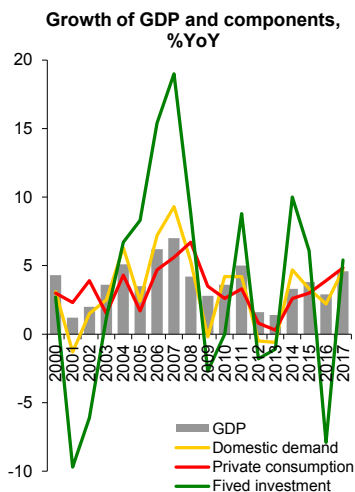


INSTANT COMMENT

30 January 2018

GDP growth beats forecasts once again

Full-year flash GDP data for Poland showed 2017 economic growth at 4.6%, beating market expectations and our forecast, both at 4.5%, up from 2.9% in 2016. Fixed investments recovered by 5.4% after 7.9% decline in 2016. Private consumption at 4.8% was in line with expectations. This release gave us important insight about economic performance in 4Q17. It looks like this was another quarter of stronger-than-expected growth. Implied 4Q17 GDP growth is slightly above 5.0% y/y (assuming no revisions of 1-3Q data) and we expected 4.8% y/y ahead of today's release. Fixed investments most likely rose 11.8% y/y which is quite a rebound from 3.3% in 3Q. The improvement came together with a substantial decrease in inventories. Private consumption seems to have grown close to 5% y/y in 4Q judging by its full-year figure, but this was widely expected. Contribution of net exports was near to neutral. We are expecting the economic climate to stay positive in 2018 as well. We think today's data could slow the process of profit taking after recent zloty's appreciation.



Flash GDP growth for 2017 at 4.6%

Full-year flash GDP data for Poland showed 2017 economic growth at 4.6%, beating market expectations and our forecast, both at 4.5%, up from 2.9% in 2016. Fixed investments recovered by 5.4% after 7.9% decline in 2016 and this was the main positive surprise of this release. Private consumption at 4.8% was in line with expectations.

Implications for 4Q – demand side

This release gave us important insight about economic performance in 4Q17. It looks like this was another quarter of stronger-than-expected real growth of the economy. Implied 4Q17 GDP growth is slightly above 5.0% y/y (assuming no revisions of 1-3Q data), most likely in 5.1-5.3% range and we expected 4.8% y/y ahead of today's release. Fixed investments most likely rose 11.8% y/y which is quite a rebound after three quarters of their disappointing performance. We expected to see it at c7% y/y. The improvement came together with a substantial decrease in inventories (subtracting c1.2pp from GDP growth) and we assume this was caused by a re-classification of infrastructure projects on their completion as investments. Private consumption seems to have grown close to 5% y/y in 4Q judging by its full-year figure, but this was widely expected. We estimate that contribution of net exports was near to neutral in both the whole 2017 and its final quarter.

GDP growth and its components (% y/y)

	2015	2016	2017	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
GDP	3.8	2.9	4.6	3.0	3.2	2.6	2.7	4.1	4.0	4.9	5.1
Domestic demand	3.3	2.2	4.7	3.3	1.7	2.4	1.7	3.9	5.5	3.9	5.3
Total consumption	2.8	3.4	4.2	3.4	3.3	3.8	3.0	3.7	4.2	4.1	5.0
Private consumption	3.0	3.9	4.8	3.4	3.4	4.1	4.7	4.7	4.9	4.8	5.0
Public consumption	2.4	1.7	2.6**	3.5	3.1	2.8	-1.4	0.5	2.1	1.9	5.0
Gross accumulation	4.9	-1.9	6.4	3.1	-5.1	-2.8	-1.6	5.1	11.6	3.3	6.1
Fixed investment	6.1	-7.9	5.4	-9.7	-4.6	-6.9	-9.7	-0.5	0.9	3.3	11.8
Net export *	0.6	0.7	0.1**	-0.3	1.6	0.2	1.1	0.4	-1.3	1.1	0.1

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

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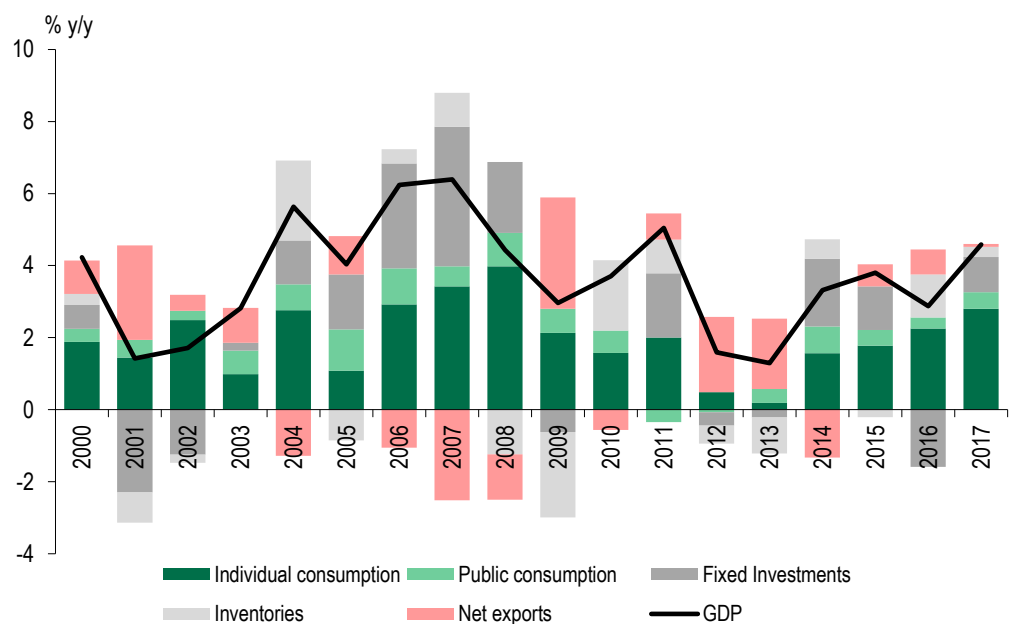
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The supply side of GDP

The full-year growth of value added was 4.3%, which leads to an estimate for 4Q of 4.9% y/y, up from 4.7% for 3Q. This acceleration was achieved thanks to stronger performance of industry, with its value added growth rising from 5.4% y/y to about 7.7% and with transport services most likely recording 11.5% y/y growth, up from 10% in 3Q. Value added in trade stayed at about 6.3% y/y. The construction sector saw a peak of value added growth in 3Q, when it posted 19.5% (again, assuming no revisions) while the implied 4Q result was according to our estimates at 9.7% y/y. This may be explained by a base effect as the rebound in this sector started already in the final quarters of 2016.

We are expecting the economic climate to stay positive in 2018 as well. We think today's data could slow the process of profit taking after recent zloty's appreciation.

GDP growth breakdown



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