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Economic Comment

Strong GDP rebound, but a dip ahead

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GDP rebounded by 7.9% q/q in SA terms to -1.5% y/y from -8.4% y/y in 2Q20. As we expected, the recovery was driven mostly by private consumption (+0.4% y/y vs -10.8% y/y in 2Q20) and by foreign demand (net exports contributing +1.7 pp to GDP growth), while investments remained dented (-9.0% y/y vs -10.7% y/y in 2Q20). In 4Q20 the GDP growth will go down again due to the second bout of epidemic and the renewed lockdown. We are expecting the 4Q20 GDP to go down by about 4% y/y, mostly due to weaker private consumption. For 2021 we are hoping for a marked recovery in 2H21, while 1Q may be still subdued due to recurring pandemic in the winter season. While the third round of lockdown is still possible, the risk of further waves of the epidemic in 2H21 seem to be diminishing given positive vaccine news.

GDP rebounded by 7.9% q/q in seasonally-adjusted (SA) terms to -1.5% y/y from -8.4% y/y in 2Q20. Private consumption rebounded by 13.7% q/q (SA) and was positive in annual terms (+0.4% y/y vs -10.8% y/y in 2Q20), which comes as a surprise for us, as we were expecting a small negative growth. Still, consumption is very likely to dip again in 4Q20 given closure of shopping malls, restaurants and hotels. Public consumption remained invulnerable to the epidemic and rose by 3.4% y/y, the same pace as in 2Q20.

Investment rose by 4.7% q/q with the annual growth rate still dented (-9.0% y/y vs -10.7% y/y in 2Q20) and we are expecting this variable to remain sluggish in the upcoming quarters. Total accumulation fell by 20.2% y/y (vs -19.7% y/y), indicating a major decline in inventories, which deducted 2.3pp from GDP growth.

Foreign trade also witnessed a major recovery with exports adding 2.0% y/y (-14.5% y/y in 2Q20) and imports contracting by -1.0% y/y (-18.0% y/y in 2Q20). Net exports added 1.7pp to GDP growth and in our view this sector will remain robust in 4Q20, as industry in Poland and in Europe is doing much better than in the spring wave of the coronavirus.

GDP growth and its components (% y/y)

	2018	2019	3Q19	4Q19	1Q20	2Q20	3Q20
GDP	5.4	4.5	4.4	3.6	1.9	-8.4	-1.5
Domestic demand	5.6	3.5	3.7	1.9	1.0	-9.9	-3.2
Total consumption	4.3	4.4	4.7	3.8	1.5	-7.5	1.0
Private consumption	4.3	4.0	4.1	3.6	1.2	-10.8	0.4
Public consumption	3.5	6.2	6.8	4.5	2.6	3.4	3.4
Gross accumulation	10.5	0.1	-0.2	-2.9	-1.6	-19.7	-20.2
Fixed investment	9.4	7.2	4.3	6.2	0.9	-10.7	-9.0
Stock building *	0.4	-1.3	-0.8	-2.4	-0.3	-2.0	-2.3
Net export *	0.0	1.1	0.8	1.7	0.9	1.1	1.7

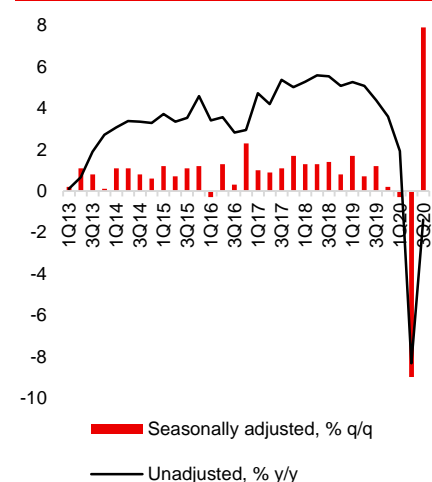
* contribution to GDP growth (percentage points)

Source: GUS, Santander

The gross value added declined by 1.7% y/y. Industry was the main driver of rebound (+2.9% y/y in 3Q20 vs -11.8% in 2Q20), followed by trade (-0.6% y/y vs -11.6% y/y), transport (-5.7% y/y vs -15.8% y/y) and hotels/accommodation (-29.7% y/y vs -78.4% y/y). Construction, on the other hand, deteriorated to -9.2% y/y from -0.9% in 2Q20. The 4Q20 lockdown will hit results of trade and hotels/accommodation, while we are expecting the industry and transport to remain relatively robust.

We are expecting the 4Q20 GDP to go down by about 4% y/y, mostly due to weaker private consumption, putting the entire 2020 at about -3.0% y/y. While the third round of lockdown is still possible, especially in 1H21, the risk of further waves of the epidemic in 2H21 seem to be diminishing given positive vaccine news. Thus, for 2021 we are hoping for a marked recovery with a downside risk (due to a possible third wave of infections) in 1H21.

Polish GDP growth

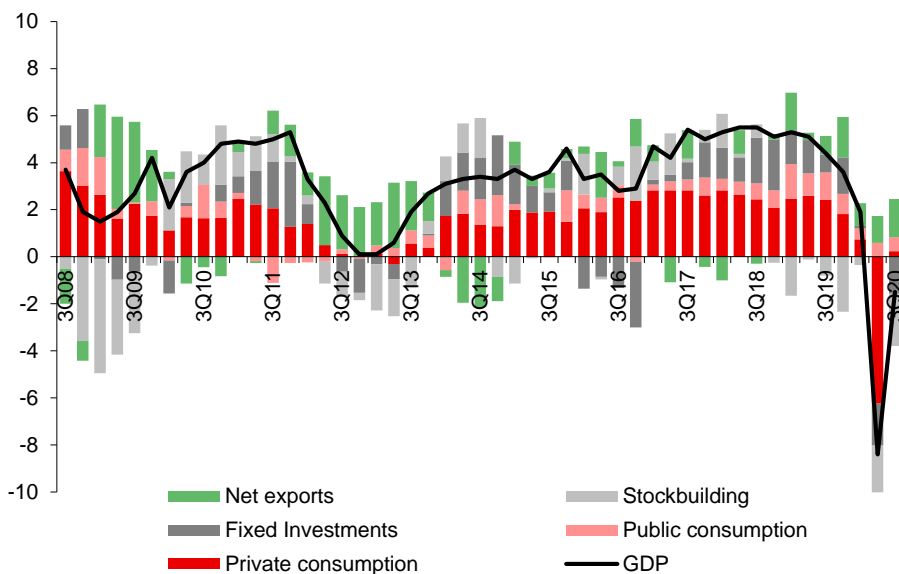


Source: GUS, Santander

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GDP growth breakdown (% y/y)



Source: GUS, Santander

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