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## Economic Comment

### Consumption and investment growth recovery in 4Q

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The stats office confirmed its estimate of GDP growth in 4Q24 at 3.2% y/y and 1.3% q/q on a seasonally adjusted basis, also in line with preliminary calculations. Private consumption and investment growth accelerated to 3.5% and 1.3% y/y respectively, even slightly more than we had expected. Domestic demand grew by 4.8%, while net exports lowered GDP growth by 1.3pp. We see today's data as a strong confirmation of our scenario that the Polish economy is on a trajectory of over 3% economic growth, with solid domestic demand providing a good protection against external weakness. We expect GDP growth in 2025 at around 3.5%, with consumption growth remaining moderate (close to 3%) and investment accelerating significantly (towards 10% y/y by the end of the year).

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The breakdown of growth turned out to be similar to our expectations and even slightly better, showing accelerating private consumption growth to 3.5% y/y and investment growth to 1.3% y/y. On a quarter-on-quarter seasonally-adjusted basis, this represents increases of 1.4% and 1.0% respectively, more than offsetting the declines in these categories recorded in 3Q24. Domestic demand rose by 4.8% y/y, public consumption by 3.0% y/y, inventories added 1.8 percentage points to GDP growth and the contribution of net exports was -1.3 percentage points.

#### 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	3.2
Domestic demand	-3.1	4.1	-1.3	2.3	4.8	4.4	4.8
Total consumption	0.7	4.0	3.1	5.4	6.2	1.3	3.3
Private consumption	-0.3	3.1	0.6	4.4	4.6	0.3	3.5
Public consumption	4.0	6.7	9.8	9.4	11.5	4.5	3.0
Gross accumulation	-16.5	4.6	-12.1	-15.3	-1.8	20.0	9.2
Fixed investment	12.6	1.5	17.6	1.9	3.2	0.1	1.3
Stock building *	-5.7	0.5	-7.3	-2.4	-0.8	3.2	1.8
Net export *	3.2	-1.0	2.3	0.0	-1.3	-1.5	-1.3

\* contribution to GDP growth (percentage points)

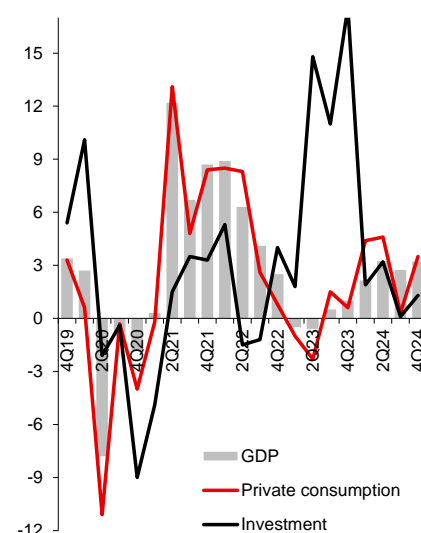
Source: GUS, Santander

Overall, we see the data as a strong confirmation of our scenario, which assumes that the Polish economy's growth will remain above 3%, with solid domestic demand providing a good protection against external weakness. We expect GDP growth to reach c. 3.5% in 2025, with consumption growth remaining moderate (close to 3%) and investment accelerating significantly (towards 10% y/y by the end of the year).

A slightly better-than-anticipated investment result in 4Q24 and a much better-than-forecast construction output result in January indicate, in our view, upside risks to our investment forecast (at nearly 7% for the whole 2025). However, at the same time, we hold back from raising our GDP forecasts due to the lingering concern about prolonged economic stagnation of our main trading partners. The risks in this regard are not diminishing, not least because of the risk of escalating tariff wars with the US, the economic effects of which may emerge in the second half of the year.

Moreover, the recent marked appreciation of the zloty is adding to concerns about the prospects for Polish exports. According to a research conducted by the National Bank of Poland some years ago, the impact of the exchange rate on Polish exports is not particularly strong - a 1% appreciation of the zloty's real effective exchange rate, lasting for four

GDP and its components, % y/y



Source: GUS, Santander

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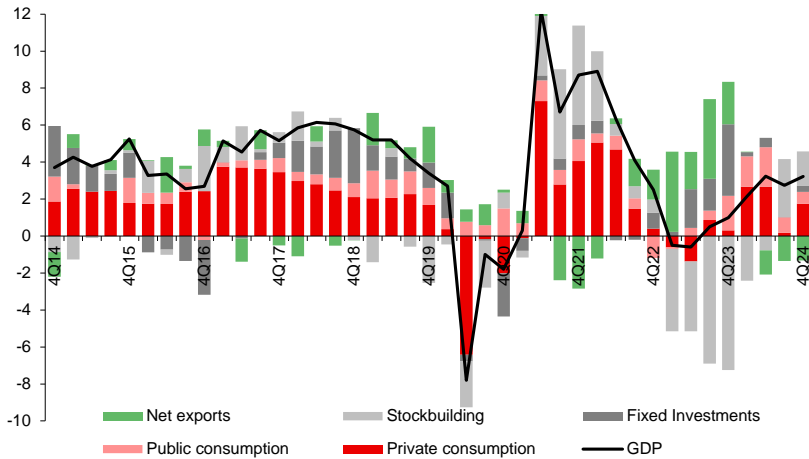
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quarters, reduces the export growth by 0.15 percentage points. This means that an appreciation of c.5% (more or less the scale we have seen since the beginning of the year), if sustained, may weaken the export growth rate by about 1 percentage point. This will affect various sectors to varying degrees, most severely damaging the ones that are not import-intensive and which manufacture products with a low degree of processing. In terms of direction, this is a factor that may worsen rather than improve the GDP outlook, and the magnitude of its impact will depend on the further behaviour of the currency.

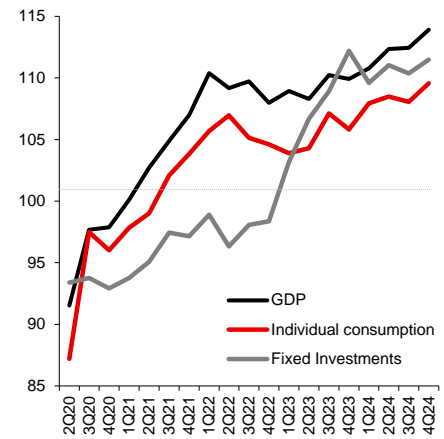
**GDP growth and its components (% y/y)**



Source: GUS, Santander

The gross value added increased by 2.1% y/y in 4Q24, slightly less than in 3Q (2.3% y/y) and 2Q (2.2% y/y). The rebound in private consumption was mirrored on the supply side of GDP by an improvement in the value added of the trade and repair sector, 2.5% y/y in 4Q, coming after a 1.2% y/y decline in 3Q and with increases exceeding 4% in the first half of last year. Transport and storage again showed growth of 5.8% y/y. The systematic but gradual acceleration in industry continued, with value added growth of 1.6% y/y in 4Q against 0.2% y/y at the beginning of last year. On the other hand, the performance of construction deteriorated significantly (-7.7% y/y in 4Q, -3.0% y/y in 3Q). The food and accommodation sector saw a 3.6% y/y increase in value added (previously 3.7% y/y). The other service sectors combined grew by 3.9% y/y after 4.5% in 3Q and 4.0-4.1% in 1H24.

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



Source: GUS, Santander

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