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Economic Comment

GDP slowed, but less than feared. Consumer weaker

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In 2022 GDP grew by 4.9% compared to 6.8% in 2021, slightly better than expected (us and market: 4.8%). Based on the entire-year data, we estimate 4Q2022 growth at 2.2% y/y (range 2.1-2.4% would be consistent with annual results), compared to our forecast of 1.8-1.9% y/y. Investment data surprised on the upside, and rose by 5.2% y/y in 4Q2022, according to our estimates, compared to 2.0% y/y in 3Q2022. Private consumption was roughly in line with our forecasts and declined by 1.6% y/y in 4Q 2022. As we expected, the decline in real wages (the strongest in years), translated into weaker spending.

While the data confirm a further slowdown in the economic growth, especially the weakness in consumption, the resilience of investment comes as a surprise. It is noteworthy, however, that the entire-year investment rate stood at 16.8%, and was lower again. The slightly higher GDP, however, implies an upward shift in the starting point for 2023, meaning that economic growth this year will be closer to 1% rather than 0%. The better-than-expected GDP data supports our forecast of a stabilisation of NBP rates this year.

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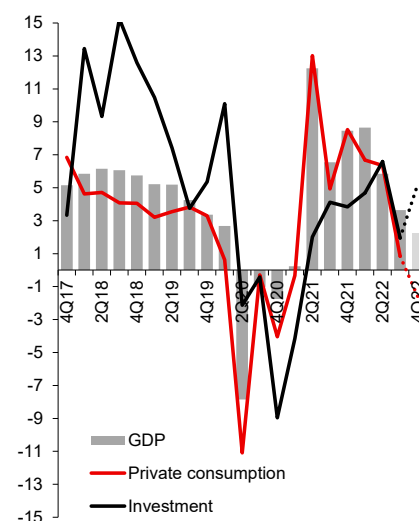
Investment data surprised on the upside, and rose by 5.2% y/y in 4Q2022, according to our estimates, compared to 2.0% y/y in 3Q2022. It is likely that public sector outlays were behind this acceleration, and this hypothesis is backed by results roads and railways construction. Inventories were also higher than our expectations, adding 1.6 percentage points to the GDP growth (vs 2.2 pp in 3Q). However, it should be borne in mind that inventories are a residual category, and it cannot be ruled out that future data revisions will reduce the contribution of this category. Signals from companies, e.g. shown in the ESI surveys, suggested that by the end of the year companies had already started to reduce high inventories.

Private consumption was roughly in line with our forecasts and declined by 1.6% y/y in 4Q 2022. As we expected, the decline in real wages (the strongest in years), translated into weaker spending. Net exports added 0.5 percentage points to the GDP (vs. 0.6 pp in 3Q2022), which is slightly less than we expected.

On the supply side, there was a very marked weakening in industrial production: value added advanced by only 1.7% y/y vs. 6.1% y/y in 3Q2022. Also trade was undermined with a 3% decline in value added as compared to +0.1% in 3Q2022. At the same time, value added growth in construction remained flat at 1.0% y/y recorded in 3Q2022.

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Polish GDP growth, % y/y



Source: GUS, Santander

Economic Analysis Department:

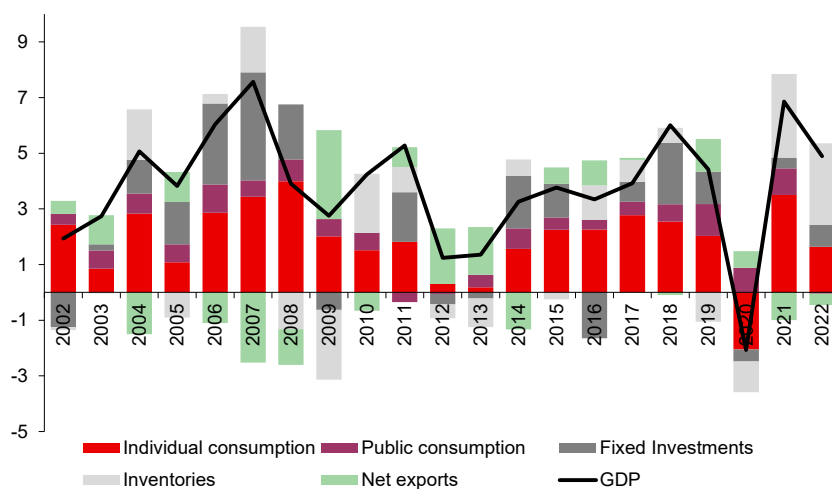
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GDP growth and its components (% y/y)

	2021	2022	4Q21	1Q22	2Q22	3Q22	4Q22**
GDP	6.8	4.9	8.5	8.6	5.8	3.6	2.2
Domestic demand	8.4	5.5	11.8	12.0	6.9	3.1	1.7
Total consumption	5.9	2.1	7.7	5.1	4.8	0.7	-1.6
Private consumption	6.3	3.0	8.5	6.7	6.4	0.9	-1.6
Public consumption	5.0	-0.2**	5.6	0.3	0.6	0.1	-1.5
Gross accumulation	18.1	17.4**	23.7	45.1	15.1	11.4	10.1
Fixed investment	2.1	4.6	3.8	4.7	6.6	2.0	5.2
Stock building *	3.0	2.9**	4.8	6.6	1.8	2.2	1.6
Net export *	-1.0	-0.4**	-2.7	-2.5	-0.6	0.6	0.5

* contribution to GDP growth (percentage points), ** our estimates based on 2022 GDP data
Source: GUS, Santander

GDP growth breakdown, demand side (% y/y)



Source: GUS, Santander

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