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Economic Comment

Weak GDP in 4Q, no support from consumption

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Preliminary GDP data showed 0.2% growth in 2023, well below market consensus at 0.5% and our estimate at 0.6%. Such a result is consistent with GDP growth in 4Q23 at 0.8-1.0% y/y (assuming no major revisions of the previous quarters of 2023 were made), which implies a major drop of GDP q/q in seasonally adjusted terms: of at least 1% q/q, according to our estimate. The main disappointment came from the private consumption, which fell 1% in the entire 2023 (which implies around zero growth y/y in 4Q) and inventories (which reduced GDP growth in the fourth quarter by around 6pp, according to our estimate). Investments came up strong, rising 8% in 2023 and around 7.5% in 4Q. Net exports' contribution to GDP remained positive in 4Q (near +4pp). The preliminary data may be subject to major revisions in the future, not only regarding the pace of GDP growth but also its breakdown. In our view, solid growth in disposable income in subsequent quarters will support robust private consumption growth in 2024.

Overall, the data look quite weak, in particular in the area of consumption demand, which, if anything, could be an argument for less restrictive macroeconomic policy.

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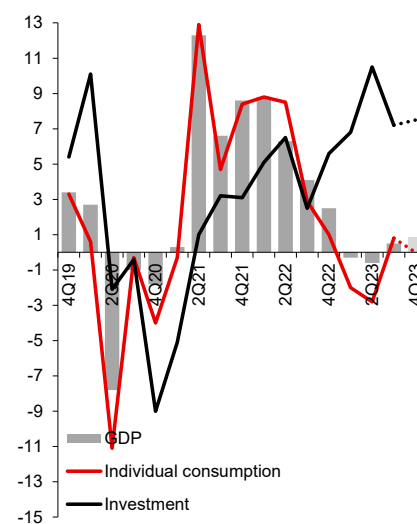
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On the supply side, the growth of value added for 2023 as a whole (1.0%) was higher than that of GDP, but lower than we had expected. Implied value-added growth in 4Q alone was 1.4% y/y (an acceleration from 0.8% in 3Q), but we were hoping for a reading of 2%. This negative surprise came from a decline in value added in the trade and vehicle repair sector of around 0.7% y/y in 4Q, instead of an acceleration to 2.7% y/y we had expected from the 1.7% registered in 3Q. Roughly in line with our expectations were the prints for the construction sector (around 5.0% y/y in 4Q from 2.8% y/y in 3Q) and the industrial sector (1.0% y/y in 4Q after three quarters of declines (-2.0% y/y in 3Q)).

We have to keep in mind that the data may be subject to major revisions in the future, not only regarding the pace of GDP growth but also its breakdown. Yet, overall, the data look quite weak, in particular in the area of consumption demand, which, if anything, could be an argument for less restrictive macroeconomic policy. Let us remind that there have been regular upward revisions to private consumption data in recent quarters - the first readings suggested a consumer recession, which then has evaporated in subsequent rounds of data releases. An alternative explanation of weak private consumption could be weakness in services spending, seen recently in PMI indices from Europe, or a temporary reduction in consumption due to a surge in housing investment.

In our view, solid growth in disposable income in subsequent quarters will support robust private consumption growth in 2024.

Polish GDP growth, % y/y



Source: GUS, Santander

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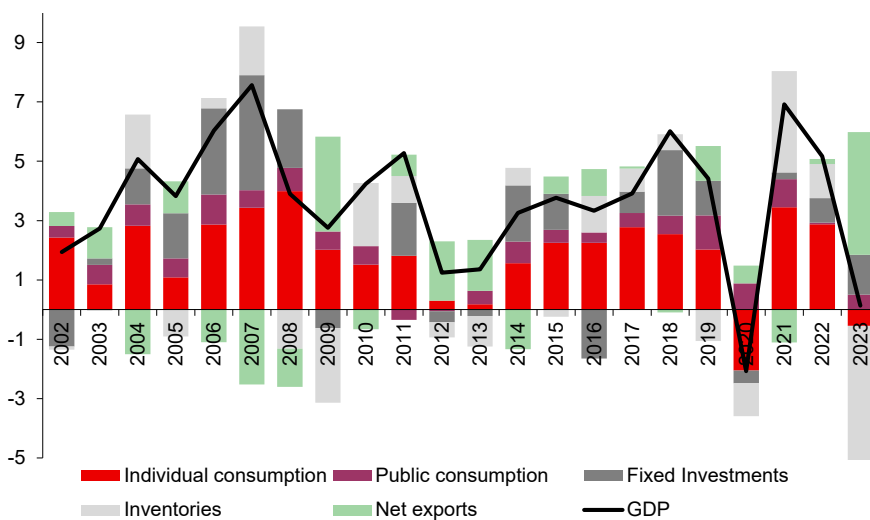
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GDP growth and its components (% y/y)

	2022	2023	4Q22	1Q23	2Q23	3Q23	4Q23**
GDP	5.3	0.2	2.5	-0.3	-0.6	0.5	0.9
Domestic demand	5.2	-4.1	1.0	-4.8	-2.9	-5.2	-3.4
Total consumption	4.1	-0.1	-0.9	-1.6	-1.6	1.3	1.3
Private consumption	5.2	-1.0	1.0	-2.0	-2.8	0.8	0.0
Public consumption	0.3	-0.2**	-6.2	-0.3	2.2	3.3	5.0
Gross accumulation	9.2	17.4**	5.8	-17.7	-8.3	-28.1	-15.2
Fixed investment	4.9	8.0	5.6	6.8	10.5	7.2	7.5
Stock building *	1.2	-5.3**	0.4	-4.4	-3.0	-7.7	-5.9
Net export *	0.2	-4.1**	1.6	4.6	2.1	5.9	4.2

* contribution to GDP growth (percentage points), ** our estimates based on 2023 GDP data
Source: GUS, Santander

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



Source: GUS, Santander

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