

29 February 2024

Economic Comment

4Q: disappearing consumption and investment rally

Piotr Bielski, tel. +48 691 393 119, piotr.bielski@santander.pl

Marcin Luziński, tel. +48 510 027 662, marcin.luzinski@santander.pl

GDP growth in 4Q23 was confirmed at 1.0% y/y and 0.0% q/q s.a., in line with the flash estimate. The breakdown of growth proved to be roughly consistent with what could have been derived from the data for the entire 2023 released one month ago: private consumption clearly weakened at the end of last year, investments surged even more than we anticipated. We still do not rule out that the data about GDP and its breakdown may be subject to significant revisions over time, after more reliable information is available for the statistical office. Overall, the data do not bring too much new to the picture of economic situation that we already had and thus do not change our expectations about the economic outlook.

GDP growth in 4Q23 was confirmed at 1.0% y/y and 0.0% q/q s.a., in line with the flash estimate.

The breakdown of growth proved to be roughly consistent with what could have been derived from the data for the entire 2023 released one month ago: private consumption clearly weakened at the end of last year, showing -0.1% y/y and -0.9% q/q s.a.; investments surged even more than we anticipated (8.7% y/y, 2.8% q/q s.a.), net exports contributed positively to GDP growth (+3.3pp) while inventories negatively (-5.4pp). Despite the weakness of private consumption, total consumption accelerated slightly (1.5% y/y vs. 1.3% y/y in 3Q) thanks to a significant growth of public consumption (5.7% y/y).

What caught our attention was that both exports and imports surprised strongly positively in 4Q23, expressed in constant prices, showing a spectacular jump +14% and +18% q/q s.a., after moderate declines in the previous three quarters. The improvement in foreign trade turnover in constant prices was clearly at odds with their nominal growth, which remained weak in 4Q, so resulted mainly from a big drop in deflators.

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 | 1.0 |
| Domestic demand | 5.2 | -3.8 | 1.0 | -4.8 | -2.9 | -5.2 | -2.3 |
| Total consumption | 4.1 | -0.1 | -0.9 | -1.6 | -1.6 | 1.3 | 1.5 |
| Private consumption | 5.2 | -1.0 | 1.0 | -2.0 | -2.8 | 0.8 | -0.1 |
| Public consumption | 0.3 | 2.9 | -6.2 | -0.3 | 2.2 | 3.3 | 5.7 |
| Gross accumulation | 9.2 | -16.3 | 5.8 | -17.7 | -8.3 | -28.1 | -11.7 |
| Fixed investment | 4.9 | 8.4 | 5.6 | 6.8 | 10.5 | 7.2 | 8.7 |
| Stock building * | 1.2 | -5.0 | 0.4 | -4.4 | -3.0 | -7.7 | -5.4 |
| Net export * | 0.2 | 3.9 | 1.6 | 4.6 | 2.1 | 5.9 | 3.3 |

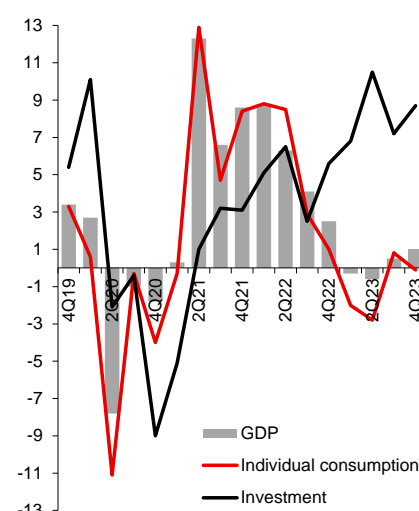
* contribution to GDP growth (percentage points)

Source: GUS, Santander

Gross value added increased by 1.4% y/y in 4Q after 0.8% y/y in 3Q. In line with our expectations, the gap between GDP and value added growth narrowed further, as it was due to temporary VAT rate cuts and higher subsidies. Strong increases in value added on a seasonally adjusted basis were registered in real estate services (+7.8% q/q), construction (+5.3% q/q), public administration (+4.1% q/q), information and communication (3.2% q/q), among others. Value added in industry rose by 1.1% q/q after three quarters of declines. We expect a gradual improvement in this sector in the following quarters. In contrast, value added declined in trade (by 0.1% q/q, which corresponds to the weakness in consumption), as well as in transport (-2.6% q/q) and finance and insurance (-7.1% q/q).

We still do not rule out that the data about GDP and its breakdown may be subject to significant revisions over time, after more reliable information is available for the statistical office. What we consider particularly surprising is the weakness of consumption – we find it

GDP and its components, % y/y



Source: GUS, Santander

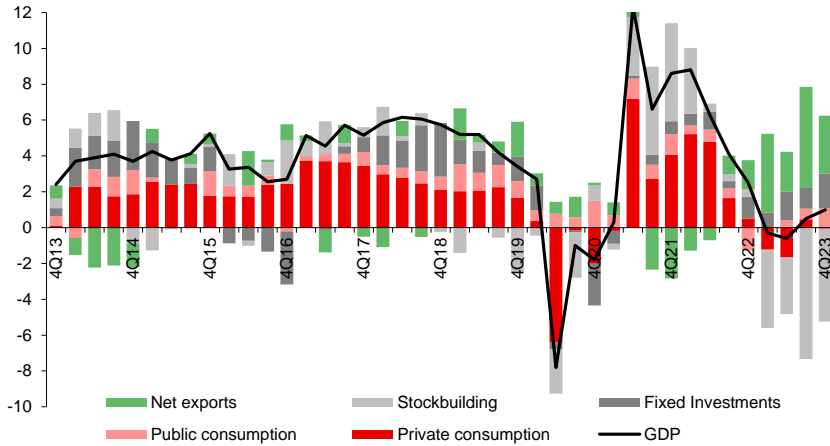
Departament Analiz Ekonomicznych:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 www: santander.pl/serwis-ekonomiczny
 Piotr Bielski 691 393 119
 Bartosz Białas 517 881 807
 Cezary Chrapek, CFA 887 842 480
 Marcin Luziński 510 027 662
 Grzegorz Ogonek 609 224 857

hard to explain this such a low result amid improvement of households' real incomes and high consumer confidence indicators.

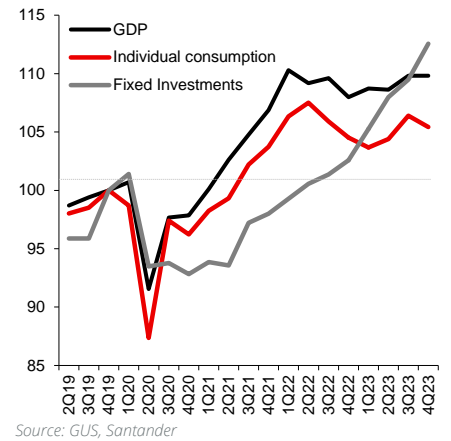
Overall, the data do not bring too much new to the picture of economic situation that we already had and thus do not change our expectations about the economic outlook.

GDP growth and its components (% y/y)



Source: GUS, Santander

GDP and its components, s.a. 4Q19=100



Source: GUS, Santander

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division. Economic Analysis Department. al. Jana Pawła II 17. 00-854 Warsaw, Poland. phone +48 22 534 18 87. email ekonomia@santander.pl. http://www.santander.pl.