

# Economic Comment

14 February 2023

## Recession is in the air

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GDP growth in 4Q22 slowed to 2.0% y/y, below the latest forecasts but still slightly above our projections made in late 2022. Seasonally adjusted GDP fell by 2.4% q/q, well below expectations and one of the worst results on record. We continue to believe that the bottom of this mini-cycle will be 1Q23, when GDP growth will drop below zero. In the following quarters we expect to see a gradual (slow) economic recovery.

According to flash estimate, GDP growth in 4Q22 reached 2.0% y/y, vs. our forecast and market consensus at 2.2% y/y.

Seasonally adjusted GDP fell by 2.4% q/q, which is way below expectations and one of the worst results on record (second lowest after -9.2% q/q in the peak of the pandemic in 2Q20). This follows -2.3% q/q in 2Q22 and +1.0% q/q in 3Q22. The s.a. data are extremely volatile and we have doubts whether they give a correct picture of the actual trends in the economy. Especially, that the probability of significant revisions of previous readings seems to be high. However, a look at the results of recent quarters taken together allows only one conclusion to be drawn: the economy has entered a severe slowdown or even a recession. Even if we cannot call it a 'technical recession' (two quarters of falling GDP were separated by a quarter of positive growth), the year 2022 was still a year of severe decline of real activity – the GDP level in constant prices dropped by c.4% between 1Q22 and 4Q22. However, this is clearly a severe slowdown or even a recession.

The first estimate of GDP does not reveal any details regarding the breakdown, yet from the preliminary data for the entire 2022 we have derived that investments were surprisingly robust (around 5% y/y) while private consumption weakened (around -1.6% y/y).

The data for 4Q22 may look disappointing when compared to estimates based on the preliminary 2022 GDP print, but in fact they are still better than we had predicted in December (1.8% y/y).

We continue to believe that the bottom of this mini-cycle will be 1Q23, when GDP growth will drop below zero. In the following quarters we expect to see a gradual (slow) economic recovery. Taking into account lower than expected GDP in 4Q22 and decreasing chances of quick unfreezing of the EU funding from the recovery programme (after the president did not sign the Supreme Court Act), our recent revision of GDP growth forecast for 2023 from 0.1% to 0.7% may have been premature.

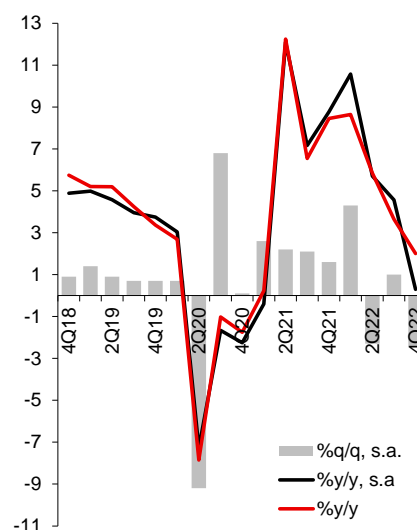
### GDP growth and its components (% y/y)

	2021	2022	4Q21	1Q22	2Q22	3Q22	4Q22
GDP	6.8	4.9	8.5	8.6	5.8	3.6	2.0
Domestic demand	8.4	5.5	11.8	12.0	6.9	3.1	1.5**
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	9.4**
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	1.5**
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

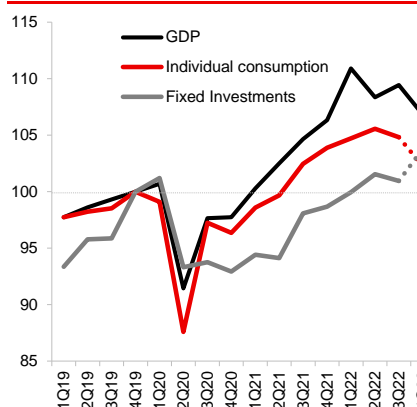
Source: GUS, Santander

### Polish GDP growth



Source: GUS, Santander

### Levels of GDP and selected components, s.a., 4Q19 = 100



Source: GUS, Santander

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