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Economic Comment

Economy back on upward track

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According to the preliminary estimate, GDP increased by 2.9% in 2024, confirming our claim that the unexpected economic slowdown in 3Q24 was temporary, and the end of the year brought a renewed growth revival. We estimate that in 4Q24, GDP growth accelerated to approximately 3.5% y/y and to at least 1.5% q/q in seasonally-adjusted terms. We still assume that in 2025 the economy will advance by more than 3%, mainly driven by a moderate increase in consumption and by an accelerating investment growth.

Poland's GDP rose 2.9% in 2024, slightly more than expected (our forecast and Bloomberg consensus at 2.8%).

Such a result implies that GDP growth in 4Q24 must have accelerated well above 3% y/y (assuming no revisions of the first three quarters of the year), probably to somewhere between 3.3% and 3.7% y/y. The wide range results from inaccuracy of rounding. For our baseline scenario, we provisionally assume that growth in 4Q24 was equal to the midpoint of this range, i.e. 3.5% y/y. The flash GDP reading for 4Q24 will be released on 13 February. We estimate that such growth would be consistent with an increase by 1.5% q/q after seasonal adjustment, though in this case, the possible inaccuracy is even greater.

Private consumption rose in 2024 by 3.1% and fixed investments by 1.3%, both also higher than we anticipated. Based on these results, we estimate that consumption growth accelerated in 4Q to c. 3.3% y/y, and investment growth to c. 0.8% y/y. Net exports reduced GDP growth over the whole 2024 by a bit below 1 percentage point, similarly as in 4Q. The contribution of inventories to the result for the whole year stood at c. 0.5 pp, and in the case of the 4Q, at almost 2 pp.

To sum up, preliminary GDP data are optimistic, confirming our claim that the weakness in domestic demand seen in 3Q24 (when GDP growth unexpectedly slowed down to 2.7% y/y, and consumption and investments stalled to almost zero) was a random disruption in a generally positive trend, which should continue in the coming quarters. Moreover, it cannot be ruled out that subsequent data will bring a revision of the results from 3Q24, leading to the conclusion that the decline in activity in this period was not as significant as previously reported. We still assume that in 2025 the economy will advance by more than 3%, mainly driven by a moderate increase in consumption and by an accelerating investment growth.

From the point of view of economic policy, data on solid GDP growth based on domestic demand should be encouraging for the finance ministry, as it increases chances for a stronger rise in tax revenues. For the central bank, this will probably be one of the arguments not to rush into easing monetary policy, which supports our expectation that rate cuts should not start earlier than in July this year.

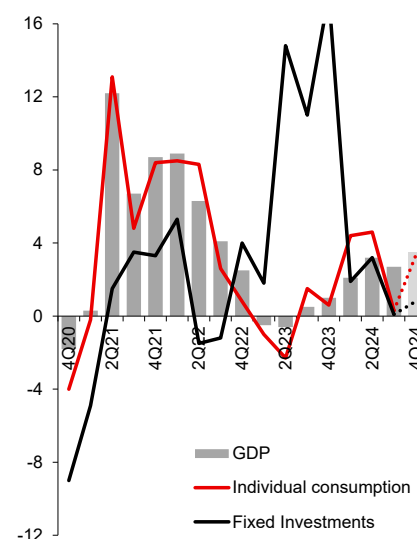
GDP growth and its components (% y/y)

	2023	2024	4Q23	1Q24	2Q24	3Q24	4Q24**
GDP	0.1	2.9	1.0	2.1	3.2	2.7	3.5
Domestic demand	-3.1	4.1	-1.3	2.3	4.8	4.4	4.6
Total consumption	0.7	4.0	3.1	5.4	6.2	1.3	3.4
Private consumption	-0.3	3.1	0.6	4.4	4.6	0.3	3.3
Public consumption	4.0	6.9	9.8	9.4	11.5	4.5	3.5
Gross accumulation	-16.5	4.3	-12.1	-15.3	-1.8	20.0	8.3
Fixed investment	12.6	1.3	17.6	1.9	3.2	0.1	0.8
Stock building *	-5.7	0.5	-7.2	-2.4	-0.8	3.1	1.8
Net export *	3.2	-0.9	2.3	0.0	-1.3	-1.3	-0.9

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

Source: GUS, Santander

Polish GDP growth, % y/y

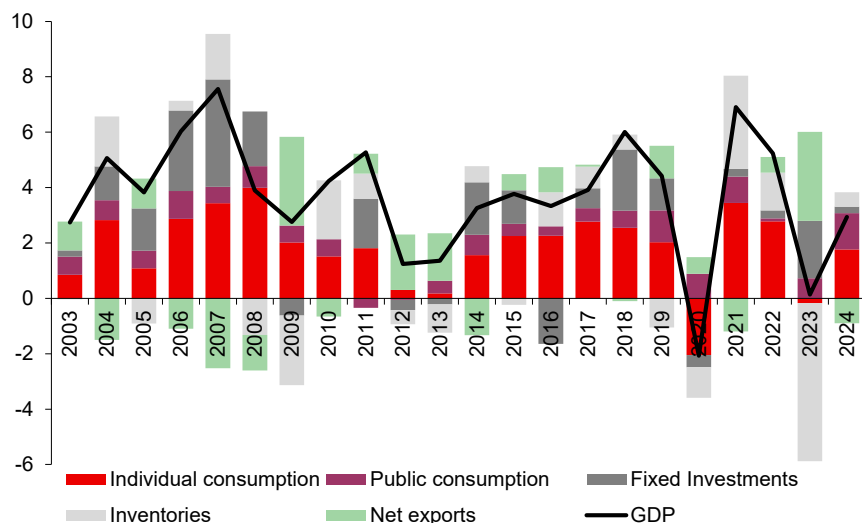


Source: GUS, Santander

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



Source: GUS, Santander

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